

VEGA GR LIMITED
GROUP REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019



VEGA GR LIMITED

DIRECTORS AND OFFICERS

DIRECTORS

W K Procter
C C McGill
P A Hallam
M D Watson

SECRETARY

D T Lau

REGISTERED OFFICE

Berkeley House
304 Regents Park Road
London
N3 2JX

AUDITOR

RSM UK Audit LLP
Chartered Accountants
3rd Floor
One London Square
Cross Lanes
Guildford
Surrey
GU1 1UN

VEGA GR LIMITED

DIRECTORS' REPORT

The directors present their report together with the audited financial statements for the year ended 31 December 2019.

Principal activity

The principal activity of the Company during the year was that of acting as a holding Company for subsidiary companies engaged in property investment. The principal activity of the Group during the period was that of property investment. The Company's first acquisition took place on 12 August 2019, prior to that the Company was dormant. The results shown in the consolidated statement of comprehensive income therefore represent the period from 12 August 2019 to 31 December 2019.

Results and dividends

The consolidated statement of comprehensive income is set out on page 7 and shows the results for the period from acquisition of the group's first subsidiary undertaking to 31 December 2019. The group's profit for the year amounted to £33,513,968 (unaudited 2018: £Nil). The directors do not recommend the payment of a dividend for the current year and no dividend was paid in the prior year.

Business review and future developments

During the year, the company acquired a number of property investment companies and property portfolios from third parties and related parties.

The directors are satisfied with the financial position of the group and company at the year end.

The directors do not expect there to be significant future developments which could adversely impact the business however notice should be taken of the potential legislative changes disclosed in the critical accounting estimates and assumptions section of note 1.12.

As more fully set out in the post balance sheet events note on page 31, in July 2020 and December 2020 the company acquired a number of property investment companies from related parties and from a third party.

Investment properties

The group's investment properties have been valued at £930,232,828 (unaudited 2018: £Nil). The valuations of the investment properties at the date of acquisition and at the year-end were performed by an independent actuarial firm. The fair value gain recorded in the statement of comprehensive income in the year amounted to £42,995,127 (unaudited 2018: £Nil). Details of the investment properties are set out in note 8.

Public pledge for leaseholders

In June 2019 a number of residential real estate developers and freeholders, of which the company was a party, signed a government-backed public pledge in relation to leaseholders. This pledge is a crucial step towards positive change in the residential leasehold market and reflects our commitment to promoting good practice. The company's appointed agent Estates & Management Limited, a company related by virtue of common control and directors, also signed this pledge.

The pledge sets out a number of principles which will assist existing and future leaseholders in ensuring the leasehold system is as fair and transparent as possible. It also includes undertakings to work with other freeholders and stakeholders to develop a comprehensive Code of Practice which establishes the responsibilities of freeholders and enshrines the highest standards for the management and maintenance of properties.

Directors

The following directors have held office during the year:

P A Hallam (appointed 10th July 2019)

W K Procter

C C McGill

M D Watson (appointed 22nd February 2021)

DIRECTORS' REPORT (continued)

Statement of directors' responsibilities

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and the company and of the profit or loss of the group for that period.

In preparing those financial statements, the directors are required to:

- a. select suitable accounting policies and then apply them consistently;
- b. make judgements and accounting estimates that are reasonable and prudent;
- c. prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and the company's transactions and disclose with reasonable accuracy at any time the financial position of the group and the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the group and the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement as to disclosure of information to auditor

The directors who were in office on the date of approval of these financial statements have confirmed that, as far as they are aware, there is no relevant audit information of which the auditor is unaware. The directors have confirmed that they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

Insurance of Officers

The group has maintained insurance throughout the year for its directors and officers against the consequences of actions which may be brought against them in relation to their duties for the group.

Auditor

The auditor, RSM UK Audit LLP, Chartered Accountants, has indicated its willingness to continue in office.

This report has been prepared in accordance with the provisions applicable to companies entitled to the small companies exemption. The directors have also taken the available exemption from the requirement to prepare a Strategic Report.

On behalf of the Board:



P A Hallam
Director

24/3/

2021

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VEGA GR LIMITED

Opinion

We have audited the financial statements of Vega GR Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2019 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Company Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Company Statement of Changes in Equity, the Consolidated Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2019 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter – Valuation of investment properties

We draw attention to the disclosures made in the accounting policies on page 14 and in note 8 to the financial statements concerning the fair values of the Group's investment properties which were acquired in the year and which at 31 December 2019 were valued on an actuarial basis by a firm of independent actuaries. The investment properties are included in the financial statements at 31 December 2019 at a value of £930.2m. The change in valuation of £43m is attributable to changes in the variable inputs to the actuarial valuation model between the date of acquisition and 31 December 2019. The other reserve arises principally from the uplift in investment property value on the date of acquisition when the group's actuarial valuation methodologies were first applied, see notes 1.4, 14 and 17. As indicated in the notes, considerable volatility is expected to exist in these valuations as detailed in note 8 where the impact of changes in the underlying assumptions are detailed. Our opinion is not modified in respect of this matter.

