Company Registration No: 10311266

VEGA GR LIMITED

GROUP REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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 2021.

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 year was that of property investment.

Results and dividends

The consolidated statement of comprehensive income is set out on page 8 and shows the results for the year ended 31 December 2021. The group's loss for the year amounted to £208,875,897 (2020: profit £284,868,026). The loss for the year is primarily caused by the decrease in fair value of the group's investment properties, which in turn is caused by an increase in risk free discount rates. The discount rates increasing by 0.27% year on year. The impact of risk free discount rate movements on investment properties is detailed further in note 7. 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 prior 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.

Investment properties

The group's investment properties have been valued at £1,210,631,299 (2020: £1,386,696,275) by the directors. The fair value loss recorded in the statement of comprehensive income in the year amounted to £175,753,212 (2020 gain: £370,663,740). Details of the investment properties are set out in note 7.

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 and up until the point of signing the financial statements:

P A Hallam
W K Procter
C C McGill
M D Watson (appointed 22nd February 2021)

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 each of the group and company 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:

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P A Hallam
Director
Date: 27 September 2022

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 2021 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 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 2021 and of the group's loss 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 16 and in notes 7 and 19 to the financial statements concerning the carrying values of the group's investment properties, which are valued on an actuarial basis. Investment properties totalling £1,117m (2020: £1,278m) included in the financial statements at 31 December 2021 were valued by the directors, having regard to a 31 December 2019 valuation prepared by the actuaries, further analysis carried out by an independent firm of consultants as part of the review of investment properties as at 31 December 2021 and taking account of the outcome of action taken by the Competition and Markets Authority and legislation substantively enacted at 31 December 2021. Properties acquired since 2019 totalling £93m (2020: £109m) have been valued by the directors on the basis of a discounted cash flow valuation of the income stream generated by those assets. As indicated in the notes, considerable volatility exists in these valuations. This is demonstrated by the decrease in valuation of £176m in the current year when compared to the directors' valuation at 31 December 2020, which in turn had increased by £371m when compared to the directors' valuation at 31 December 2019, and as set out in note 7 and note 19 where the impact of changes in the underlying assumptions are detailed. Additionally, as noted in the accounting policies, the directors also recognise, given the lack of a regular market for significant portfolios of such assets, that their carrying values would not be realised should the company seek to dispose of any or all of the investment properties. Our opinion is not modified in respect of this matter.

Emphasis of matter – contingent liabilities

We also draw attention to the disclosures in note 15, Contingent Liabilities, which details matters that could create additional liabilities in the future as a consequence of the Building Safety Act 2022. The ultimate outcome of these matters cannot presently be determined, and no provision for any liability that may result has been made in the financial statements. Our opinion is not modified in respect of this matter.

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's or the parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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 contained within the annual report. 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.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

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.

The extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the group audit engagement team:

- obtained an understanding of the nature of the industry and sector, including the legal and regulatory frameworks that the group and parent company operate in and how the group and parent company are complying with the legal and regulatory frameworks;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud

As a result of these procedures we consider the most significant laws and regulations that have a direct impact on the financial statements are FRS 102, the Companies Act 2006, tax compliance regulations and property laws and regulations. We performed audit procedures to detect non-compliances which may have a material impact on the financial statements which included reviewing financial statement disclosures, evaluating advice received from tax advisors, reviewing client information with respect to ongoing legal matters and reviewing and monitoring government releases regarding leasehold reforms. Potential changes to property laws and regulations and their impact on these financial statements are further discussed in the accounting policies on pages 18 to 20.

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

The group audit engagement team identified the risk of management override of controls as the area where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed included but were not limited to testing manual journal entries and other adjustments and evaluating the business rationale in relation to significant, unusual transactions and transactions entered into outside the normal course of business.

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 Auditors' 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.

