

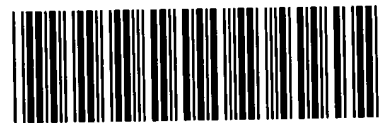
MREF IV SALFORD OPERATIONS LIMITED

AUDITED

ANNUAL REPORT

**FOR THE YEAR ENDED
31 DECEMBER 2019**

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MREF IV SALFORD OPERATIONS LIMITED

COMPANY INFORMATION

Directors	Marc Gilbard Nicholas Edwards (resigned 30 October 2019) Charles Ferguson-Davie
Registered number	10716650
Registered office	Moorfield Group 10 Grosvenor Street London W1K 4QB
Independent auditor	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors 1 Embankment Place London WC2N 6RH
Bankers	HSBC Bank PLC 4th Floor 120 Edmund Street Birmingham B3 2QZ

MREF IV SALFORD OPERATIONS LIMITED

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MREF IV SALFORD OPERATIONS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

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

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" Section 1A, 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 Company and of the profit or loss of the Company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102 Section 1A, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

Principal activities

The Company's principal activities during the year were that of letting and operating private rented accommodation.

Results and dividends

The loss for the year, after taxation, amounted to £757,000 (2018 - loss £9,000).

No dividends were declared or paid during the year.

Directors

The directors who served during the year and up to the date of signing the financial statements were:

Marc Gilbard
Nicholas Edwards (resigned 30 October 2019)
Charles Ferguson-Davie

Future developments in the business of the Company

The Company will continue to let and operate private rented accommodation and there are no planned changes to the business.

MREF IV SALFORD OPERATIONS LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

Going Concern

The financial statements have been prepared on the going concern basis which assumes that the Company will continue in operational existence for the foreseeable future.

The Company is a subsidiary of MREF IV Salford Property Sarl (together "the Group"), which owns the property on which the external debt of £31.15m is secured and held on the Balance sheet of that entity. The Company is a guarantor to that debt and therefore in assessing the going concern of the Company it has also been necessary to consider the obligations of the parent company under that debt.

In assessing the Company's ability to continue as a going concern, the Directors have reviewed the trading and cash flow forecasts of the Group against the available financing facilities and covenants which include the Directors' assessment of the impact of COVID-19.

The principal risk factor that affects the Company's performance is the impact of COVID-19 on build to rent occupancy levels. The Company together with its immediate parent entity prepares a strategic financial model which is tested against the banking covenants and is reviewed by the Directors. The strategic model reflected the expected financial impact of COVID-19 to arrive at a base case for the purposes of assessing going concern of the Company. The base case has been adjusted for a more severe impact of COVID-19 that is referred to as the reasonable worst case scenario. The reasonable worst case scenario includes the following key sensitivities:

- 12.5% reduction in stabilised occupancy levels throughout the forecast period
- 2.5% reduction in rent collection throughout the forecast period

Under the reasonable worst case scenario, the Company has adequate resources to continue in operational existence for the foreseeable future and remain in compliance with relevant debt covenants throughout the forecast period.

The Company has received confirmation from its immediate parent, MREF IV Salford Property Sarl, that it does not intend to recall the amounts owed to group undertakings for a period of at least 12 months from the date of the approval of the financial statements.

In addition MREF IV Salford Property Sarl has received confirmation from MREF IV GP Ltd on behalf of MREF IV "A" Limited Partnership, MREF IV "B" Limited Partnership and MREF IV "PC" Limited Partnership and MREF IV Lux GP Sarl on behalf of MREF IV "C" SCSp that they do not intend to recall any of the shareholder loans.

For the reasons set out above the Directors believe that the Company has the ability to continue to meet its liabilities as they fall due for at least 12 months from the date of the approval of the financial statements and therefore consider it appropriate to adopt the going concern basis in preparing the financial statements.

Post balance sheet events

On 30 January 2020 the World Health Organisation declared COVID-19 was a global health emergency. The going concern considerations were made in light of the pandemic. The pandemic is considered a non-adjusting post balance sheet event.

Directors' confirmations

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

MREF IV SALFORD OPERATIONS LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019**

Independent auditors

The auditor, PricewaterhouseCoopers LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

Small companies note

In preparing this report, the directors have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006.

This report was approved by the board and signed on its behalf.

A handwritten signature in black ink, appearing to read 'Charles Ferguson-Davie', is written over a light blue dotted grid background.

Charles Ferguson-Davie
Director

Date: 29 December 2021

Independent auditors' report to the members of MREF IV Salford Operations Limited

Report on the audit of the financial statements

Opinion

In our opinion, MREF IV Salford Operations Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" Section 1A, and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report (the "Annual Report"), which comprise: the Balance Sheet as at 31 December 2019; the Statement of Income and Retained Earnings for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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

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

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Independent auditors' report to the members of MREF IV Salford Operations Limited (continued)

Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Directors' Report for the year ended 31 December 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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 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 company or to cease operations, or have no realistic alternative but to do so.

