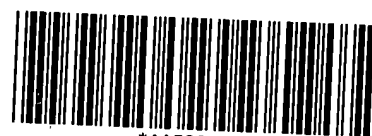


Company Registration No: 10311266

**VEGA GR LIMITED**  
**GROUP REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

WEDNESDAY



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COMPANIES HOUSE

**VEGA GR LIMITED**

**DIRECTORS AND OFFICERS**

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**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  
3<sup>rd</sup> Floor  
One London Square  
Cross Lanes  
Guildford  
Surrey  
GU1 1UN

## **VEGA GR LIMITED**

### **DIRECTORS' REPORT**

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The directors present their report together with the audited financial statements for the year ended 31 December 2020.

#### **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 2020. The group's profit for the year amounted to £284,868,026 (2019: £33,513,968). 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.

#### **Investment properties**

The group's investment properties have been valued at £1,386,696,275 (2019: £930,232,828) by the directors. The properties acquired in the year were valued by the directors on the basis of a discounted cash flow valuation of the income streams generated by those assets. Properties acquired prior to 1 January 2020 were valued using periodic external professional actuarial valuations as a basis for determining the directors' estimation of the fair value of the investment properties. The fair value gain recorded in the statement of comprehensive income in the year amounted to £370,663,740 (2019: £42,995,127). 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 and up until the point of signing the financial statements:

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

## **VEGA GR LIMITED**

### **DIRECTORS' REPORT (continued)**

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#### **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**

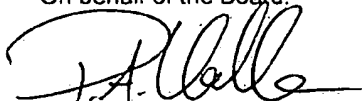
The group has maintained insurance throughout the year for its directors and officers against the consequences of actions which may be brought against them in relation to their duties for the group.

#### **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:



**P A Hallam**

Director

27/9 / 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 2020 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 2020 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 15 and in note 8 to the financial statements concerning the fair values of the group's investment properties. Investment properties totalling £1,278m (2019: £930m) included in the financial statements at 31 December 2020 were valued by the directors, having regard to a 31 December 2019 valuation and sensitivity analysis performed by the independent actuaries, and market changes in the intervening period. Properties acquired in the year totalling £109m have been valued by the directors on the basis of a discounted cash flow valuation of the income streams generated by those assets. As indicated in the notes, considerable volatility exists in these valuations as demonstrated by the increase in valuation of £371m in the current year and as detailed in note 8 where the impact of changes in the underlying assumptions are detailed. We also draw attention to the disclosures in note 20, Contingent Liabilities, which details matters that could impact these valuations and create additional liabilities in the future. 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.

### **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.

## **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 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.

## **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.

### **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 page 18.

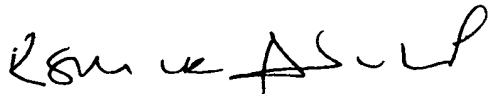
The group audit engagement team identified the risk of management override of controls as the area where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed included but were not limited to testing manual journal entries and other adjustments 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.

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

### 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  
3<sup>rd</sup> Floor  
One London Square  
Cross Lanes  
Guildford  
Surrey  
GU1 1UN

27<sup>th</sup> September 2021



**VEGA GR LIMITED**

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

**FOR THE YEAR ENDED 31 DECEMBER 2020**

	Notes	2020 £	2019 £
<b>Turnover</b>	2	9,843,934	4,041,198
Administrative expenses		(1,214,608)	(530,286)
<b>Operating Profit</b>		<u>8,629,326</u>	<u>3,510,912</u>
Gain/(loss) on sale of investment property		111,195	(461,931)
Fair value gain on investment property	8	370,663,740	42,995,127
Interest payable and similar expenses	3	(7,874,150)	(9,827,098)
Interest receivable and similar income	4	-	2,082,043
<b>Profit before taxation</b>	5	<u>371,530,111</u>	<u>38,299,053</u>
Taxation	7	(86,662,085)	(4,785,085)
<b>Profit for the financial year</b>		<u><u>284,868,026</u></u>	<u><u>33,513,968</u></u>

