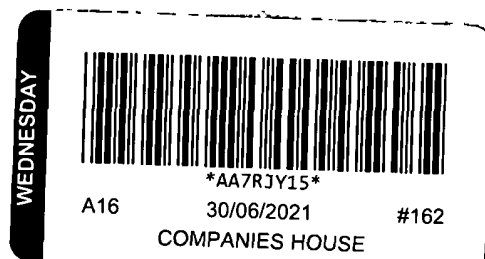


**ELITE UK COMMERCIAL INVESTMENTS LIMITED**

**Annual Report and Financial Statements**

**For the Year 31 December 2020**



<b>ELITE UK COMMERCIAL INVESTMENTS LIMITED</b>
--

---

**Company Information**

---

<b>Directors</b>	Shaldine Wang (appointed 17 October 2019) 7Side Nominees Limited (appointed 9 July 2018)
<b>Company secretary</b>	7Side Secretarial Limited Churchill House Churchill Way Cardiff CF10 2HH
<b>Registered number</b>	11455805
<b>Registered office</b>	C/O Legalinx Limited Tallis House 2 Tallis Street, Temple London EC4Y 0AB
<b>Independent auditors</b>	KPMG LLP Chartered Accountants 15 Canada Square London E14 5GL

---

<b>ELITE UK COMMERCIAL INVESTMENTS LIMITED</b>
--

---

---

**Contents**

---

	<b>Page</b>
<b>Strategic Report</b>	<b>1 - 4</b>
<b>Directors' Report</b>	<b>5 - 6</b>
<b>Independent Auditors' Report to the members of Elite UK Commercial Investments Limited</b>	<b>7 - 10</b>
<b>Statement of Comprehensive Income</b>	<b>11</b>
<b>Statement of Financial Position</b>	<b>12</b>
<b>Statement of Changes in Equity</b>	<b>13 - 14</b>
<b>Notes to the Financial Statements</b>	<b>15 - 25</b>

---

---

# ELITE UK COMMERCIAL INVESTMENTS LIMITED

---

---

## Strategic Report For the Year Ended 31 December 2020

---

### Introduction

The directors present their Strategic Report for Elite UK Commercial Investment Limited (the "Company") for the year ended 31 December 2020 (the "Financial Year").

### Business review

The principal activity of the Company is to invest in a diversified portfolio of income-producing properties located primarily in the UK and used primarily for commercial purposes. The Company indirectly owns 100% equity shares of subsidiary Elite Gemstones Properties Limited (the "Group"), which has a portfolio of 97 investment properties. The investment in its wholly owned subsidiaries is funded by equity contributions from its parent company, Elite UK Commercial Holdings Limited.

The Company provides sufficient funds to support strategic intra-group management to its subsidiary, assist and advise in general real estate asset management.

It is the intention that the Company will expand its portfolio of investment properties under operation in the UK. This is a strategy established and supported by the ultimate parent company Elite Commercial REIT.

The ultimate parent company sees the UK specifically, as a location with a strengthening economic, outlook and a safe haven for investment when compared to other markets and geographies. Through the ultimate parent company, the Company gets access to equity through the Unitholder funds raised from the stock exchange where Elite Commercial REIT was listed on the 6th February 2020.

The 97 assets held by the Group are predominantly leased to the Secretary of State for Housing, Communities and Local Government, with DWP as the primary occupier. The DWP is a uniquely counter-cyclical occupier. 82.5% of the assets in the Initial Portfolio is used by the DWP to provide key front-of-house services, primarily Jobcentre Plus unemployment services. Claimant counts, job centre footfall and DWP benefit spending are all highly correlated to unemployment. An increase in unemployment has historically been linked to an increase in the number of UK benefits claimants requiring services provided by the UK Government in the Group's assets. Against the macroeconomic backdrop, our assets via DWP continue to be a crucial social infrastructure serving the UK society.

In late March 2020, the UK government announced a lockdown to prevent the spread of Covid-19. While the public were discouraged from visiting the Jobcentre Plus, they remained open to process and disburse benefits to claimants.

In terms of rent collection, the Group has received 3-months of advance rent for the period 1 April 2021 to 30 June 2021, with 99.75% received within 14 days of the date due.