RSM UK Audit

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

27/09/22 2022

VEGA GR LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 £	2020 £
Turnover	2	9,249,997	9,843,934
Administrative expenses		(1,294,963)	(1,214,608)
Operating Profit		7,955,034	8,629,326
(Loss) / gain on sale of investment property		(192,481)	111,195
Fair value (loss) / gain on investment property	7	(175,753,212)	370,663,740
Interest payable and similar expenses	3	(7,458,920)	(7,874,150)
(Loss) / profit before taxation	4	(175,449,579)	371,530,111
Taxation	6	(33,426,318)	(86,662,085)
(Loss) / profit for the financial year		(208,875,897)	284,868,026

VEGA GR LIMITED (Company Registration Number: 10311266)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2021

	Notes	2021 £	2020 £
Fixed assets			
Investment properties	7	1,210,631,299	1,386,696,275
Current assets			
Debtors	9	1,737,407	1,828,035
Cash at bank and in hand		9,779,003	12,690,380
		11,516,410	14,518,415
Creditors: amounts falling due within one year	10	(7,129,723)	(6,366,359)
Net current assets		4,386,687	8,152,056
Total assets less current liabilities		1,215,017,986	1,394,848,331
Creditors: amounts falling due in more than one year	11	(294,642,485)	(298,366,933)
Provisions for liabilities	12	(273,204,000)	(240,434,000)
Net assets		647,171,501	856,047,398
Capital and reserves			
Called up share capital	13	100	100
Other reserve	13	537,665,304	537,665,304
Profit and loss account	13	109,506,097	318,381,994
Total equity		647,171,501	856,047,398

The financial statements on pages 8 to 32 were approved by the board of directors and authorised for issue on 27 September 2022 and are signed on its behalf by:

DocuSigned by:
P.A. Hallam
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P A Hallam
Director

VEGA GR LIMITED (Company Registration Number: 10311266)

COMPANY STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2021

	Notes	2021 £	2020 £
Fixed assets			
Investments	8	752,028,304	956,576,087
Current assets			
Debtors due within one year	9	749,800	780,324
Debtors due in more than one year	9	157,557,816	185,104,376
Cash at bank and in hand		9,779,003	12,690,380
		168,086,619	198,575,080
Creditors: amounts falling due within one year	10	(4,216,089)	(4,149,864)
Net current assets		163,870,530	194,425,216
Total assets less current liabilities		915,898,834	1,151,001,303
Creditors: amounts falling due in more than one year	11	(305,243,251)	(307,478,458)
Provisions for liabilities	12	(169,973,230)	(168,043,734)
Net assets		440,682,353	675,479,111
Capital and reserves			
Called up share capital	13	100	100
Revaluation reserve	13	509,919,702	716,396,967
Profit and loss account	13	(69,237,449)	(40,917,956)
Total equity		440,682,353	675,479,111

The company's loss for the year and total comprehensive income for the year were £28,319,493 and £234,796,758 (2020 profit: £5,099,394 and £244,609,982) respectively.

The financial statements on pages 8 to 32 were approved by the board of directors and authorised for issue on 27 September 2022 and are signed on its behalf by:

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P A Hallam
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital £	Profit and loss account £	Other reserve £	Total £
Balance at 1 January 2020	100	33,513,968	524,269,899	557,783,967
Profit for the year and total comprehensive income	-	284,868,026	-	284,868,026
Transactions with owners in their capacity as owners:				
Other reserves recognised on business combination	-	-	13,395,405	13,395,405
Balance at 31 December 2020	100	318,381,994	537,665,304	856,047,398
Loss for the year and total comprehensive income	-	(208,875,897)	-	(208,875,897)
Balance at 31 December 2021	100	109,506,097	537,665,304	647,171,501

COMPANY STATEMENT OF CHANGES IN EQUITY

	Share capital £	Profit and loss account £	Revaluation reserve £	Total £
Balance at 1 January 2020	100	(46,017,350)	476,886,379	430,869,129
Profit for the year	-	5,099,394	-	5,099,394
Other comprehensive income, net of tax:-				
Fair value gain on subsidiary investments	-	-	239,510,588	239,510,588
Balance at 31 December 2020	100	(40,917,956)	716,396,967	675,479,111
Loss for the year	-	(28,319,493)	-	(28,319,493)
Other comprehensive income, net of tax:-				
Fair value loss on subsidiary investments	-	-	(206,477,265)	(206,477,265)
Balance at 31 December 2021	100	(69,237,449)	509,919,702	440,682,353