Other matter – Prior period financial statements not audited

The company was exempt from audit in the year ended 31 December 2018 and consequently the corresponding company figures are unaudited.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VEGA GR LIMITED (continued)

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report or in preparing the directors' report.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VEGA GR LIMITED (continued)

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Colin Roberts FCA (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
3rd Floor
One London Square
Cross Lanes
Guildford
Surrey
GU1 1UN

26/3/ 2021

VEGA GR LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 £	Unaudited 2018 £
Turnover	2	4,041,198	-
Administrative expenses		(530,286)	-
Operating Profit		<u>3,510,912</u>	<u>-</u>
Loss on sale of investment property		(461,931)	-
Fair value gain on investment property	8	42,995,127	-
Interest payable and similar expenses	3	(9,827,098)	-
Interest receivable and similar income	4	2,082,043	-
Profit before taxation	5	<u>38,299,053</u>	<u>-</u>
Taxation	7	(4,785,085)	-
Profit for the financial year		<u><u>33,513,968</u></u>	<u><u>-</u></u>

The results shown in the Consolidated Statement of Comprehensive Income cover the period from acquisition of the group's first trading subsidiary on 12 August 2019 to 31 December 2019.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2019

	Notes	2019 £	Unaudited 2018 £
Fixed assets			
Investment properties	8	930,232,828	-
Current assets			
Debtors due within one year	10	1,629,549	100
Cash at bank and in hand		8,158,772	-
		<u>9,788,321</u>	<u>100</u>
Creditors: amounts falling due within one year	11	(4,404,862)	-
Net current assets		<u>5,383,459</u>	<u>100</u>
Total assets less current liabilities		<u>935,616,287</u>	<u>100</u>
Creditors: amounts falling due in more than one year	12	(236,153,319)	-
Provisions for liabilities	13	(141,679,001)	-
Net assets		<u>557,783,967</u>	<u>100</u>
Capital and reserves			
Called up share capital	14	100	100
Other reserve	14	524,269,899	-
Profit and loss account	14	33,513,968	-
Total equity		<u>557,783,967</u>	<u>100</u>

The financial statements on pages 7 to 31 were approved by the board of directors and authorised for issue on 24/3/ 2021 and are signed on its behalf by:



P A Hallam
Director

COMPANY STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2019

	Notes	2019 £	Unaudited 2018 £
Fixed assets			
Investments	9	625,285,827	-
Current assets			
Debtors due within one year	10	141,567,320	100
Cash at bank and in hand		8,158,771	-
		<u>149,726,091</u>	<u>100</u>
Creditors: amounts falling due within one year	11	(10,313,946)	-
Net current assets		<u>139,412,145</u>	<u>100</u>
Total assets less current liabilities		<u>764,697,972</u>	<u>100</u>
Creditors: amounts falling due in more than one year	11	(236,153,319)	-
Provisions for liabilities	13	(97,675,524)	-
Net assets		<u>430,869,129</u>	<u>100</u>
Capital and reserves			
Called up share capital	14	100	100
Revaluation reserve		476,886,379	-
Profit and loss account		(46,017,350)	-
Total equity		<u>430,869,129</u>	<u>100</u>

The company's loss for the year and total comprehensive income for the year were (£46,017,350) and £430,869,029 (unaudited 2018: £Nil and £Nil) respectively.

The financial statements on pages 7 to 31 were approved by the board of directors and authorised for issue on 24/3/2021 and are signed on its behalf by:



P A Hallam
Director

VEGA GR LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital £	Profit and loss account £	Other reserve £	Total £
Balance at 1 January & 31 December 2018 (unaudited)	100	-	-	100
Profit for the year and total comprehensive income	-	33,513,968	-	33,513,968
Transactions with owners in their capacity as owners:				
Other reserves recognised on business combination	-	-	524,269,899	524,269,899
Balance at 31 December 2019	<u>100</u>	<u>33,513,968</u>	<u>524,269,899</u>	<u>557,783,967</u>

COMPANY STATEMENT OF CHANGES IN EQUITY

	Share capital £	Profit and loss account £	Revaluation reserve £	Total £
Balance at 1 January & 31 December 2018 (unaudited)	100	-	-	100
Loss for the year and total comprehensive income	-	(46,017,350)	-	(46,017,350)
Other comprehensive income, net of tax: - Fair value gain on subsidiary investments	-	-	476,886,379	476,886,379
Balance at 31 December 2019	<u>100</u>	<u>(46,017,350)</u>	<u>476,886,379</u>	<u>430,869,129</u>

VEGA GR LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 £	Unaudited 2018 £
OPERATING ACTIVITIES			
Cash used in operations	15	(100,608,695)	-
Interest paid		(5,003,067)	-
Tax paid		(26,152)	-
NET CASH USED IN OPERATING ACTIVITIES		<u>(105,637,914)</u>	<u>-</u>
INVESTING ACTIVITIES			
Acquisition of subsidiaries		(50,723,700)	-
Purchase of investment properties		(14,144,361)	-
Disposal of investment properties		21,312,983	-
NET CASH USED IN INVESTING ACTIVITIES		<u>(43,555,078)</u>	<u>-</u>
FINANCING ACTIVITIES			
Proceeds of new borrowings		208,979,476	-
Repayments of borrowings		(51,627,712)	-
NET CASH FROM FINANCING ACTIVITIES		<u>157,351,764</u>	<u>-</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS		8,158,772	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		-	-
CASH AND CASH EQUIVALENTS AT END OF PERIOD		<u><u>8,158,772</u></u>	<u><u>-</u></u>

All amounts shown in cash at bank and in hand are restricted, and payments are not able to be made without the prior approval of the secured lender.

1. Accounting policies

Company information

Vega GR Limited is a private company limited by shares, domiciled and incorporated in England. The address of the company's registered office and principal place of business is Berkeley House, 304 Regents Park Road, London, N3 2JX. The principal activity of the company during the year was that of acting as a holding company for subsidiary companies engaged in property investment.

1.1 Basis of accounting

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006, including the provisions of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, and under the historical cost convention as modified to include the revaluation of investment properties and investments in subsidiaries.

With effect from 1 January 2019 the company has adopted the amendments to FRS 102 published in the Triennial Review 2017. There are no adjustments to the current or comparative period in relation to this amendment.