VEGA GR LIMITED (Company Registration Number: 10311266)

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

**AT 31 DECEMBER 2020**

	Notes	2020 £	2019 £
<b>Fixed assets</b>			
Investment properties	8	1,386,696,275	930,232,828
<b>Current assets</b>			
Debtors	10	1,828,035	1,629,549
Cash at bank and in hand		12,690,380	8,158,772
		<u>14,518,415</u>	<u>9,788,321</u>
<b>Creditors: amounts falling due within one year</b>	11	(6,366,359)	(4,404,862)
<b>Net current assets</b>		<u>8,152,056</u>	<u>5,383,459</u>
<b>Total assets less current liabilities</b>		<u>1,394,848,331</u>	<u>935,616,287</u>
<b>Creditors: amounts falling due in more than one year</b>	12	(298,366,933)	(236,153,319)
<b>Provisions for liabilities</b>	13	(240,434,000)	(141,679,001)
<b>Net assets</b>		<u>856,047,398</u>	<u>557,783,967</u>
<b>Capital and reserves</b>			
Called up share capital	14	100	100
Other reserve	14	537,665,304	524,269,899
Profit and loss account	14	318,381,994	33,513,968
<b>Total equity</b>		<u>856,047,398</u>	<u>557,783,967</u>

The financial statements on pages 8 to 33 were approved by the board of directors and authorised for issue on 27/9/2021 and are signed on its behalf by:



**P A Hallam**  
Director

**VEGA GR LIMITED** (Company Registration Number: 10311266)

**COMPANY STATEMENT OF FINANCIAL POSITION**

**AT 31 DECEMBER 2020**

	Notes	2020 £	2019 £
<b>Fixed assets</b>			
Investments	9	956,576,087	625,285,827
<b>Current assets</b>			
Debtors	10	185,884,700	141,567,320
Cash at bank and in hand		12,690,380	8,158,771
		<u>198,575,080</u>	<u>149,726,091</u>
<b>Creditors: amounts falling due within one year</b>	11	(4,149,864)	(10,313,946)
<b>Net current assets</b>		<u>194,425,216</u>	<u>139,412,145</u>
<b>Total assets less current liabilities</b>		<u>1,151,001,303</u>	<u>764,697,972</u>
<b>Creditors: amounts falling due in more than one year</b>	12	(307,478,458)	(236,153,319)
<b>Provisions for liabilities</b>	13	(168,043,734)	(97,675,524)
<b>Net assets</b>		<u>675,479,111</u>	<u>430,869,129</u>
<b>Capital and reserves</b>			
Called up share capital	14	100	100
Revaluation reserve		716,396,967	476,886,379
Profit and loss account		(40,917,956)	(46,017,350)
<b>Total equity</b>		<u>675,479,111</u>	<u>430,869,129</u>

The company's profit for the year and total comprehensive income for the year were £5,099,394 and £244,609,982 (2019: £46,017,350 loss and £430,869,029) respectively.

The financial statements on pages 8 to 33 were approved by the board of directors and authorised for issue on 27/9/2021 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 2020**

**GROUP STATEMENT OF CHANGES IN EQUITY**

	Share capital £	Profit and loss account £	Other reserve £	Total £
<b>Balance at 1 January 2019</b>	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
<b>Balance at 31 December 2019</b>	<u>100</u>	<u>33,513,968</u>	<u>524,269,899</u>	<u>557,783,967</u>
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
<b>Balance at 31 December 2020</b>	<u>100</u>	<u>318,381,994</u>	<u>537,665,304</u>	<u>856,047,398</u>