VEGA GR LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 £	2020 £
OPERATING ACTIVITIES			
Cash generated from / (used in) operations	14	8,120,879	(19,418,773)
Interest paid		(456)	-
Tax (paid) / received		(43,797)	32,421
NET CASH GENERATED FROM / (USED IN) OPERATING ACTIVITIES		8,076,626	(19,386,352)
INVESTING ACTIVITIES			
Acquisition of subsidiaries		-	(21,411,461)
Purchase of investment properties		(6,341)	(15,946,351)
Proceeds from disposal of investment properties		125,624	5,831,839
NET CASH GENERATED FROM / (USED IN) INVESTING ACTIVITIES		119,283	(31,525,973)
FINANCING ACTIVITIES			
Proceeds of new borrowings		-	78,478,422
Repayments of borrowings		(4,149,864)	(3,054,779)
Repayments of related party balances		(6,957,422)	(19,979,710)
NET CASH (USED IN) / GENERATED FROM FINANCING ACTIVITIES		(11,107,286)	55,443,933
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		(2,911,377)	4,531,608
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		12,690,380	8,158,772
CASH AND CASH EQUIVALENTS AT END OF PERIOD		9,779,003	12,690,380

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.

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;

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 and total comprehensive income for the year were £28,319,493 and £234,796,758 (2020: £5,099,394 profit and £244,609,982) 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 2021.

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.

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.

1.4 Basis of consolidation (continued)

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, or where the negative goodwill is primarily due to the group's accounting policy in respect of investment property valuation being different from that of the vendor, 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's and the company's results for the year and the group and the company's net asset position.

The directors have taken into account the 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.

In addition to the matters described above, in arriving at their conclusion the Directors have also considered, Leasehold reform, Building Safety legislation and wider loan covenant compliance:

Leasehold reform

Parliament has enacted legislation, the Leasehold Reform (Ground Rent) Act 2022, which prevents the inclusion of a ground rent in excess of a peppercorn on new residential long leases. The Act came into force on 30 June 2022 for leases on non-retirement properties and will come into effect on 1 April 2023 for leases on retirement properties. The legislation does not apply retrospectively although it does create restrictions on the ability of the company to generate rental income beyond the existing term of current leases.

As such, the impact of preventing the creation of future ground rents under the Act is not expected to have a material effect on the ability of the company to meet its liabilities as they fall due for a reasonably foreseeable period.

Building Safety legislation

The Building Safety Act has been introduced by Parliament in April 2022 and is intended to strengthen and improve different elements of the building safety regime. It is also intended to create a framework for allocating responsibility for funding liabilities arising from certain building safety defects. It is understood that Parliament's intention is that in creating clarity on the funding of such liabilities it will ameliorate the problems faced by leaseholders in affected properties.

1.5 Going concern (continued)

On buildings over 18 metres in height it is expected that either Government or developer funding will be available to ensure necessary remediation of these properties can be undertaken. For buildings between 11 metres and 18 metres in height the developer is expected to be primarily responsible for funding the necessary remediation. Under secondary legislation introduced on 28 June 2022 the freeholder has been given responsibility to fund should the original developer not be available to provide funding. The operation of this secondary legislation is not yet clear. However, should this new requirement to fund the remediation of building defects create financial hardship to the freeholder it will prevent the achievement of the Government's policy objectives to resolve the building safety crisis. Further clarification is expected as the additional secondary legislation that is required is created under the delegated powers given to the relevant Minister of State.

The directors note that the Government is due to announce details of the application of funds expected to be raised by the Building Safety Levy for the remediation of buildings in this height range where the developer is unable to provide the necessary funding. It is expected that in order to ensure the remediation of such buildings in as timely a manner as possible that these funds will be available as a priority over freeholder contributions.