1.2 Company reduced disclosure

In accordance with FRS 102, the company has taken advantage of the exemptions from the following disclosure requirements;

- Section 4 'Statement of Financial Position' – Reconciliation of the opening and closing number of shares;
- Section 7 'Statement of Cash Flows' – Presentation of a Statement of Cash Flow and related notes and disclosures;
- Section 33 'Related Party Disclosures' – Compensation for key management personnel.

1.3 Company statement of comprehensive income

As permitted by s408 Companies Act 2006, the company has not presented its own statement of comprehensive income. The company's loss for the year and total comprehensive income for the year were £46,017,350 and £430,869,029 (unaudited 2018: £Nil and £Nil respectively).

1.4 Basis of consolidation

The consolidated financial statements include those of the company and its subsidiaries (i.e. entities that the group controls through its power to govern the financial and operating policies so as to obtain economic benefits). Subsidiaries acquired are consolidated using the acquisition method. Their results are incorporated from the date that control passes. All financial statements are made up to 31 December 2019.

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

1.4 Basis of consolidation (continued)

The cost of a business combination is the fair value at the acquisition date, of the assets given, equity instruments issued and liabilities incurred or assumed, plus directly attributable costs.

The excess of the cost of a business combination over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recognised as goodwill. Negative goodwill arises when the cost of a business combination is less than the fair value of the interest in the identifiable assets, liabilities and contingent liabilities acquired. Where negative goodwill arises as a result of a group reconstruction and where the merger accounting method is not permitted, the amount is recognised as an other reserve within equity on the basis that the gain is, in substance, a capital contribution and the directors consider that it would not be appropriate to recognise such a gain in the statement of comprehensive income.

1.5 Going concern

In preparing the accounts on the going concern basis the directors have given consideration to the group and the company's result for the year and the group and the company's net asset position.

The directors have taken into account the potential legislative changes disclosed in the critical accounting estimates and assumptions section of note 1.12 and believe that the group has adequate financial resources to continue as a going concern for a period of one year from the date of signing the financial statements. This is on the grounds that the group is a party to a 61 year fully amortising facility. There are reserves in place to ensure that the necessary liquidity is retained in the structure so that funds are available to meet debt service liabilities as they fall due for the twelve months from which these financial statements are approved. During the year, there was an additional drawdown of £28.0m on the loan facility, which is amortised based on the original loan term of 61 years from 2019.

For the reasons disclosed in the post balance sheet events note on page 31 the directors do not believe the COVID-19 pandemic will have an impact on the group's ability to continue as a going concern.

1.6 Functional and presentational currencies

The financial statements are presented in sterling which is also the functional currency of the company.

1.7 Turnover

Turnover comprises rent receivable and other income arising from investment properties. Deed of variation fee income is recognised at the point that the underlying leases are varied.

Rental income is recognised in accordance with the terms of the lease. Inflationary uplifts to rental income are recognised when received. Non-inflationary uplifts are also recognised when received as the directors are of the opinion that to recognise the impact of those uplifts on a straight line basis over such long term leases (up to 999 years) would not give a true and fair view as the period between recognition and actual collection would be of sufficient length to cause uncertainty over the value to be collected.

Turnover is recognised at the fair value of the consideration received or receivable for rental income charged to external customers in the ordinary nature of the business. Turnover is shown net of value added tax.

VEGA GR LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

1.8 Investment properties

The group's holding of freehold reversionary interests are classified as investment properties and are initially measured at cost and subsequently measured at fair value where a reliable measure of fair value is available without undue cost or effort. Changes in fair value are recognised in the statement of comprehensive income.

These assets represent interests held in the freehold land on which third party developers have built and sold long leasehold properties. As such these assets generate income in the form of annual ground rents along with other ancillary fixed income streams.

Recognising the nature of these investment properties and the lack of a regular market for significant portfolios of such assets, the directors are of the opinion that the best approximation to fair value for these properties is provided by a discounted cash flow valuation of the income streams generated by these assets. Freehold reversionary interests have been valued based on an actuarial valuation carried out by a leading firm of third-party actuarial consultants.

The directors also recognise, given the lack of a regular market for such significant portfolios of assets, that these fair values may not be realised should the company seek to dispose of any or all of the investment properties in a short period of time.

Further details are given in note 8.

1.9 Investments

In the separate accounts of the company, investments in subsidiaries are initially measured at the cost of acquisition and subsequently measured at fair value. Changes in fair value are recognised in other comprehensive income.

The fair value of investments in subsidiary undertakings is measured having regard to the net asset value of those subsidiaries. The subsidiary undertakings are predominantly investment property companies and the properties are valued in accordance with the accounting policy stated above and using assumptions and valuation methodologies as set out in note 8. The directors therefore believe this is a suitable approximation to fair value while recognising that these fair values may not be realised should the company seek to dispose of any or all of its investments in a short time.

1.10 Taxation

The tax expense represents the sum of the current tax expense and deferred tax expense. Current tax assets are recognised when tax paid exceeds the tax payable.

Current tax is based on taxable profit for the year. Taxable profit differs from profit for the financial year because it excludes items of income or expense that are taxable or deductible in other periods. Current tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates that have been enacted or substantively enacted by the reporting date.

1.10 Taxation (continued)

Deferred tax liabilities are recognised in respect of all timing differences that exist at the reporting date. Timing differences are differences between taxable profits and profit before taxation that arise from the inclusion of income and expenses in tax assessments in different periods from their recognition in the financial statements. Deferred tax assets are recognised only to the extent that it is probable that they will be recovered by the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is recognised on income or expenses from subsidiaries that will be assessed to or allowed for tax in a future period except where the group is able to control the reversal of the timing difference and it is probable that the timing difference will not reverse in the foreseeable future.