**COMPANY STATEMENT OF CHANGES IN EQUITY**

	Share capital £	Profit and loss account £	Revaluation reserve £	Total £
<b>Balance at 1 January 2019</b>	100	-	-	100
Loss for the year	-	(46,017,350)	-	(46,017,350)
Other comprehensive income, net of tax:- Fair value loss on subsidiary investments	-	-	476,886,379	476,886,379
<b>Balance at 31 December 2019</b>	<u>100</u>	<u>(46,017,350)</u>	<u>476,886,379</u>	<u>430,869,129</u>
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
<b>Balance at 31 December 2020</b>	<u>100</u>	<u>(40,917,956)</u>	<u>716,396,967</u>	<u>675,479,111</u>

**VEGA GR LIMITED**

**CONSOLIDATED STATEMENT OF CASH FLOWS**

**FOR THE YEAR ENDED 31 DECEMBER 2020**

	Notes	2020 £	2019 £
<b>OPERATING ACTIVITIES</b>			
Cash used in operations	15	(19,418,773)	(100,608,695)
Interest paid		-	(5,003,067)
Tax paid		32,421	(26,152)
<b>NET CASH USED IN OPERATING ACTIVITIES</b>		<b>(19,386,352)</b>	<b>(105,637,914)</b>
<b>INVESTING ACTIVITIES</b>			
Acquisition of subsidiaries		(21,411,461)	(50,723,700)
Purchase of investment properties		(15,946,351)	(14,144,361)
Disposal of investment properties		5,831,839	21,312,983
<b>NET CASH USED IN INVESTING ACTIVITIES</b>		<b>(31,525,973)</b>	<b>(43,555,078)</b>
<b>FINANCING ACTIVITIES</b>			
Proceeds of new borrowings		78,478,422	208,979,476
Repayments of borrowings		(3,054,779)	(51,627,712)
Repayments of related party balances		(19,979,710)	-
<b>NET CASH FROM FINANCING ACTIVITIES</b>		<b>55,443,933</b>	<b>157,351,764</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>4,531,608</b>	<b>8,158,772</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>		<b>8,158,772</b>	<b>-</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>		<b>12,690,380</b>	<b>8,158,772</b>

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.

## **VEGA GR LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS**

#### **FOR THE YEAR ENDED 31 DECEMBER 2020**

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#### **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 profit and total comprehensive income for the year were £5,099,394 and £244,609,982 (2019: £46,017,350 loss and £430,869,029) 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 2020.

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.

## **VEGA GR LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS**

#### **FOR THE YEAR ENDED 31 DECEMBER 2020**

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##### **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 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.

##### **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 2020**

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##### **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 £1,278m (2019: £930m) included in the financial statements at 31 December 2020 were valued by the directors, having regard to a 31 December 2019 valuation and sensitivity analysis performed by the independent actuaries, and market changes in the intervening period. Properties acquired in the year totalling £109m have been valued by the directors on the basis of a discounted cash flow valuation of the income streams 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 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.

##### **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.



**VEGA GR LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2020**

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**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.

**VEGA GR LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2020**

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**1.11 Financial instruments (continued)**

***Financial liabilities and equity (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.

***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.

***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.

## VEGA GR LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

#### FOR THE YEAR ENDED 31 DECEMBER 2020

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##### 1.12 Critical accounting estimates and areas of judgement (continued)

###### *Critical accounting estimates and assumptions (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 potential legislative changes and regulatory activity noted below.

In the prior year an external professional actuarial valuation was used as the basis for the fair value of investment properties. Investment properties totalling £1,278m (2019: £930m) included in the financial statements at 31 December 2020 have been valued by the directors, having regard to a 31 December 2019 valuation and sensitivity analysis performed by the independent actuaries, and market changes in the intervening period. Properties acquired in the year totalling £109m have been valued by the directors on the basis of a discounted cash flow valuation of the income streams generated by those assets.

The Government, through the Department for Communities and Local Government, now known as the Department for Levelling Up, Housing and Communities (DLHC), the Competition and Markets Authority (CMA) and the Law Commission, has 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 DLHC on a number of proposed changes to the law governing leasehold enfranchisement. These proposals, which have not yet been enacted but some of which are included in the Leasehold Reform (Ground Rent) Bill published on 11 June 2021, 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, 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 actively in the consultations and with other stakeholders and interested parties in order to convey the group'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. As such the impact of reforms is likely to be greatest for future leases and not those already in existence.