The Group expects to provide a stable income to its investors as over 99.0% of rental income is derived from full repairing and insuring (triple net) leases from the UK Government. Rated AA and Aa2 by S&P and Moody's respectively, the UK Government has one of the lowest debt-to-GDP ratios amongst the G7 countries. On top of that, the Covid-19 situation does not trigger force majeure or termination clauses or the Group's leases with the UK Government.

The Group remains well capitalised, with adequate working capital and debt headroom to meet its ongoing obligations.

---

---

**ELITE UK COMMERCIAL INVESTMENTS LIMITED**

---

---

**Strategic Report (continued)**  
**For the Year Ended 31 December 2020**

---

**Macro environment**

The UK and global macro environment are affected by the detrimental health and economic effects of the Covid-19 pandemic.

The International Monetary Fund (IMF) suggested that the global economy and in particular, the UK, would enjoy a faster expansion than previously estimated. The UK is expected to see a stronger recovery than the rest of the Euro-area, with UK GDP growth in 2021 forecasted at 5% compared to Euro-area GDP growth of 2.5%. The UK is also starting to reopen non-essential businesses as the nation's vaccine rollout has been one of the fastest in the world, prompting confidence amongst business leaders.

Despite the positive sentiment, unemployment rate in the UK in the three months to January 2021 stood at 5% and is projected to rise to 6.5% in 2021. Claimant count rose to 2.68 million in February 2021, 2.5% higher than in December 2020, increasing the utilisation of DWP's services.

The UK Government has also extended its Coronavirus Job Retention Scheme (furlough) until September 2021, from the initial April 2021 end date, with about 4.7 million people on furlough as of 31 January 2021, to ensure that UK workers remain employed. Unemployment is expected to rise once the scheme ends.

Given Covid-19's minimal impact on the Group's business and rent collection, the Group is expected to continue to provide stable income to its unitholders.

**Principal risks and uncertainties**

The directors are conscious of the prevailing conditions in the UK economy, and the risks and uncertainties faced by property companies in general. The directors consider the nature of the company's business and the customers profile and are of the view that the significance of impact arising from such risks to be low. 99% of the gross rental income is derived from full repairing and insuring leases to the DWP providing stable cash flow. The long term leases secured with DWP and the immediate financial support committed by the ultimate controlling party will enable the company to manage the risks.

**Property market risk**

As an investor in property and land held for investment properties, via its wholly owned subsidiary Elite Gemstones Properties Limited, the Company is exposed to potential reductions in the value of its properties and reduction in rental values. However, the directors consider the risk of adverse changes in disposal values and rental incomes to be low as a significant proportion of the Elite Gemstones Properties Limited's income is derived from leases with the DWP. The majority of the rent paid by the DWP is for jobs centres and other government offices.

**Taxation risk**

The Company is exposed to tax risks resulting from changes in tax legislation and the interpretation of tax legislation. The tax affairs of the company are in good order and the directors and senior management of the Company are committed to maintaining an open and transparent dialogue with the HM Revenue & Customs.

---

---

**ELITE UK COMMERCIAL INVESTMENTS LIMITED**

---

---

**Strategic Report (continued)**  
**For the Year Ended 31 December 2020**

---

**Financial key performance indicators**

The objective of the Company's financial risk management is to manage and control the risk exposures of its operations and borrowings. The Board of Directors has overall responsibility for overseeing the management of financial risks and has put in place documented procedures designed to identify, monitor and manage the financial risks to which the Company is exposed. This note presents information about the company's exposure to financial risks, its objectives, policies and processes for managing risk and the company's management of its financial resources.

*Capital structure*

The capital structure of the Company consists of shareholders' equity and loans. Capital is managed so as to optimise the long-term success of the Company and returns to shareholders. In order to maintain or adjust the capital structure, the Company may issue new shares or raise medium/ long term third party debt. Any changes will be considered in the light of the impact they have on shareholders' return on equity. The Company is not subject to externally imposed capital requirements.

*Interest rate risk*

The Company's financing requirement is mainly from the unsecured loans from its parent company with the interest rate fixed at 5% and risk is actively managed and monitored by the parent company.

*Liquidity risk*

- The Company operates within the borrowing guidelines and budgets established by parent company.
- The Company's cash position is fully backed and underwritten by the Parent Company.