Deferred tax is recognised on differences between the value of assets (other than goodwill) and liabilities recognised in a business combination and the amounts that can be deducted or assessed for tax. The deferred tax recognised is adjusted against goodwill.

For non-depreciable assets measured using the revaluation model and investment properties measured at fair value (except investment property with a limited useful life held by the group to consume substantially all of its economic benefits), deferred tax is measured using the tax rates and allowances that apply to the sale of the asset or property.

Current and deferred tax is charged or credited in the statement of comprehensive income, except when it relates to items charged or credited to other comprehensive income or equity, when the tax follows the transaction or event it relates to and is also charged or credited to other comprehensive income, or equity.

Current tax assets and current tax liabilities and deferred tax assets and deferred tax liabilities are offset, if and only if, there is a legally enforceable right to set off the amounts and the entity intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

1.11 Financial instruments

The group has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102, in full, to its financial instruments.

Financial assets and financial liabilities are recognised when the company becomes a party to the contractual provisions of the instrument, and are offset only when the company currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial assets

Debtors

Debtors which are receivable within one year and which do not constitute a financing transaction are initially measured at the transaction price. Debtors are subsequently measured at amortised cost, being the transaction price less any amounts settled and any impairment losses.

1.11 Financial instruments (continued)

Financial liabilities and equity

Financial instruments are classified as liabilities and equity instruments according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Equity instruments

Financial instruments classified as equity instruments are recorded at the fair value of the cash or other resources received or receivable, net of direct costs of issuing the equity instruments.

Creditors

Creditors payable within one year that do not constitute a financing transaction are initially measured at the transaction price and subsequently measured at amortised cost, being the transaction price less any amounts settled.

Borrowings

Borrowings are initially recognised at the transaction price, including transaction costs, and subsequently measured at amortised cost using the effective interest method. Interest expense is recognised on the basis of the effective interest method and is included in interest payable and other similar charges.

Derecognition of financial assets and liabilities

A financial asset is derecognised only when the contractual rights to cash flows expire or are settled, or substantially all the risks and rewards of ownership are transferred to another party, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party. A financial liability (or part thereof) is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

1.12 Critical accounting estimates and areas of judgement

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

In preparing these financial statements, the directors have made estimates and assumptions concerning the future. The resulting accounting estimates and assumptions will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

1.12 Critical accounting estimates and areas of judgement (continued)

Critical accounting estimates and assumptions (continued)

Investments

In the separate accounts of the company, the valuation of investments in subsidiaries is at fair value.

The valuation of investments in subsidiaries is inherently linked to the value of the underlying assets held by these subsidiaries. The valuation of these underlying assets is based on assumptions which may be affected by the potential changes in legislation discussed below, such that the underlying assumptions are no longer valid. The likelihood and impact of these legislative changes are too uncertain to enable the directors to reasonably estimate their impact on the asset valuation. Given this uncertainty, it is assumed that net asset value of the subsidiaries continues to represent the fair value of the investments held in subsidiaries holding these assets.

Valuation of investment properties

A key accounting estimate in preparing these financial statements relates to the fair value of the investment properties. In the current year an external professional actuarial valuation has been used as the basis for the fair value of investment properties. However, the valuation of the group's investment properties is inherently subjective, as it is made on the basis of valuation assumptions which may in future prove not to be accurate, the risk of which is heightened due to the potential legislative changes noted below.

The Government, through the Ministry for Housing, Communities and Local Government (MHCLG) and the Law Commission, have undertaken a series of consultations on and reviews of the residential property market with a focus on the legal framework surrounding the freehold and leasehold classes of property interests. In January 2021, an announcement was released by the MHCLG on a number of proposed changes to the law governing leasehold enfranchisement. These proposals, which have not yet been enacted, include changes to the rights of leaseholders in relation to leasehold extensions and freehold purchases as well as changes to the manner in which ground rent would subsequently be determined. The implementation of legislative changes arising from these reforms could materially reduce the level of income generated by the portfolio of investment properties.

The directors are of the view that the proposed changes would be very damaging to the residential property market and against the interests of consumers and other property owners. The directors have engaged actively in the consultations and with other stakeholders and interested parties in order to convey the group's opposition to the current proposals. Recent public announcements by government and in the Law Commission's report have recognised that any proposals to make wholesale reforms retrospectively pose real problems with respect to the contravention of human rights legislation. As such directors' expectation of the impact of reforms will be greatest for future leases and not those already in existence, which will reduce the financial impact on freeholders.

The Competitions and Markets Authority (CMA) is reviewing potential breaches of consumer protection law in the leasehold market. This review is ongoing and covers developers and investment firms, including the group. The group is cooperating with the CMA. On 19 March 2021 the CMA issued consultation letters to two developers outlining the CMA's specific concerns about the terms that double ground rents every 10 or 15 years. The group is already working with leaseholders to vary such lease terms to RPI based review calculations. A significant number of such leases across the group have already been varied in this way.

An intrinsic element of the long-term forecasts is the continuing rental income and lease extension premiums generated by the property assets held by the group. The potential legislative changes raised above may affect these forecasts to the extent that the underlying assumption is no longer valid.

Similarly, the group's debt service requirements are primarily dependent upon this continuing rental income and these potential legislative changes, if introduced in their current form, could affect the group's ability to meet its obligations in the long term.

VEGA GR LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

1.12 Critical accounting estimates and areas of judgement (continued)

Critical accounting estimates and assumptions (continued)

Valuation of investment properties (continued)

However, the financial consequences of any changes are too uncertain to enable the directors to reasonably estimate the impact of such changes on their forecasts. It is assumed that the current methodology continues to represent a fair value of these assets and that the ability to meet the long-term obligations is not compromised.