The directors, having given consideration to the provisions of the Act, the uncertainty over how and when these provisions will be implemented and their impact on the group and company do not believe that the Act has a material effect on the group and company's ability to meet its liabilities as they fall due for a reasonably foreseeable period of time.

Cross default guarantee

Under the terms of Vega GR Limited's (a subsidiary of Turing GR Limited) long-term loan facility the Company and each of the members of the Group are, since August 2019, party to a cross-default arrangement between Vega GR Limited and Betelgeuse Limited. Betelgeuse Limited is a related group company, which has a similar long term loan facility with the same Lender. The cross-default arrangements apply equally to both Vega GR Limited and Betelguese Limited, and their respective group companies, and are triggered by certain breaches of loan covenant in their respective facilities. Both Vega GR Limited and Betelgeuse Limited are expected to remain in compliance with all loan covenants for the reasonably foreseeable future. Further details are provided in the Contingent liabilities note.

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.

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. 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. Investment properties totalling £1,117m (2020: £1,278m) included in the financial statements at 31 December 2021 were valued by the directors, having regard to further analysis conducted by an independent firm of consultants on a previous actuarial valuation. Properties acquired since 2019 totalling £93m (2020: £109m) have been valued by the directors on the basis of a discounted cash flow valuation of the income stream generated by those assets.

The directors also recognise, given the lack of a regular market for such significant portfolios of assets, that these fair values would 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 7.

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 7. 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.

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 period. Taxable profit differs from profit before taxation 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.

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.

1.11 Financial instruments (continued)

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.

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.

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.

1.12 Critical accounting estimates and areas of judgement (continued)

Valuation of investment properties

A key accounting estimate in preparing these financial statements relates to the fair value of the investment properties. The group uses periodic external professional actuarial valuations as a basis for determining the directors' estimation of the fair value of the 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 enacted and further potential legislative changes noted below.

Parliament has enacted legislation, the Leasehold Reform (Ground Rent) Act 2022, which prevents the inclusion of a ground rent in excess of a peppercorn on new residential long leases. The Act received Royal Assent after the Balance Sheet date on 8 February 2022. The Act came into force on 30 June 2022 for leases on non-retirement properties and it will come into effect on 1 April 2023 for leases on retirement properties. The legislation does not apply retrospectively although it does create restrictions on the ability of the company to generate rental income beyond the existing term of current leases as it impairs the ability of the freeholder and leaseholder to agree for the continuation of ground rent in the extension period when extending the lease beyond the current lease term.

In addition to the enacted legislation the Government, through the Department for Levelling Up, Housing and Communities (DLHC), made an announcement in January 2021 on a number of proposed changes to the law governing leasehold enfranchisement. These proposals, which have largely not yet been enacted but some of which are included in the Leasehold Reform (Ground Rent) Act 2022, include changes to the rights of leaseholders in relation to leasehold extensions and freehold purchases. These changes could reduce the level of premium received at the point of lease extension or enfranchisement and increase such incidence rates. It is unclear at this time to what extent this change will reduce the future cash flows of the company. The implementation of the legislative changes arising from these reforms could materially reduce the level of income generated by the portfolio of investment properties, and therefore reduce valuations in the future.

The directors are of the view that the proposed changes, if introduced in total, would be very damaging to the residential property market and against the interests of consumers and other property owners. The directors have engaged, and continue to engage, actively in consultations with Government, other stakeholders and interested parties in order to convey the company's opposition to the current proposals. 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.

The directors are of the opinion that the impact of the reforms are likely to be greatest for future leases and not those already in existence.

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 company. The potential legislative changes raised above may affect these forecasts to the extent that the underlying assumption is no longer valid.

Similarly, the debt service requirements of the group 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.

1.12 Critical accounting estimates and areas of judgement (continued)

Valuation of investment properties (continued)

However, the financial consequences of some of these 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 group's ability to meet its long-term obligations is not compromised.

Further details of the valuation of the investment properties are set out in note 7.