**Other key performance indicators**

The key performance indicators of the Company are set out below:

- To grow investment property value through active asset management and enhancement strategy;
- To create sustainable returns for the shareholder through delivering efficiencies and improving working capital management;
- To promote responsibility to achieve the highest practicable standards of health and safety and minimise the impact of our activities on the environment; and
- Monitoring and managing portfolios.

---

---

**ELITE UK COMMERCIAL INVESTMENTS LIMITED**

---

---

**Strategic Report (continued)**  
**For the Year Ended 31 December 2020**

---

**Future developments**

The directors continue to be committed to the following priorities to guide the business:

- Acquisition growth strategy
- Active asset management and enhancement strategy
- Maintaining and improving high occupancy rate and rental income rates
- Pro-active marketing plans
- Prudent capital management strategy
- Debt diversification and pro-active foreign exchange rate and currency risk management strategies
- Corporate social responsibilities and sustainability practices

Focusing on our priorities at this point in the market cycle places the Company in a strong position to grow revenue and profits, continue to look for growth opportunities despite challenging economic and market conditions.

This report was approved by the board on 28 June 2021

and signed on its behalf.



**Shaldine Wang**  
Director

---

---

## ELITE UK COMMERCIAL INVESTMENTS LIMITED

---

---

### Directors' Report For the Year Ended 31 December 2020

---

The directors present their report and the financial statements for the year ended 31 December 2020.

#### Directors' responsibilities statement

The directors are responsible for preparing the Strategic Report, 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 they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 Reduced Disclosure Framework.

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 these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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. They are 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, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

#### Results and dividends

The profit for the year, after taxation, amounted to £17,710,000 (2019 - loss £13,000).

The Company declared a dividend of £17,683,000 for the year (2019: £nil).

#### Directors

The directors who served during the year were:

Shaldine Wang (appointed 17 October 2019)  
7Side Nominees Limited (appointed 9 July 2018)

#### Disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.



**ELITE UK COMMERCIAL INVESTMENTS LIMITED**

**Directors' Report (continued)  
For the Year Ended 31 December 2020**

**Auditors**

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

This report was approved by the board on 28 June 2021

and signed on its behalf.



**Shaldine Wang**  
Director

---

---

**ELITE UK COMMERCIAL INVESTMENTS LIMITED**

---

---

---

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ELITE UK COMMERCIAL INVESTMENTS LIMITED**

---

**Opinion**

We have audited the financial statements of Elite UK Commercial Investments Limited ("the Company") for the year ended 31 December 2020 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 101 *Reduced Disclosure Framework*; and
- 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

**Going concern**

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the company will continue in operation.

**Fraud and breaches of laws and regulations – ability to detect**

*Identifying and responding to risks of material misstatement due to fraud*

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of the directors of whether they are aware of fraud and of the Company's high-level policies and procedures to prevent and detect fraud;
- Reading board minutes.

---

<b>ELITE UK COMMERCIAL INVESTMENTS LIMITED</b>
--

---

---

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ELITE UK COMMERCIAL INVESTMENTS LIMITED (continued)**

---

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates and judgements such as investment property valuations. On this audit we do not believe there is a fraud risk related to revenue recognition because the Company's income primarily arises from dividend and interest which is non-judgmental and straightforward, with limited opportunity for manipulation.

We did not identify any additional fraud risks.

In determining the audit procedures, we took into account the results of our evaluation and testing of the operating effectiveness of the Company's fraud risk management controls.

We performed procedures including:

- identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included post-closing journals, journals with unusual descriptions and those posted to unusual accounts;
- evaluating the business purpose of significant unusual transactions, if any.

*Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations*

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors (as required by auditing standards) and discussed with the directors the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies' legislation), distributable profits legislation, and taxation legislation. We assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: data protection and certain aspects of company legislation recognizing the nature of the Company's activities and its legal form.

Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

---

<b>ELITE UK COMMERCIAL INVESTMENTS LIMITED</b>
--

---

---

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ELITE UK COMMERCIAL INVESTMENTS LIMITED (continued)**

---

*Context of the ability of the audit to detect fraud or breaches of law or regulation*

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws or regulation.

**Other information**

The directors are responsible for the other information, which comprises the strategic report and the directors' report. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the other information;
- in our opinion the information given in the strategic report and the directors' report for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

**Matters on which we are required to report by exception**

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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.