Further details of the valuation of the investment property are set out in note 8.

Current taxation

In arriving at the tax charge for the year the directors have been required to consider legislation introduced by HMRC in respect of Corporate Interest Restrictions and restrictions on the use of losses from 1 April 2017.

These rules are complex and may have a material impact on the group's tax charge. The directors have assumed that no restriction arising from the corporate interest restriction will be applied within the Turing GR Limited group.

Whilst the directors believe their assumptions to be reasonable, the complex nature of the rules and their impact on the wider Euro Investments Overseas Incorporated group could mean the assumptions prove to be inaccurate.

Deferred taxation

Deferred tax liabilities are assessed on the basis of assumptions regarding the future, the likelihood that assets will be realised and liabilities will be settled, and estimates as to the timing of those future events and as to the future tax rates that will be applicable.

2. Turnover

An analysis of the group's turnover by class of business is as follows:

	2019 £	Unaudited 2018 £
Rent receivable	1,258,971	-
Other operating income	958,737	-
Deed of variation fee and legal fee income	1,823,490	-
	<u>4,041,198</u>	<u>-</u>

The total turnover of the group for the year has been derived from its principal activity wholly undertaken in the United Kingdom.

During the year the group began the process of varying leases with "10-year doubling" rental uplift clauses to rental uplifts every 10 years calculated by reference to the RPI.

VEGA GR LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

3. Interest payable and similar expenses

	2019	Unaudited
	£	2018
		£
Interest payable on secured loan	4,820,399	-
Other interest payable	3,067	-
Amortisation of finance costs	3,632	-
Finance cost	5,000,000	-
	<u>9,827,098</u>	<u>-</u>

The finance costs represent a release fee from previous financing arrangements, payable to the previous lenders to subsidiary companies acquired.

4. Interest receivable and similar income

	2019	Unaudited
	£	2018
		£
Related party interest receivable	2,082,043	-
	<u>2,082,043</u>	<u>-</u>

5. Profit before taxation

	2019	Unaudited
	£	2018
		£
The profit before taxation is stated after charging:		
Auditor's remuneration:		
- Statutory audit of the company and consolidated accounts	30,000	-
- Audit of subsidiaries	153,978	-
	<u>183,978</u>	<u>-</u>

6. Employees

There were no employees of the group and company during the period other than the directors (unaudited 2018: Nil). The directors, who are also considered to be key management, are remunerated by the related party Fairhold Services Limited and this is recharged to the company as part of the management charge from Estates & Management Limited. This management charge which in 2019 amounted to £258,660 (unaudited 2018: £Nil) also includes a recharge of administration costs borne by Fairhold Services Limited on behalf of the group and it is not possible to identify separately the amount relating to the directors' remuneration.

VEGA GR LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

7. Taxation

	2019 £	Unaudited 2018 £
Current tax		
Prior year over provision	(1,226,922)	-
Total current tax	<u>(1,226,922)</u>	<u>-</u>
Deferred tax:		
Movement on potential chargeable gain	6,012,007	-
Total deferred tax	<u>6,012,007</u>	<u>-</u>
Total tax on profit	<u><u>4,785,085</u></u>	<u><u>-</u></u>

Factors affecting the tax charge for the year.

The tax assessed for the year is lower than the effective rate of corporation tax in the UK 19% (2018: 19%). The differences are explained below:

	2019 £	Unaudited 2018 £
Profit before tax	38,299,053	-
Profit multiplied by the effective rate of corporation tax in the UK of 19% (2018: 19%).	7,276,820	-
Effects of:		
Effect of movement in value of investment properties	(8,169,074)	-
Adjustments for prior periods	(1,226,922)	-
Chargeable gain transferred to related party	(168,582)	-
Movements in deferred tax on investment properties	6,012,007	-
Losses carried forward	552,582	-
Group relief surrender	256,190	-
Other timing differences	252,064	-
Tax expense	<u><u>4,785,085</u></u>	<u><u>-</u></u>

The group has estimated non-trading losses of £2.9m (unaudited 2018: £Nil), available to carry forward against future profits. No deferred tax asset has been recognised in respect of these losses due to uncertainty of recovery.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

8. Investment properties

	Freehold reversionary interests	
	2019	Unaudited 2018
	£	£
Fair Value		
As at 1 January (unaudited)	-	-
Additions on acquisitions of subsidiaries	894,867,754	-
Additions	14,144,361	-
Disposals	(21,774,414)	-
Fair value gain	42,995,127	-
As at 31 December	930,232,828	-

The investment properties represent a portfolio of freehold reversionary interests that generate ground rents as the principal income stream.

At 31 December 2019 the investment properties are valued at £930,232,828 (unaudited 2018: £nil).

The investment properties have been valued using an actuarial valuation performed by a leading firm of financial and actuarial consultants as at 31 December 2019. The basis of the independent valuation performed on an actuarial basis was to project risk adjusted income streams generated by the portfolio over 150 years discounted by a risk-free rate of return. The same basis was used to determine the fair value of the investment properties at the date of acquisition.

The principal assumptions used in the independent actuarial valuation were:

RPI basis for inflation assumptions	- implied inflation vector taken from the Bank of England website;
Residential property inflation	- derived from market rental yields as found in the ARLA report and the UK Government gilt curve;
Risk free discount rate	- a series of rates reflecting the UK government gilt curve as applicable to each cashflow date;
Incidence rates for lease extensions and the price charged	- historic rates and FTT valuation;
Taxation	- no allowance has been made for taxation in projecting the future revenue flow;
Leases with "10-year doubling" rental uplift clauses	- all such leases have been rebased to uplift clauses linked to RPI. Expected deed of variation fee receipts will offset reduced rental income.