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 assumptions made by the directors are as follows. The directors have assumed that a restriction arising from the corporate interest restriction calculation of £5.1m (2020: £6.7m) will be applied within the Turing GR Limited group. Total interest restrictions of £11.8m (2020: £6.7m) have been made to date and are available to carry forward against future profits of the wider Euro Investments Overseas Incorporated group. No deferred tax asset has been recognised in respect of the restricted corporate interest due to uncertainty of recovery.

Furthermore, the directors have assumed that no group relief (2020: £Nil) will be available to claim in the Turing GR Limited group from parties external to that group. This assumption is based on estimates made by entities in the wider Euro Investments Overseas Incorporated 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:

	2021	2020
	£	£
Rent receivable	4,758,982	3,929,297
Other operating income	3,232,000	2,649,247
Deed of variation fee and legal fee income	1,259,015	3,265,390
	9,249,997	9,843,934

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

3. Interest payable and similar expenses

	2021	2020
	£	£
Interest payable on secured loan	7,146,001	6,218,745
Other interest payable	458	-
Amortisation of finance costs	9,401	9,384
Related party interest payable	303,060	1,646,021
	7,458,920	7,874,150

4. (Loss) / profit before taxation

	2021	2020
	£	£
The (loss) / profit before taxation is stated after charging:		
Auditor's remuneration:		
- Statutory audit of the company and consolidated accounts	25,000	30,600
- Audit of subsidiaries	180,000	189,160

5. Employees

There were no employees of the group and company during the year other than the directors (2020: 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 group as part of the management charge from Estates & Management Limited. This management charge which in 2021 amounted to £692,200 (2020: £557,889) 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.

6. Taxation

	2021 £	2020 £
Current tax		
Adjustment in respect of prior years	43,797	-
Current taxation	612,521	-
Total current tax	656,318	-
Deferred tax:		
Movement on potential chargeable gain	(42,970,426)	86,662,085
Effect of tax change	75,740,426	-
Total deferred tax	32,770,000	86,662,085
Total tax on (loss) / profit	33,426,318	86,662,085

Factors affecting the tax charge for the year.

The tax assessed for the year is higher (2020: higher) than the effective rate of corporation tax in the UK of 19% (2020: 19%). The differences are explained below:

	2021 £	2020 £
(Loss) / profit before tax	(175,449,579)	371,530,111
(Loss) / profit multiplied by the effective rate of corporation tax in the UK of 19% (2020: 19%).	(33,335,420)	70,590,721
Effects of:		
Corporate interest restriction	974,539	1,267,097
Effect of movement in value of investment properties	33,393,110	(70,426,111)
Adjustments for prior periods	43,797	-
Chargeable gain transferred to related party	(194,367)	(613,562)
Movements in deferred tax on investment properties	(42,970,426)	86,662,085
Losses utilised	(64,684)	(672,809)
Effect of change in tax rate	75,740,426	-
Other timing differences	(160,657)	(145,336)
Tax expense	33,426,318	86,662,085

In the current period, the Finance Act 2021 was enacted and included legislation to increase the main rate of tax to 25%. As this change was substantively enacted at the balance sheet date deferred tax is recognised at 25% in the current period (2020: 19%).

The group has estimated non-trading losses of £2.2m (2020: £2.6m), available to carry forward against future profits. No deferred tax asset has been recognised in respect of these losses due to uncertainty of recovery.

7. Investment properties

	Freehold reversionary interests	
	2021	2020
	£	£
Fair Value		
As at 1 January	1,386,696,275	930,232,828
Additions on acquisitions of subsidiaries	-	75,574,000
Additions	6,341	15,946,351
Disposals	(318,105)	(5,720,644)
Fair value (loss) / gain	(175,753,212)	370,663,740
As at 31 December	1,210,631,299	1,386,696,275

The investment properties represent a portfolio of freehold reversionary interests that generate ground rents as the principal income stream. The fair value of these properties is calculated based on a discounted cash flow methodology which is reliant on the assumptions used to estimate the future cash flows (see note 1.12).