The Competition 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 CMA has also written to the group setting out its concerns and requesting it to remove doubling ground rent terms from its contracts. The group has been given the opportunity to respond to the CMA. 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. Further information on the CMA's review is provided in note 20 Contingent Liabilities on page 33.

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

**VEGA GR LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2020**

**1.12 Critical accounting estimates and areas of judgement (continued)**

***Critical accounting estimates and assumptions (continued)***

***Valuation of investment properties (continued)***

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.

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 properties 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 assumptions made by the directors are as follows. The directors have assumed that a restriction arising from the corporate interest restriction calculation of £6.7m (2019: £Nil) will be applied within the Turing GR Limited group. Total interest restrictions of £6.7m (2019: £Nil) 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 (2019: £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:

	2020 £	2019 £
Rent receivable	3,929,297	1,258,971
Other operating income	2,649,247	958,737
Deed of variation fee and legal fee income	3,265,390	1,823,490
	<u>9,843,934</u>	<u>4,041,198</u>

**VEGA GR LIMITED****NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2020****2. Turnover (continued)**

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

During a previous 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.

**3. Interest payable and similar expenses**

	2020 £	2019 £
Interest payable on secured loan	6,218,745	4,820,399
Other interest payable	-	3,067
Amortisation of finance costs	9,384	3,632
Related party interest payable	1,646,021	-
Other finance costs	-	5,000,000
	<u>7,874,150</u>	<u>9,827,098</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**

	2020 £	2019 £
Related party interest receivable	-	2,082,043
	<u>-</u>	<u>2,082,043</u>

**5. Profit before taxation**

	2020 £	2019 £
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The profit before taxation is stated after charging:

Auditor's remuneration:

- Statutory audit of the company and consolidated accounts	30,600	30,000
- Audit of subsidiaries	189,160	153,978
	<u>219,760</u>	<u>183,978</u>

**6. Employees**

There were no employees of the group and company during the year other than the directors (2019: 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 2020 amounted to £557,889 (2019: £258,660) 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 2020**

**7. Taxation**

	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
<b>Current tax</b>		
Prior year over provision	-	(1,226,922)
<b>Total current tax</b>	<u>-</u>	<u>(1,226,922)</u>
<b>Deferred tax:</b>		
Movement on potential chargeable gain	86,662,085	6,012,007
<b>Total deferred tax</b>	<u>86,662,085</u>	<u>6,012,007</u>
<b>Total tax on profit</b>	<u><u>86,662,085</u></u>	<u><u>4,785,085</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 of 19% (2019: 19%). The differences are explained below:

	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
Profit before tax	371,530,111	38,299,053
Profit multiplied by the effective rate of corporation tax in the UK of 19% (2019: 19%).	70,590,721	7,276,820
Effects of:		
Corporate interest restriction	1,267,097	-
Effect of movement in value of investment properties	(70,426,111)	(8,169,074)
Adjustments for prior periods	-	(1,226,922)
Chargeable gain transferred to related party	(613,562)	(168,582)
Movements in deferred tax on investment properties	86,662,085	6,012,007
Losses (utilised)/carried forward	(672,809)	552,582
Group relief surrender	-	256,190
Other timing differences	(145,336)	252,064
<b>Tax expense</b>	<u><u>86,662,085</u></u>	<u><u>4,785,085</u></u>

The group has estimated non-trading losses of £2.6m (2019: £2.9m), available to carry forward against future profits. No deferred tax asset has been recognised in respect of these losses due to uncertainty of recovery.