The input with the most significant impact on the valuation is the discount rate used. Per the 31 December 2019 actuarial valuations, a 50-basis point increase or decrease in this rate reduces or increases the valuation by 28% and 44% respectively.

VEGA GR LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

8. Investment properties (continued)

During the year deed of variation fees have been received of £1,823,490 (unaudited 2018: £Nil) as shown in note 2, for varying certain leases with the "10-year doubling" rental uplift clauses to rental uplifts every 10 years calculated by reference to the RPI. As these amounts included within turnover have now been realised, the future expected income streams which form the basis of the investment property valuation have reduced by these amounts.

If investment properties were stated on a historical cost basis rather than a fair value basis, the amounts would have been included as follows:

	Freehold reversionary interests	
	2019	Unaudited 2018
	£	£
Cost	887,237,701	-
	<u> </u>	<u> </u>

The Group's investment property is subject to a debenture and charge in connection with a guarantee provided by the group in respect of the indebtedness of the holding company and other related parties (see note 16).

9. Investments

Company	Shares in subsidiary undertakings
	£
Fair value	
As at 1 January 2019 (unaudited)	-
Additions	50,723,924
Fair value gain	574,561,903
As at 31 December 2019	<u>625,285,827</u>

Investments are valued in accordance with the accounting policy stated in Note 1.9.

If investments were stated on a historical cost basis rather than a fair value basis the amounts would be included as follows:

	Shares in Subsidiary Undertakings	
	2019	Unaudited 2018
	£	£
Cost	50,723,924	-
	<u> </u>	<u> </u>

VEGA GR LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

The company holds a 100% interest in the ordinary share capital of the following entities:

Name	Nature of business
Vega Holdco 1 Limited (Formerly JLPPT Holdco 1 Limited)	Property investment
Vega Holdco 2 Limited (Formerly JLPPT Holdco 2 Limited)	Property investment
Vega Holdco 3 Limited (Formerly JLPPT Holdco 3 Limited)	Property investment
Vega Holdco 4 Limited (Formerly JLPPT Holdco 4 Limited)	Property investment
Vega Holdco 5 Limited (Formerly JLPPT Holdco 5 Limited)	Property investment
Vega Holdco 6 Limited (Formerly JLPPT Holdco 6 Limited)	Property investment
Lamda GR Limited	Property investment
Fairthatch GR Limited	Property investment
Whitelake Properties Investment Limited	Property investment
Vega Ground Rents No 9 Limited (Formerly E&J Ground Rents No 9)	Holding Company
Vega Ground Rents No 10 Limited (Formerly E&J Ground Rents No 10)	Holding Company
Vega 603 Limited* (Formerly E&J 603 Limited)	Property investment
Vega 1001 Limited* (Formerly E&J 1001 Limited)	Property investment
Vega GR Partner 1 Limited (Formerly Tahoma GR Limited)	Holding Company
Vega GR Partner 2 Limited (Formerly Lucida GR Limited)	Holding Company
Vega Ground Rents No 3 LLP* (Formerly E&J Ground Rents No 3 LLP)	Property investment
Vega Ground Rents No 4 LLP* (Formerly E&J Ground Rents No 4 LLP)	Property investment
Vega Ground Rents No 6 LLP* (Formerly E&J Ground Rents No 6 LLP)	Property investment

* indirectly held

The subsidiary undertakings are incorporated and have their place of business in England. Their registered office is Berkeley House, 304 Regents Park Road, London, N3 2JX.

10. Debtors

	Group 2019 £	Company 2019 £	Unaudited Group 2018 £	Unaudited Company 2018 £
Amounts due within one year:				
Trade debtor	477,438	4,629	-	-
Amounts owed by group undertakings	-	140,869,161	100	100
Prepayments and accrued income	358,015	-	-	-
Other debtors	767,944	693,530	-	-
Tax debtor	26,152	-	-	-
	<u>1,629,549</u>	<u>141,567,320</u>	<u>100</u>	<u>100</u>

There are no fixed terms of repayment of the group loans. There is no interest to be paid on these loans. Despite the loans being repayable on demand it is not the intention for the loans to be repaid within one year.

VEGA GR LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

11. Creditors: amounts falling due within one year	Group 2019 £	Company 2019 £	Unaudited Group 2018 £	Unaudited Company 2018 £
Secured loan	3,054,779	3,054,779	-	-
Amounts owed to group undertakings	-	7,259,167	-	-
Corporation tax	4,809	-	-	-
Accruals and deferred income	1,345,274	-	-	-
	<u>4,404,862</u>	<u>10,313,946</u>	<u>-</u>	<u>-</u>
12. Creditors: amounts falling due in more than one year	Group 2019 £	Company 2019 £	Unaudited Group 2018 £	Unaudited Company 2018 £
Secured loan	210,745,096	210,745,096	-	-
Amounts owed to related parties	25,408,223	25,408,223	-	-
	<u>236,153,319</u>	<u>236,153,319</u>	<u>-</u>	<u>-</u>

The loan is secured on the group's investment properties and is supported by unlimited guarantees given by the subsidiary undertakings who own those properties.

The loan and associated interest charges are repayable by annual instalments in January each year with the final instalment due for repayment in 2080. Instalments are calculated based on 95% of the forecast annual ground rents adjusted for realised RPI collected by the group. An effective interest rate is calculated to amortise the loan over its expected term of 61 years based on projected ground rent cash flows over the term of the loan. Based on current projections the effective interest rate is estimated at 2.31% (unaudited 2018: Nil)

12. Creditors: amounts falling due in more than one year (continued)

The first instalment, payable in January 2020 of £3,054,779 is shown as an amount falling due within one year. The total cash payments expected to be made in years two to five are projected at £12,838,489 (unaudited 2018: £Nil).