The vast majority of the investment properties (approximately 92.3% (2020: 92%) by value) were valued on an actuarial basis by a leading firm of independent financial and actuarial consultants as at 31 December 2019 with further analysis carried out by an independent firm of consultants as part of the review of investment properties as at 31 December 2021. This most recent analysis was primarily undertaken to assess the change to the valuation of investment properties as at 31 December 2021 arising from the reduction in future cash flows arising from the company's agreement of undertakings with the CMA that restrict the collection of uplift rents with respect to certain leases (see note 19).

The directors, in carrying out their valuation at 31 December 2021, have reviewed the analysis prepared by the actuarial consultants, and have concluded that there have been changes in the critical assumptions and key valuation drivers, these include an uplift in RPI and changes to the risk free discount rate. Accordingly, the directors have assessed these changes and, consider the updated valuation of these investment properties of £1,117,288,299 at 31 December 2021 (2020: £1,277,613,579) to be appropriate for adoption for the purposes of these financial statements.

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 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 yield curve as applicable to each cash flow date;

7. Investment properties (continued)

Taxation	-	No allowance has been made for taxation in projecting the future revenue flow;
Incidence rates for lease extensions and the price charged	-	Historic incidence rates and FTT valuation;

The input to the model with the most significant impact on the valuation is the discount rate used. Per the 31 December 2021 review undertaken, on a group basis, a 50-basis point increase or decrease in this rate reduces or increases the valuation by 31% and 52%. See note 19 for further information.

The remainder of the properties (approximately 7.7% or £93,343,000 (2020: 8% or £109,082,696) by value of the portfolio, representing the properties in the subsidiaries acquired since 2019) have been valued by the directors. The basis of the directors' valuation of the investment properties was to project and discount the income stream s generated by the portfolio over 50 years. The principal assumptions used in these valuations were:

RPI basis for inflation assumptions	-	implied inflation vector taken from the Bank of England website;
Discount rate	-	the discount rate applied is obtained from the Bank of England swap curve with a premium of 140 or 200 basis points added;
Taxation	-	no allowance has been made for taxation in projecting the future revenue flow;
Incidence rates for lease extensions and price charged	-	projected according to historical incidence rates depending on the length of ownership and lease term remaining;
Freehold reversionary interests	-	projection of discounted income generated by the portfolio over 50 years, together with an assessment of the residual value of the assets at the end of that 50-year term;

The input to the model with the most significant impact on the valuation is the discount rate used. Per the 31 December 2021 review undertaken, on a group basis, a 100-basis point increase or decrease in this rate reduces or increases the valuation by 29% and 44%. See note 19 for further information.

7. Investment properties (continued)

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	
	2021	2020
	£	£
Cost	977,393,213	977,523,389

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 notes 15 and 16).

8. Investments

Company	**Shares in subsidiary undertakings**
	£
Fair value	
As at 1 January 2021	956,576,087
Fair value loss	(204,547,783)
As at 31 December 2021	752,028,304

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	
	2021	2020
	£	£
Cost	72,135,385	72,135,385

8. Investments (continued)

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

Name	Nature of business
Vega Holdco 1 Limited	Property investment
Vega Holdco 2 Limited	Property investment
Vega Holdco 3 Limited	Property investment
Vega Holdco 4 Limited	Property investment
Vega Holdco 5 Limited	Property investment
Vega 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	Holding Company
Vega Ground Rents No 10 Limited	Holding Company
Vega 603 Limited*	Property investment
Vega 1001 Limited*	Property investment
Vega GR Partner 1 Limited	Holding Company
Vega GR Partner 2 Limited	Holding Company
Vega Ground Rents No 3 LLP*	Property investment
Vega Ground Rents No 4 LLP*	Property investment
Vega Ground Rents No 6 LLP*	Property investment
Zeta GR Limited	Property investment
Fairhold Crescent Limited	Property investment
Calibri GR	Property investment
Vega Properties No3 Limited (Formerly Roquet Properties No3 Limited)	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.