**VEGA GR LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2020**

8. Investment properties	Freehold reversionary interests	
	2020 £	2019 £
<b>Fair Value</b>		
As at 1 January	930,232,828	-
Additions on acquisitions of subsidiaries	75,574,000	894,867,754
Additions	15,946,351	14,144,361
Disposals	(5,720,644)	(21,774,414)
Fair value gain	370,663,740	42,995,127
<b>As at 31 December</b>	<b>1,386,696,275</b>	<b>930,232,828</b>

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

The vast majority of the investment properties (approximately 92% by value) were valued on an actuarial basis by a leading firm of independent financial and actuarial consultants as at 31 December 2019. The directors have reviewed the actuarial valuation as at 31 December 2019 and based on market changes in the intervening period, along with other known changes, have determined their own valuation at 31 December 2020.

The directors, in carrying out their valuation at 31 December 2020, have reviewed the basis of the 31 December 2019 actuarial valuation and concluded that there have been changes in the key valuation drivers since the actuarial valuation. Accordingly, the directors have assessed these changes to the valuation drivers and, based on the sensitivities noted in the 2019 valuation, consider the updated valuation of those investment properties of £1,277,613,579 at 31 December 2020 (2019: £930,232,828) is 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 up to 40 years, with forward rates interpolated between 40 and 50 years and a fixed forward rate of 4.2% per annum after 50 years;
Taxation	-	No allowance has been made for taxation in projecting the future revenue flow;

**VEGA GR LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2020**

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**8. Investment properties (continued)**

Incidence rates for lease extensions and the price charged	- Historic incidence rates and FTT valuation;
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Leases with "10-year doubling" rental uplift clauses	- In 2018 all such leases were rebased to uplift clauses linked to the RPI.
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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 21% and 34% respectively.

During the year deed of variation fees have been received of £3,118,080 (2019: £1,823,490) 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.

The remainder of the properties (approximately 8% or £109,082,696 by value of the portfolio, representing the properties in the subsidiaries acquired in the year) have been valued by the directors.

The basis of the directors' valuation of the investment properties was to project and discount the income streams 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;
Leases with "10-year doubling" rental uplift clauses	- in 2018 all such lease valuations were rebased to uplift clauses linked to the RPI.



**VEGA GR LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2020**

**8. 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:

	<b>Freehold reversionary interests</b>	
	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
<b>Cost</b>	<b>977,523,389</b>	<b>887,237,701</b>

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**

<b>Company</b>	<b>Shares in subsidiary undertakings</b>
	<b>£</b>
<b>Fair value</b>	
As at 1 January 2020	625,285,827
Additions	21,411,461
Fair value gain	309,878,799
<b>As at 31 December 2020</b>	<b>956,576,087</b>

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:

	<b>Shares in Subsidiary Undertakings</b>	
	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
<b>Cost</b>	<b>72,135,385</b>	<b>50,723,924</b>

# VEGA GR LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

### 9. 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.

### 10. Debtors

	Group 2020 £	Company 2020 £	Group 2019 £	Company 2019 £
Amounts due within one year:				
Trade debtor	722,677	2,760	477,438	4,629
Amounts owed by group undertakings	-	-	-	140,869,161
Prepayments and accrued income	227,225	-	358,015	-
Other debtors	851,981	777,564	767,944	693,530
Tax debtor	26,152	-	26,152	-
	<u>1,828,035</u>	<u>780,324</u>	<u>1,629,549</u>	<u>141,567,320</u>
Amounts due in more than one year:				
Amounts owed to group undertakings	-	185,104,376	-	-
	<u>-</u>	<u>185,104,376</u>	<u>-</u>	<u>-</u>
	<u>1,828,035</u>	<u>185,884,700</u>	<u>1,629,549</u>	<u>141,567,320</u>

**VEGA GR LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2020**

**10. Debtors (continued)**

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

**11. Creditors: amounts falling due within one year**

	<b>Group 2020 £</b>	<b>Company 2020 £</b>	<b>Group 2019 £</b>	<b>Company 2019 £</b>
Secured loan	4,149,864	4,149,864	3,054,779	3,054,779
Amounts owed to group undertakings	-	-	-	7,259,167
Corporation tax	37,133	-	4,809	-
Accruals and deferred income	2,179,362	-	1,345,274	-
	<u>6,366,359</u>	<u>4,149,864</u>	<u>4,404,862</u>	<u>10,313,946</u>