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Independent auditors' report to the members of MREF IV Salford Operations Limited (continued)

Entitlement to exemptions

Under the Companies Act 2006 we are required to report to you if, in our opinion, the directors were not entitled to: prepare financial statements in accordance with the small companies regime; take advantage of the small companies exemption in preparing the Directors' Report; and take advantage of the small companies exemption from preparing a strategic report. We have no exceptions to report arising from this responsibility.



**Ian Benham (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London**

Date: 29 December 2021

MREF IV SALFORD OPERATIONS LIMITED

**STATEMENT OF INCOME AND RETAINED EARNINGS
FOR THE YEAR ENDED 31 DECEMBER 2019**

	Note	2019 £000	2018 £000
Turnover		39	-
Cost of sales		(782)	-
Gross loss		<u>(743)</u>	<u>-</u>
Administrative expenses		(14)	(9)
Operating loss	4	<u>(757)</u>	<u>(9)</u>
Loss before taxation		<u>(757)</u>	<u>(9)</u>
Tax on loss	6	-	-
Loss for the year		<u><u>(757)</u></u>	<u><u>(9)</u></u>
Accumulated losses at the beginning of the year		(13)	(4)
Loss for the year		(757)	(9)
Accumulated losses at the end of the year		<u><u>(770)</u></u>	<u><u>(13)</u></u>

There were no recognised gains and losses for 2019 or 2018 other than those included in the statement of income and retained earnings.

The notes on pages 9 to 13 form part of these financial statements.

MREF IV SALFORD OPERATIONS LIMITED
REGISTERED NUMBER: 10716650

BALANCE SHEET
AS AT 31 DECEMBER 2019

	Note	2019 £000	2018 £000
Current assets			
Cash at bank and in hand		326	-
Creditors: amounts falling due within one year	7	(1,096)	(13)
Net current liabilities		<u>(770)</u>	<u>(13)</u>
Total assets less current liabilities		<u>(770)</u>	<u>(13)</u>
Net liabilities		<u>(770)</u>	<u>(13)</u>
Capital and reserves			
Called up share capital	8	-	-
Profit and loss account		(770)	(13)
		<u>(770)</u>	<u>(13)</u>

The financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime and in accordance with the provisions of FRS 102 Section 1A - small entities.

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:



Charles Ferguson-Davie
Director

Date: 29 December 2021

The notes on pages 9 to 13 form part of these financial statements.

MREF IV SALFORD OPERATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

1. General information

The Company's principal activity during the financial year was that of letting and operating of private rented accommodation.

The Company is a private company limited by shares and is incorporated and domiciled in the United Kingdom. The address of its registered office is Moorfield Group, 10 Grosvenor Street, London, W1K 4QB. The company registered number is 10716650.

2. Summary of significant accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Section 1A of Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The Company has taken advantage of the following disclosure exemptions in preparing these financial statements:

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7; and
- the requirements of Section II paragraphs 11.41(b), 11.41(c), 11.41(e), 11.41(f), 11.42, 11.44, 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c) and Section 12 paragraphs 12.26, 12.27, 12.29(a), 12.19(b) and 12.29A as disclosures are provided in the consolidated financial statements of MREF IV Salford Property Sarl.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies (see note 3).

These financial statements are presented in sterling, which is the functional currency of the Company and rounded to the nearest £1,000.

The following principal accounting policies have been applied:

2.2 Going concern

The financial statements have been prepared on the going concern basis which assumes that the Company will continue in operational existence for the foreseeable future.

The Company is a subsidiary of MREF IV Salford Property Sarl (together "the Group"), which owns the property on which the external debt of £31.15m is secured and held on the Balance sheet of that entity. The Company is a guarantor to that debt and therefore in assessing the going concern of the Company it has also been necessary to consider the obligations of the parent company under that debt.

In assessing the Company's ability to continue as a going concern, the Directors have reviewed the trading and cash flow forecasts of the Group against the available financing facilities and covenants which include the Directors' assessment of the impact of COVID-19.

The principal risk factor that affects the Company's performance is the impact of COVID-19 on build to rent occupancy levels. The Company together with its immediate parent entity prepares a strategic financial model which is tested against the banking covenants and is reviewed by the Directors. The strategic model reflected the expected financial impact of COVID-19 to arrive at a base case for the purposes of assessing going concern of the Company. The base case has been adjusted for a more severe impact of COVID-19 that is referred to as the reasonable worst case scenario. The reasonable worst case scenario includes the following key sensitivities:

MREF IV SALFORD OPERATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

2. Summary of significant accounting policies (continued)

- 12.5% reduction in stabilised occupancy levels throughout the forecast period
- 2.5% reduction in rent collection throughout the forecast period

Under the reasonable worst case scenario, the Company has adequate resources to continue in operational existence for the foreseeable future and remain in compliance with relevant debt covenants throughout the forecast period.