9. Debtors

	Group 2021 £	**Company 2021 £**	Group 2020 £	Company 2020 £
Amounts due within one year:				
Trade debtors	739,750	2,712	722,677	2,760
Prepayments and accrued income	150,000	-	227,225	-
Other debtors	821,505	747,088	851,981	777,564
Tax debtor	26,152	-	26,152	-
	1,737,407	749,800	1,828,035	780,324
Amounts due in more than one year:				
Amounts owed to group undertakings	-	157,557,816	-	185,104,376
	-	157,557,816	-	185,104,376
	1,737,407	158,307,616	1,828,035	185,884,700

The amounts owed by group undertakings is due for repayment five years after the termination date of the secured loan held by the company, being 2085. Interest is charged at 6-month Libor +2.4%.

10. Creditors: amounts falling due within one year

	Group 2021 £	Company 2021 £	Group 2020 £	Company 2020 £
Secured loan	4,216,089	4,216,089	4,149,864	4,149,864
Corporation tax	649,654	-	37,133	-
Accruals and deferred income	2,263,980	-	2,179,362	-
	7,129,723	4,216,089	6,366,359	4,149,864

11. Creditors: amounts falling due in more than one year

	Group 2021 £	Company 2021 £	Group 2020 £	Company 2020 £
Secured loan	294,222,313	294,222,313	291,292,399	291,292,399
Amounts owed to group undertakings	-	10,600,766	-	9,111,525
Amounts owed to related parties	420,172	420,172	7,074,534	7,074,534
	294,642,485	305,243,251	298,366,933	307,478,458

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 60 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 2.51% (2020: 2.15%).

The instalment payable in January 2022 of £4,216,089 (2021: £4,149,864) 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 £18,080,169 (2020: £17,226,949).

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

The amounts owed to group undertakings is due for repayment five years after the termination date of the secured loan held by the company, being 2085. Interest is charged at 6-month Libor +2.4%.

12. Provisions for liabilities

Group

	Deferred Tax £
1 January 2021	240,434,000
Charged to profit or loss	32,770,000
31 December 2021	273,204,000

Provision for deferred tax has been made as follows:

	2021 £	2020 £
Deferred tax on assets measured at fair value	273,204,000	240,434,000

Company

	Deferred Tax £
1 January 2021	168,043,734
Charged to profit or loss	1,929,496
31 December 2021	169,973,230

Provision for deferred tax has been made as follows:

	2021 £	2020 £
Deferred tax arising on assets measured at fair value	169,973,230	168,043,734

13. Share capital and reserves

Company share capital

	2021 £	2020 £
Allotted, issued and outstanding:		
100 ordinary shares of £1	100	100

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.

13. Share capital and reserves (continued)

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.

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

	Group 2021 £	Group 2020 £
(Loss) / profit after tax	(208,875,897)	284,868,026
Adjustments for:		
Fair value losses / (gains) on investment properties	175,753,212	(370,663,740)
Interest payable	7,458,920	7,874,150
Loss / (profit) on disposal of investment properties	192,481	(111,195)
Taxation	33,426,318	86,662,085
Operating cash flows before movements in working capital	7,955,034	8,629,326
Movement in debtors	81,228	(107,449)
Movement in creditors	84,617	(27,940,650)
Cash generated from / (used in) operations	8,120,879	(19,418,773)

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

Consolidated analysis of changes in net debt:

	1 January 2021	Non-Cashflow Movements	Cashflows	31 December 2021
	£	£	£	£
Cash at bank and in hand	12,690,380	-	(2,911,377)	9,779,003
Debt due within 1 year:				
Secured Loans	(4,149,864)	(4,216,089)	4,149,864	(4,216,089)
Debt due after 1 year:				
Secured loans	(291,292,399)	(2,929,914)	-	(294,222,313)
Amounts owed to related parties	(7,074,534)	(303,060)	6,957,422	(420,172)
Net debt	(289,826,417)	(7,449,063)	8,195,909	(289,079,571)

15. Contingent Liabilities

Cross default guarantee

At the year end the company has given a cross default guarantee in respect of financial indebtedness of a related group company, Betelgeuse Limited and its subsidiary companies. These parties are related by virtue of common directors and common control. The total amount outstanding subject to these guarantees at 31 December 2021 was £768,566,507 (31 December 2020: £757,191,739).