The amounts due to related parties is due for repayment in 2085. Interest is charged at a fixed rate of 8%.

VEGA GR LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

13. Provisions for liabilities

Group		Deferred Tax £
1 January 2019 (unaudited)		-
Deferred tax arising on acquisition of subsidiaries		135,666,994
Deferred tax charge		6,012,007
31 December 2019		<u>141,679,001</u>
Provision for deferred tax has been made as follows:		
	2019 £	Unaudited 2018 £
Deferred tax on assets measured at fair value	141,679,001	-

Company		Deferred Tax £
1 January 2019 (unaudited)		-
Increase in provision in the year		97,675,524
31 December 2019		<u>97,675,524</u>
Provision for deferred tax has been made as follows:		
	2019 £	Unaudited 2018 £
Deferred tax arising on assets measured at fair value	97,675,524	-

14. Share capital and reserves

Company share capital		Unaudited 2018 £
	2019 £	
Allotted, issued and outstanding: 100 ordinary shares of £1	100	100

VEGA GR LIMITED**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2019****14. Share capital and reserves (continued)***Ordinary share rights*

The Company's ordinary shares, which carry no right to fixed income, each carry the right to one vote at general meetings of the Company.

The refinancing agreement restricts Vega GR Limited from paying dividends, redeeming any of its own share capital, or from repaying any subordinated debt without approval from the financiers.

Reserves

Reserves of the Group represent the following:

Profit and loss account

Cumulative profit and loss net of distributions to owners.

Other reserve

Reserve arising as a result of the acquisition of a number of subsidiaries when the group was created.

Reserves of the Company represent the following:

Profit and loss account

Cumulative profit and loss net of distributions to owners.

Revaluation reserve

Fair value gains on subsidiary investments net of deferred tax.

15. Reconciliation of profit after tax to net cash generated from operations

	Group 2019 £	Unaudited Group 2018 £
Profit after tax	33,513,968	-
Adjustments for:		
Fair value gains on investment properties	(42,995,127)	-
Interest payable	9,827,098	-
Interest receivable	(2,082,043)	-
Loss on disposal of investment properties	461,931	-
Taxation	4,785,085	-
Operating cash flows before movements in working capital	3,510,912	-
Decrease in debtors	12,840,874	-
Decrease in creditors	(116,960,481)	-
Cash used in operations	(100,608,695)	-

VEGA GR LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

15. Reconciliation of profit after tax to net cash generated from operations (continued)

Consolidated analysis of changes in net debt:

	Unaudited 1 January 2019 £	Non-Cashflow Movements £	Cashflows £	31 December 2019 £
Cash at bank and in hand	-	-	8,158,772	8,158,772
Debt due within 1 year:				
Secured Loans	-	-	3,054,779	3,054,779
Debt due after 1 year:				
Secured loans	-	4,820,399	205,924,697	210,745,096
Amounts owed to related parties	-	25,408,223	-	25,408,223
Net debt	-	30,228,622	217,138,248	247,366,870

16. Guarantees

The Company and its subsidiaries have given an unlimited guarantee in respect of some of the indebtedness. The guarantee is supported by a debenture and a charge over the Group's investment properties. At 31 December 2019 the total amount outstanding including accrued interest payable subject to that guarantee was £213.8m (unaudited 2018: £Nil). This includes interest payable outstanding at 31 December 2019 totalling £4.8m (unaudited 2018: £Nil).

The company is included in a group registration for VAT purposes and is therefore jointly and severally liable for all other participating group undertakings' unpaid debts in this connection.

17. Acquisitions

On 12 August 2019, Vega GR Limited acquired 100% of the issued share capital of all the subsidiary companies listed in note 9, except for Whitelake Properties Investment Limited which was purchased on 27 November 2019. The cost of the acquisition of the companies other than Whitelake Properties Investment Limited comprised cash consideration of £7.5m payable on the acquisition date.

Consolidated turnover and consolidated loss after tax contributed by the subsidiary companies between the date of acquisition and 31 December 2019 amounted to £3.9m and £54.5m respectively for the period between the date of acquisition and 31 December 2019.

VEGA GR LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

17. Acquisitions (continued)

The subsidiaries acquired in the period have been accounted for using the acquisition method of accounting. At 12 August 2019 (the 'acquisition date'), the assets and liabilities of the acquired subsidiaries were consolidated at their fair values to the Group, as set out below:

	Initial Book Value £	Fair value adjustment £	Fair value at date of acquisition £
Investment Property	168,806,523	651,761,231	820,567,754
Funds held in escrow	13,989,366	-	13,989,366
Trade debtors	351,812	-	351,812
Other debtors	21,609	-	21,609
Prepayments	74,316	-	74,316
Total assets	183,243,626	651,761,231	835,004,857
Bank loans	(51,627,712)	-	(51,627,712)
Accruals	(3,399,507)	-	(3,399,507)
Other creditors	(161,311,924)	-	(161,311,924)
Deferred tax	(12,920,625)	(113,754,587)	(126,675,212)
Total liabilities	(229,259,768)	(113,754,587)	(343,014,355)
Net (liabilities)/assets	(46,016,142)	538,006,644	491,990,502
Negative goodwill			(484,533,014)
Total consideration			7,457,488
Satisfied by:			
Cash			7,457,488

On acquisition a fair value adjustment was made to the investment properties to state them on the valuation basis disclosed in note 8 to the financial statements. As a consequence of the resulting increase in properties fair values, a fair value adjustment was also made to the deferred tax provision

On 27 November 2019, Vega GR Limited acquired 100% of the issued share capital of Whitelake Properties Investment Limited from a related party. The cost of the acquisition comprised cash consideration of £43.3m payable on the acquisition date.