We have nothing to report in these respects.

**Directors' responsibilities**

As explained more fully in their statement set out on page 5, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; 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; 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 they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

---

**ELITE UK COMMERCIAL INVESTMENTS LIMITED**

---

---

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ELITE UK COMMERCIAL INVESTMENTS LIMITED (continued)**

---

**Auditor's responsibilities**

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

**The purpose of our audit work and to whom we owe our responsibilities**

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.



**Craig Steven-Jennings (Senior Statutory Auditor)  
for and on behalf of KPMG LLP, Statutory Auditor**

*Chartered Accountants*  
15 Canada Square  
London  
E14 5GL  
Date: 29 June 2021

**ELITE UK COMMERCIAL INVESTMENTS LIMITED**

**Statement of Comprehensive Income  
For the Year Ended 31 December 2020**

		31 December 2020 £000	9 July 2018 to 31 December 2019 £000
	Note		
Income from shares in group undertakings	13	17,714	-
<b>Gross profit</b>		<u>17,714</u>	<u>-</u>
Administrative expenses		(4)	(13)
<b>Operating loss</b>		<u>17,710</u>	<u>(13)</u>
Interest receivable and similar income	7	7,018	9,314
Interest payable and expenses	8	(7,018)	(9,314)
<b>Profit/Loss before tax</b>		<u>17,710</u>	<u>(13)</u>
Tax on profit/loss	9	-	-
<b>Profit/Loss for the financial year/period</b>		<u>17,710</u>	<u>(13)</u>
Other comprehensive income for the year/period		-	-
<b>Total comprehensive profit/loss for the year/period</b>		<u>17,710</u>	<u>(13)</u>

The notes on pages 15 to 25 form part of these financial statements.

**ELITE UK COMMERCIAL INVESTMENTS LIMITED**  
Registered number: 11455805

**Statement of Financial Position**  
**As at 31 December 2020**

	Note	2020 £000	2019 £000
<b>Non-current assets</b>			
Investments	11	88,900	28,000
Debtors: amounts falling due after more than one year	12	110,465	98,296
		<u>199,365</u>	<u>126,296</u>
<b>Current assets</b>			
Debtors: amounts falling due within one year	12	2,341	-
		<u>2,341</u>	<u>-</u>
<b>Current liabilities</b>			
Creditors: amounts falling due within one year	14	(2,324)	(29,306)
		<u>17</u>	<u>(29,306)</u>
<b>Net current liabilities</b>			(29,306)
<b>Total assets less current liabilities</b>		<u>199,382</u>	<u>96,990</u>
Creditors: amounts falling due after more than one year	15	(110,468)	(69,003)
		<u>88,914</u>	<u>27,987</u>
<b>Net assets</b>		<u><u>88,914</u></u>	<u><u>27,987</u></u>
<b>Capital and reserves</b>			
Called up share capital	17	88,900	28,000
Profit and loss account		14	(13)
		<u><u>88,914</u></u>	<u><u>27,987</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on  
28 June 2021

  
Shaldine Wang  
Director

The notes on pages 15 to 25 form part of these financial statements.

**ELITE UK COMMERCIAL INVESTMENTS LIMITED**

**Statement of Changes in Equity  
For the Year Ended 31 December 2020**

	Called up share capital £000	Profit and loss account £000	Total equity £000
At 1 January 2020	28,000	(13)	27,987
<b>Comprehensive profit for the year</b>			
Profit for the year	-	17,710	17,710
<b>Total comprehensive profit for the year</b>	-	17,710	17,710
Dividends: Equity capital	-	(17,683)	(17,683)
Shares issued during the year	60,900	-	60,900
<b>Total transactions with owners</b>	60,900	(17,683)	43,217
<b>At 31 December 2020</b>	<b>88,900</b>	<b>14</b>	<b>88,914</b>

The notes on pages 15 to 25 form part of these financial statements.