Building Safety Act 2022

The directors are currently assessing the potential impact of the Building Safety Act 2022, which received Royal Assent on 28 April 2022. Given the nature of the legislation (see pages 14 and 15), it is not currently clear what the likely probability or quantum of any potential liability to fund the remediation of building defects would be. Therefore, no provision has been included in these financial statements.

16. Guarantees

The company and its subsidiaries have given an unlimited guarantee in respect of some of the indebtedness held in the Company's accounts. The guarantee is supported by a debenture and a charge over the group's property holdings including the company's investment properties. At 31 December 2021 the total amount outstanding subject to that guarantee was £298.4m (2020: £295.4m).

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

The company's immediate parent company is Turing GR Limited, which is the smallest and 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.

18. 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 2021 the group and company owed the following amounts to related parties related by virtue of common control and common directors:

	2021	2020
	£	£
Mertola 5 Limited	420,172	7,074,534

The Mertola 5 balance was in a creditor position (2020: creditor) for the majority of the year and under the terms of the loan agreement, the company was charged interest by Mertola 5 of £303,060 (2020: £1,646,021) on amounts outstanding during the year.

During the year the group was charged management fees of £692,200 (2020: £557,889) by Estates & Management Limited, a related party related by virtue of common control and common directors.

During the prior year, the group purchased investments in Zeta GR Limited, Fairhold Crescent Limited and Calibri GR Limited from related party entities, by virtue of common control, for a total of £20,527,781.

Investment property totalling £nil (2020: £3,385,250) was transferred to a related party group as part of a refinancing exercise with no gains or losses arising on sale.

19. Post balance sheet events

The following events have occurred after the end of the reporting period:

Financing

The group restructured its financial arrangements with its lender on 17 August 2022. The restructuring transactions, which impacted a number of entities in the wider Euro Investments Overseas group, included various additional drawdowns of borrowing, repayments and property transactions. The effect of these changes was to reduce this group's liabilities to its lender by £23.6 million.

Conclusion of CMA investigation

On 4 August 2022 the group agreed undertakings with the CMA that ended the CMA's investigation of the group. These undertakings restrict the group's ability to charge uplift rents on certain leases and create obligations to refund certain rents and fund certain costs for the variation of leases, should a leaseholder choose to enter into such lease variation. The reduction in future rents has been assessed in the determination of the Fair Value of the group's Investment Properties.

In addition to the undertakings agreed with the CMA the group agreed Framework Agreements with the developers who created the leases that were the subject of the CMA's investigation. These Framework Agreements have resulted in the receipt of payments from those developers. The payments received are in excess of the costs that will be incurred by the group in meeting the requirements of the CMA undertakings. Neither the income receivable or the costs expected to be incurred have been included in the financial statements of the group.

Leasehold Reform (Ground Rents) Act 2022

The Leasehold Reform (Ground Rents) Act 2022 received Royal Assent on 8 February 2022. See Note 1.5 for further information on the potential implications of this Act.

Building Safety Act 2022

The Building Safety Act 2022 received Royal Assent on 28 April 2022. See Notes 1.5 and 15 for further information on the potential implications of this Act.

Movements in discount rate and inflation assumptions

As described in note 7, the risk free discount rate has a significant impact on the calculation of the value of investment properties. Subsequent to the year end, risk free discount rates have increased and this has led to a significant fall in the value of investment properties. At 31 August 2022, the directors have estimated the value of investment properties that were previously actuarially valued at £495.6m, representing a 56% reduction in value from 31 December 2021 and estimated the remainder of these investment properties, valued by directors, at £49.0m, representing a 48% reduction in value from 31 December 2021.