Consolidated turnover and consolidated profit after tax comprise turnover of £0.1m and profit after tax of £88.0m contributed by Whitelake Properties Investment Limited between the date of acquisition and 31 December 2019.

VEGA GR LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

17. Acquisitions (continued)

The acquisition of Whitelake Properties Investment Limited has been accounted for using the acquisition method of accounting. At 27 November 2019 (the 'acquisition date'), the assets and liabilities of the acquired subsidiary were consolidated at their fair values to the Group, as set out below:

	Initial Book Value	Fair value adjustment	Fair value at date of acquisition
	£	£	£
Investment Property	28,171,318	46,128,682	74,300,000
Trade debtors	7,567	-	7,567
Other debtors	17,690,139	-	17,690,139
Total assets	45,869,024	46,128,682	91,997,706
Deferred income	(2,826)	-	(2,826)
Deferred tax	(2,600,000)	(6,391,782)	(8,991,782)
Total liabilities	(2,602,826)	(6,391,782)	(8,994,608)
Net assets	43,266,198	39,736,900	83,003,098
Negative goodwill			(39,736,885)
Total consideration			43,266,213
Satisfied by:			
Cash			43,266,213
Total negative goodwill:			524,269,899

On acquisition a fair value adjustment was made to the investment properties to state them on the valuation basis disclosed in note 8 to the financial statements. As a consequence of the resulting increase in properties fair values, a fair value adjustment was also made to the deferred tax provision.

VEGA GR LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

18. Immediate parent company, ultimate parent company and ultimate controlling party

The company's immediate parent company is Turing GR Limited, which is the largest group for which group accounts containing this Company are prepared. Turing GR Limited is domiciled and incorporated in England. Copies of the financial statements are available from Companies House, Crown Way, Cardiff CF14 3UZ.

The directors regard the ultimate holding company to be Euro Investments Overseas Incorporated, a company incorporated in the British Virgin Islands.

The ultimate controlling party is the Tchenguiz Family Trust.

Prior to the acquisition of the company by Turing GR Limited on 12 August 2019, the company was owned by Lightyear Estates Holdings Limited.

19. Related party transactions

The company has taken advantage of the exemptions provided by Section 33 of FRS 102 'Related Party Disclosures' and has not disclosed transactions entered into between two or more members of a group, provided that any subsidiary undertaking which is party to the transaction is wholly owned by a member of that group.

At 31 December 2019 the group owed the following amounts to related parties related by virtue of common control and common directors:

	2019 £	Unaudited 2018 £
Mertola 5 Limited	25,408,223	-

The Mertola 5 balance was in a debtor position for the majority of the year and under the terms of the loan agreement, the company charged interest to Mertola 5 of £2,082,043 (unaudited 2018: £Nil) on amounts outstanding during the year.

During the year the group was charged management fees of £258,660 (unaudited 2018: £Nil) by Estates & Management Limited, a related party related by virtue of common control and common directors.

During the year, the company purchased investments in Vega GR Partner 1 Limited, Vega GR Partner 2 Limited, Whitelake Properties Investment Limited, Lamda GR Limited and Fairthatch GR Limited from related party entities, by virtue of common control, for a total of £47,904,929.

During the year, investments in Bourne Investment Properties Limited, Backfold Limited, Blackhouse Investment Properties Limited, Fairgap Limited, Kamario Limited, Lanecity Limited, Rowan Consultancy Limited, Fairwim Holdings Investment Limited, Fairwim Properties No. 1 Limited, Fairhold Crescent Limited, Fairhold Breccia Limited and Ridgeport Limited were sold to a company related by virtue of common control and common directors for £Nil consideration. The net assets in the dormant subsidiaries were also £Nil.

Investment property totalling £4,436,000 (unaudited 2018: £Nil) was sold for £Nil profit to companies related by virtue of common control and common directors.

VEGA GR LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

20. Post balance sheet events

COVID-19

In March 2020, the COVID-19 pandemic broke in the UK. This event has not impacted on the group's performance for the year ended 31 December 2019 or its financial position at 31 December 2019.

The current situation is unprecedented and the wider economic impact is uncertain. However, the directors are of the view that because of the very long-term nature of the group's financing structures and the nature of its core income, being a large number of small ground rent receipts, the impact on the group is likely to be minimal.

Acquisitions

In July 2020, the company acquired the entire issued share capital of Zeta GR Limited and Fairhold Crescent Limited, both of which are property investment companies, from a related party, Lightyear Estate Holdings Limited, for an aggregate consideration of approximately £12.0m.

In December 2020, the company acquired the entire issued share capital of Calibri GR Limited, a property investment company, from a related party, Lightyear Estate Holdings Limited, for a consideration of approximately £8.47m.

In December 2020, the company acquired the entire issued share capital of Roquet Properties No3 Limited, a property investment company, from a third party vendor for a consideration of approximately £0.73m.

Court rectification

Subsequent to the acquisitions of Vega Ground Rents No 3 LLP (formerly E&J Ground Rents No 3 LLP), Vega Ground Rents No 4 LLP (formerly E&J Ground Rents No 4 LLP) and Vega Ground Rents No 6 LLP (formerly E&J Ground Rents No 6 LLP) (together referred to as "the E&J LLPs") and subsequent to the balance sheet date of these accounts, notification has been received from the vendor of the E&J LLPs that proceedings are being initiated in order to obtain court approval for the rectification of certain documents relating to the E&J LLP acquisitions. The group, including the E&J LLPs, will be a party to the proceedings and the directors are of the opinion that it is more likely than not that rectification will be ordered by the court and these accounts have therefore been prepared on that basis. In the event that proceedings for a court rectification are not successful, the directors are of the opinion that the impact on these accounts would not be material.