**ELITE UK COMMERCIAL INVESTMENTS LIMITED**

**Statement of Changes in Equity  
For the Period Ended 31 December 2019**

	Called up share capital £000	Profit and loss account £000	Total equity £000
At 9 July 2018	-	-	-
<b>Comprehensive loss for the period</b>			
Loss for the period	-	(13)	(13)
<b>Total comprehensive loss for the period</b>	-	(13)	(13)
Shares issued during the period	28,000	-	28,000
<b>Total transactions with owners</b>	28,000	-	28,000
<b>At 31 December 2019</b>	28,000	(13)	27,987

The notes on pages 15 to 25 form part of these financial statements.

On incorporation, the value of allotted, called up and fully paid share capital is 1 pound, rounded to nil above (being less than the minimum value presented of £1,000).

---

---

**ELITE UK COMMERCIAL INVESTMENTS LIMITED**

---

---

**Notes to the Financial Statements  
For the Year Ended 31 December 2020**

---

**1. General information**

Elite UK Commercial Investments Limited ("the Company") is a limited company domiciled and incorporated in England and Wales. The Company's registered office is provided on the Company information page.

**2. Accounting policies**

**2.1 Basis of preparation of financial statements**

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101").

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of international accounting standards in conformity with the requirements of the Companies Act 2006 ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied:

**2.2 Financial reporting standard 101 - reduced disclosure exemptions**

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of IFRS 7 Financial Instruments: Disclosures
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements
- the requirements of IAS 7 Statement of Cash Flows
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member
- the requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

**2.3 Exemption from preparing consolidated financial statements**

The Company is a parent Company that is also a subsidiary included in the consolidated financial statements of its ultimate parent undertaking established under the law of a non-EEA state and is therefore exempt from the requirement to prepare consolidated financial statements under section 401 of the Companies Act 2006 (note 19).

---

---

## ELITE UK COMMERCIAL INVESTMENTS LIMITED

---

---

### Notes to the Financial Statements For the Year Ended 31 December 2020

---

## 2. Accounting policies (continued)

### 2.4 Going concern

The Company is a member of the Elite Commercial REIT group ('the Group') and is reliant on other members of the Group to perform certain operational and administrative functions on behalf of the Company. Further, the Company has interest bearing borrowings from other companies in the Group. The Company expects to meet its obligations on these loans from interest income and dividends received from its subsidiary. Therefore, in assessing the going concern assumption for the Company the Director has also considered the financial prospects of the wider Group.

The Group's principal activity is to invest, directly or indirectly, in commercial assets and real estate-related assets in the United Kingdom. The Group's current portfolio, which is held entirely by the Company's indirect subsidiary, comprises 97 quality commercial buildings located across the UK with over 99.0% of the Company's revenue is derived from the current leases with the UK Government via The Secretary of State for Housing, Communities and Local Government. The Group has prepared cash flow forecasts for at least the next 12 months from the date of approval of these financial statements which show income from these leases is sufficient to enable the Group to meet its liabilities when they fall due.

Following the listing of the Group's parent in February 2020, the Group has used proceeds from the listing to repay over £100m of external borrowings. At the date of approval of these financial statements the only external loan held by the Group is that held by the Company's indirect subsidiary. This loan is secured on the subsidiary's investment property and includes financial covenants of Loan-to-Value with a maximum of 45% (reduced from 65% at 31 December 2019) and Interest Cover with a minimum of 1.75. The subsidiary has complied with these covenants throughout 2020 and to the date of approval of these financial statements and the Group forecasts that compliance will continue for at least the next 12 months given the secure nature of the Group's income.

The Company has borrowings with its immediate parent Elite UK Commercial Holdings Limited of up to £111m repayable in November 2023. The Company's parent has indicated its intention to not recall this loan should the Company not be able to pay. Elite UK Commercial Holdings Limited has indicated its intention to continue to make available such funds as are needed by the Company, and that it does not intend to seek repayment of the amounts due at the balance sheet date, for the period covered by the forecasts. As with any company placing reliance on other group entities for financial support, the Director acknowledges that there can be no certainty that this support will continue. However, the Directors has no reason to believe that it will not do so.

Therefore the Director considers it appropriate to prepare these financial statements on a going concern basis.

### 2.5 Interest income

Interest income is recognised in profit or loss using the effective interest method.

### 2.6 Finance costs

Finance costs are charged to profit or loss over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

---

---

**ELITE UK COMMERCIAL INVESTMENTS LIMITED**

---

---

**Notes to the Financial Statements  
For the Year Ended 31 December 2020**

---

**2. Accounting policies (continued)**

**2.7 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 reporting date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of Financial Position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

**2.8 Investments**

Investments in subsidiaries are measured at cost less accumulated impairment.