**12. Creditors: amounts falling due in more than one year**

	<b>Group 2020 £</b>	<b>Company 2020 £</b>	<b>Group 2019 £</b>	<b>Company 2019 £</b>
Secured loan	291,292,399	291,292,399	210,745,096	210,745,096
Amounts owed to group undertakings	-	9,111,525	-	-
Amounts owed to related parties	7,074,534	7,074,534	25,408,223	25,408,223
	<u>298,366,933</u>	<u>307,478,458</u>	<u>236,153,319</u>	<u>236,153,319</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 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 2.15% (2019: 2.31%)

The instalment payable in January 2020 of £4,149,864 (2019: 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 £17,226,949 (2019: £12,838,489).

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, which is in 2085. Interest is charged at 6-month Libor +2.4%.

**VEGA GR LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2020**

**13. Provisions for liabilities**

<b>Group</b>	<b>Deferred Tax £</b>
1 January 2020	141,679,001
Deferred tax arising on acquisition of subsidiaries	12,092,914
Deferred tax charge	86,662,085
31 December 2020	<u>240,434,000</u>

Provision for deferred tax has been made as follows:

	<b>2020 £</b>	<b>2019 £</b>
Deferred tax on assets measured at fair value	<u>240,434,000</u>	<u>141,679,001</u>

<b>Company</b>	<b>Deferred Tax £</b>
1 January 2020	97,675,524
Increase in provision in the year	70,368,210
31 December 2020	<u>168,043,734</u>

Provision for deferred tax has been made as follows:

	<b>2020 £</b>	<b>2019 £</b>
Deferred tax arising on assets measured at fair value	<u>168,043,734</u>	<u>97,675,524</u>

**14. Share capital and reserves**

**Company share capital**

	<b>2020 £</b>	<b>2019 £</b>
Allotted, issued and outstanding: 100 ordinary shares of £1	<u>100</u>	<u>100</u>

*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.

**VEGA GR LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2020**

**14. 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.

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

	Group 2020 £	Group 2019 £
Profit after tax	284,868,026	33,513,968
Adjustments for:		
Fair value gains on investment properties	(370,663,740)	(42,995,127)
Interest payable	7,874,150	9,827,098
Interest receivable	-	(2,082,043)
Loss on disposal of investment properties	(111,195)	461,931
Taxation	86,662,085	4,785,085
Operating cash flows before movements in working capital	8,629,326	3,510,912
Decrease in debtors	(107,449)	12,840,874
Decrease in creditors	(27,940,650)	(116,960,481)
Cash used in operations	(19,418,773)	(100,608,695)

**VEGA GR LIMITED****NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2020****15. Reconciliation of profit after tax to net cash generated from operations (continued)****Consolidated analysis of changes in net debt:**

	1 January 2020 £	Non-Cashflow Movements £	Cashflows £	31 December 2020 £
Cash at bank and in hand	8,158,772	-	4,531,608	12,690,380
<b>Debt due within 1 year:</b>				
Secured Loans	(3,054,779)	(4,149,864)	3,054,779	(4,149,864)
<b>Debt due after 1 year:</b>				
Secured loans	(210,745,096)	(2,068,881)	(78,478,422)	(291,292,399)
Amounts owed to related parties	(25,408,223)	(1,646,021)	19,979,710	(7,074,534)
Net debt	<u>(231,049,326)</u>	<u>(7,864,766)</u>	<u>(50,912,325)</u>	<u>(289,826,417)</u>

**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 2020 the total amount outstanding subject to that guarantee was £295.4m (2019: £213.8m).

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 7 July 2020, Vega GR Limited acquired 100% of the issued share capital of Fairhold Crescent Limited and Zeta GR Limited. The cost of the acquisition of the companies comprised cash consideration of £12.1m payable on the acquisition date.