The Company has received confirmation from its immediate parent, MREF IV Salford Property Sarl, that it does not intend to recall the amounts owed to group undertakings for a period of at least 12 months from the date of the approval of the financial statements.

In addition MREF IV Salford Property Sarl has received confirmation from MREF IV GP Ltd on behalf of MREF IV "A" Limited Partnership, MREF IV "B" Limited Partnership and MREF IV "PC" Limited Partnership and MREF IV Lux GP Sarl on behalf of MREF IV "C" SCSp that they do not intend to recall any of the shareholder loans.

For the reasons set out above the Directors believe that the Company has the ability to continue to meet its liabilities as they fall due for at least 12 months from the date of the approval of the financial statements and therefore consider it appropriate to adopt the going concern basis in preparing the financial statements.

2.3 Revenue recognition and other operating income

Revenue includes rental income from property leased out under operating leases (comprising direct lets to residential tenants) and other ancillary income from property.

Rental income from short term tenants is recognised on a straight-line basis over the lease term. When the Company provides incentives to its tenants, the cost of incentives is recognised over the lease term, on a straight-line basis, as a reduction of rental income.

Revenue is recognised when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Company's activities.

2.4 Taxation

Tax is recognised in profit or loss except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the country where the Company operates and generates income.

2.5 Related party transactions

The Company discloses transactions with related parties which are not wholly owned within the same group.

2.6 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

MREF IV SALFORD OPERATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

2. Summary of significant accounting policies (continued)

2.7 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.8 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

3. Judgments in applying accounting policies and key sources of estimation uncertainty

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. The directors are of the opinion there are no critical estimates or judgements.

4. Operating loss

The operating loss is stated after charging:

	2019 £000	2018 £000
Auditors' remuneration - audit services	5	5
Auditors' remuneration - tax services	4	4
Operating lease rentals	279	-
	<u>288</u>	<u>9</u>

5. Directors' remuneration

The Company has no employees other than the directors, who did not receive any remuneration (2018 - £NIL).

6. Taxation

	2019 £000	2018 £000
Corporation tax		
Current tax on profits/(losses) for the year	-	-
Total current tax	<u>-</u>	<u>-</u>
Taxation on profit on ordinary activities	<u>-</u>	<u>-</u>

MREF IV SALFORD OPERATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

6. Taxation (continued)

Factors affecting tax charge for the year

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

	2019 £000	2018 £000
Loss on ordinary activities before tax	(757)	(9)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018 - 19%)	(144)	(2)
Effects of:		
Unrecognised tax losses carried forward	144	2
Total tax charge for the year	-	-

7. Creditors: Amounts falling due within one year

	2019 £000	2018 £000
Amounts owed to group undertakings	530	5
Other Creditors	45	-
Accruals and deferred income	521	8
	1,096	13

Amounts owed by group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

8. Called up share capital

	2019 £	2018 £
Allotted, called up and fully paid		
1 (2018 - 1) Ordinary share of £1	1	1

MREF IV SALFORD OPERATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

9. Commitments under operating leases

At 31 December 2019 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2019 £000	2018 £000
Not later than 1 year	1,505	-
Later than 1 year and not later than 5 years	6,120	-
Later than 5 years	30,332	-
	<u>37,957</u>	<u>-</u>

Commitments under operating leases are due to the Company's immediate parent company, MREF IV Salford Property Sarl.

10. Related party transactions

The Company has in the past received funding from its immediate parent entity. At the end of the year a balance of £530,000 (2018: £5,400) was owed to the immediate parent entity. All of these amounts are unsecured, non-interest bearing and repayable on demand.

The Company operates a build to rent scheme which is leased from its immediate parent entity. During the year a rental expense of £279,000 (2018: £Nil) in respect of this lease was recognised in the financial statements.

The Company is a guarantor to external bank debt of £31,150,000 which is secured against a build to rent scheme owned by its immediate parent entity and held on the balance sheet of that entity.

11. Post balance sheet events

On 30 January 2020 the World Health Organisation declared COVID-19 was a global health emergency. The going concern considerations were made in the light of the pandemic. The pandemic is considered a non-adjusting post balance sheet event.

12. Immediate and ultimate parent undertaking and ultimate controlling party

The Company's immediate parent is MREF IV Salford Property Sarl (previously known as MREF III Salford Property Sarl), which is registered in Luxembourg.

The Company's ultimate parent undertaking is MREF IV BTR Holdings Sarl, which is registered in Luxembourg.

At 31 December 2019 the Company's ultimate controlling parties are MREF IV "A" Limited Partnership, MREF IV "B" Limited Partnership and MREF IV "PC" Limited Partnership which are limited partnerships registered in England and Wales, and MREF IV "C" SCSP, a private limited liability company registered in Luxembourg.