Consolidated turnover and consolidated loss after tax contributed by Fairhold Crescent Limited and Zeta GR Limited between the date of acquisition and 31 December 2020 amounted to £218k and £7m respectively.

**VEGA GR LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2020**

**17. Acquisitions (continued)**

The subsidiaries acquired in the period have been accounted for using the acquisition method of accounting. At 7 July 2020 (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	26,192,081	3,342,919	29,535,000
Trade debtors	45,516	-	45,516
<b>Total assets</b>	<b>26,237,597</b>	<b>3,342,919</b>	<b>29,580,516</b>
Other creditors	(9,990,926)	-	(9,990,926)
Accruals	(47,771)	-	(47,771)
Deferred tax	(4,378,000)	(600,194)	(4,978,194)
<b>Total liabilities</b>	<b>(14,416,697)</b>	<b>(600,194)</b>	<b>(15,016,891)</b>
<b>Net assets</b>	<b>11,820,900</b>	<b>2,742,725</b>	<b>14,563,625</b>
Negative goodwill			(2,507,725)
<b>Total consideration</b>			<b>12,055,900</b>
Satisfied by:			
Cash			12,055,900

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 16 December 2020, Vega GR Limited acquired 100% of the issued share capital of Calibri GR Limited and Vega Properties No3 Limited. The cost of the acquisition comprised cash consideration of £9.4m payable on the acquisition date.

Consolidated turnover and consolidated profit after tax contributed by Calibri GR Limited and Vega Properties No3 Limited between the date of acquisition and 31 December 2020 amounted to £43k and £12.5m respectively.

**VEGA GR LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2020**

**17. Acquisitions (continued)**

The subsidiaries acquired in the period have been accounted for using the acquisition method of accounting. At 16 December 2020 (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	27,348,933	18,690,067	46,039,000
Trade debtors	55,004	-	55,004
<b>Total assets</b>	<b>27,403,937</b>	<b>18,690,067</b>	<b>46,094,004</b>
Deferred income	(13,730)	-	(13,730)
Provisions	(21,891)	-	(21,891)
Deferred tax	-	(7,114,720)	(7,114,720)
Other creditors	(18,700,422)	-	(18,700,422)
<b>Total liabilities</b>	<b>(18,736,043)</b>	<b>(7,114,720)</b>	<b>(25,850,763)</b>
<b>Net assets</b>	<b>8,667,894</b>	<b>11,575,347</b>	<b>20,243,241</b>
Negative goodwill			(10,887,680)
<b>Total consideration</b>			<b>9,355,561</b>
Satisfied by:			
Cash			9,355,561
<b>Total negative goodwill:</b>			<b>(13,395,405)</b>

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 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 2020

#### 18. 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.

#### 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 2020 the group and company owed the following amounts to related parties related by virtue of common control and common directors:

	2020 £	2019 £
Mertola 5 Limited	7,074,534	25,408,223

The Mertola 5 balance was in a creditor position (2019: debtor) for the majority of the year and under the terms of the loan agreement, the company was charged interest by Mertola 5 of £1,646,021 (2019: received £2,082,043) on amounts outstanding during the year.

During the year the group was charged management fees of £557,889 (2019: £258,660) by Estates & Management Limited, a related party related by virtue of common control and common directors.

During the 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.

During the prior 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 prior 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 £3,385,250 (2019: £4,436,000) was transferred to a related party group as part of a refinancing exercise with no gains or losses arising on sale.

**VEGA GR LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2020**

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**20. Contingent Liabilities**

The Competition and Markets Authority (CMA) is continuing with its review into potential breaches of consumer protection law in the leasehold market. This review includes a number of investors, including the group, who own relevant leases (being leases where the rent doubles more frequently than every 20 years). Depending on the outcome of the CMA's process it is possible that there will be an impact on the value of the group's investment properties and the potential to lead to liabilities that could be material. It is not possible at this time to quantify these potential liabilities or the impact on the value of the group's investment properties due to the complexity of the issues involved and the uncertainty of the outcome of the CMA process.