---

---

**ELITE UK COMMERCIAL INVESTMENTS LIMITED**

---

---

**Notes to the Financial Statements  
For the Year Ended 31 December 2020**

---

**2. Accounting policies (continued)**

**2.9 Financial instruments**

The Company recognises financial instruments when it becomes a party to the contractual arrangements of the instrument. Financial instruments are de-recognised when they are discharged or when the contractual terms expire. The Company's accounting policies in respect of financial instruments transactions are explained below:

Financial assets and financial liabilities are initially measured at fair value.

**Financial assets**

All recognised financial assets are subsequently measured in their entirety at either fair value or amortised cost, depending on the classification of the financial assets.

*Amortised cost*

The Company's financial assets measured at amortised cost in the Statement of Financial Position comprise other receivables and loans due from group companies.

These assets arise principally, but also incorporate other types of financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest method, less provision for impairment. Interest income is recognised in the Statement of Comprehensive Income using the effective interest method.

**Financial liabilities**

The Company's accounting policy for financial liabilities is outlined below.

Financial liabilities include the following items:

- Trade payables, loans due from group companies, and other short-term monetary liabilities, which are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

**Derecognition of financial assets and financial liabilities**

*Financial assets*

The Company derecognises a financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) when:

- the rights to receive cash flows from the asset have expired; or
- the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement where either:
  - the Company has transferred substantially all the risks and rewards of the asset; or
  - the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

# ELITE UK COMMERCIAL INVESTMENTS LIMITED

## Notes to the Financial Statements For the Year Ended 31 December 2020

### 2. Accounting policies (continued)

#### 2.9 Financial instruments (continued)

##### *Financial liabilities*

The Company derecognises a financial liability (or, where applicable a part of a financial liability or part of a group of similar financial liabilities) when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of the existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Comprehensive Income.

#### 2.10 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

#### 2.11 Income from shares in group undertakings

Dividend income is recognised when the right to receive it is established and is reflected in the Statement of Comprehensive Income as Income from shares in group undertakings in the revenue column.

Special dividends and distributions described as capital contributions are assessed on their individual merits and may be credited to capital reserve if considered to be closely linked to reconstructions of the investee company or other capital transactions.

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

The preparation of financial statements requires the use of critical judgement, estimates and assumptions that affect the application of policies and reported amount of assets and liabilities, income and expenses.

In preparing these financial statements, the directors have not had to make significant estimates.

### 4. Auditors' remuneration

	31 December 2020 £000	9 July 2018 to 31 December 2019 £000
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	6	8

<b>ELITE UK COMMERCIAL INVESTMENTS LIMITED</b>
--

---

**Notes to the Financial Statements  
For the Year Ended 31 December 2020**

---

**5. Employees**

The Company has no employees other than the directors, who did not receive any remuneration (2019 - £NIL).

**6. Directors' remuneration**

In the year to 31 December 2020, the Director did not receive any remuneration (2019 - £NIL) in respect of services as Director of the Company.

**7. Interest receivable**

	31 December 2020 £000	9 July 2018 to 31 December 2019 £000
Interest receivable from group companies	7,018	9,314
	7,018	9,314
	7,018	9,314

**8. Interest payable and similar expenses**

	31 December 2020 £000	9 July 2018 to 31 December 2019 £000
Interest payable to group undertakings	7,018	9,314
	7,018	9,314
	7,018	9,314

**ELITE UK COMMERCIAL INVESTMENTS LIMITED**

**Notes to the Financial Statements  
For the Year Ended 31 December 2020**

**9. Taxation**

	31 December 2020 £000	9 July 2018 to 31 December 2019 £000
<b>Total current tax</b>	-	-
<b>Deferred tax</b>		
<b>Total deferred tax</b>	-	-
<b>Taxation on profit on ordinary activities</b>	-	-

**Factors affecting tax charge for the year/period**

The tax assessed for the year/period is the same as (2019 - the same as) the standard rate of corporation tax in the UK of 19% (2019 - 19%) as set out below:

	31 December 2020 £000	9 July 2018 to 31 December 2019 £000
<b>Profit/(loss) on ordinary activities before tax</b>	<b>17,710</b>	<b>(13)</b>
<b>Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2019 - 19%)</b>	<b>3,365</b>	<b>(2)</b>
<b>Effects of:</b>		
Expenses not deductible	75	-
Non-taxable income	(3,366)	-
Transfer pricing adjustments	(75)	-
Group relief	1	2
<b>Total tax charge for the year/period</b>	<b>-</b>	<b>-</b>

**Factors that may affect future tax charges**

The rate of corporation tax for the year to 31 December 2020 was 19%. The corporation tax rate was due to reduce to 17% with effect from 1 April 2020, however, at the Budget in March 2020 it was announced that the rate of corporation tax will remain at 19%. The rate of the corporation tax will increase to 25% in April 2023.



**ELITE UK COMMERCIAL INVESTMENTS LIMITED**

**Notes to the Financial Statements  
For the Year Ended 31 December 2020**

**10. Dividends**

	2020 £000	2019 £000
Dividends paid	17,683	-
	<u>17,683</u>	<u>-</u>

During January 2020, the Company distributed £9.1m to its ultimate parent Elite UK Commercial Holdings Limited. Later in the year, dividends of £3.9m and £4.6m were declared and paid in February 2020 and in July 2020 respectively.

**11. Investments**

	Investments in subsidiary companies £000
<b>Cost</b>	
At 1 January 2020	28,000
Additions	60,900
At 31 December 2020	<u>88,900</u>

In February 2020, Elite UK Commercial Ltd issued 60.9m shares of £1 each at par to the Company.

**Subsidiary undertaking**

The following was a subsidiary undertaking of the Company:

Name	Registered office	Class of shares	Holding
Elite UK Commercial Ltd	C/O Legalinx Limited Tallis House, 2 Tallis Street, Temple, London, United Kingdom, EC4Y 0AB	Ordinary	100%

**ELITE UK COMMERCIAL INVESTMENTS LIMITED**

**Notes to the Financial Statements  
For the Year Ended 31 December 2020**

**12. Debtors**

	2020 £000	2019 £000
<b>Due after more than one year</b>		
Amounts owed by subsidiary undertakings	110,465	98,296
	<u>110,465</u>	<u>98,296</u>
	2020 £000	2019 £000
<b>Due within one year</b>		
Amounts owed by subsidiary undertakings	2,341	-
	<u>2,341</u>	<u>-</u>

Amounts owed by subsidiary undertakings due after more than one year comprise of unsecured loans repayable in November 2023. The first loan dated November 2018 amounted to £63.6m at interest of 9% per annum which was followed by a second loan up to £41.0m in February 2020 at an interest rate of 5% per annum.

In July 2020, there was a new agreement ending the first and second loans, which were repaid by the Borrower, and setting a new loan up to £111m at an interest rate of 5% per annum. In accordance with IFRS 9, management assessed that the first loan had been substantially modified as this new agreement was in substance an exchange with the same lender but on substantially different terms. Accordingly, the first loan was derecognised, and a new loan recognised with no gain or loss recognised in the profit and loss. The second loan of up to £41m was discharged by way of repayment and recognised again with no adjustment.

The interest received during the year amounted to £7.0m (2019: £9.3m) (see note 6).

Amounts owed by subsidiary undertakings due within one year comprise £2.3m of unsecured loan interest which is paid bi-annually. The interest accrued relates to the new loan agreement at an interest rate of 5% per annum.

**13. Income from shares in group undertakings**

	2020 £000	2019 £000
Dividends received	17,714	-
	<u>17,714</u>	<u>-</u>

During January 2020, the Company received a £9.1m dividend from its subsidiary Elite UK Commercial Limited. Later in the year, further dividends of £3.9m and £4.6m were received in February 2020 and July 2020 respectively.

**ELITE UK COMMERCIAL INVESTMENTS LIMITED**

**Notes to the Financial Statements  
For the Year Ended 31 December 2020**

**14. Creditors: Amounts falling due within one year**

	2020 £000	2019 £000
Amounts owed to parent undertakings	2,318	29,296
Accruals and deferred income	6	10
	<u>2,324</u>	<u>29,306</u>

Amounts owed to parent undertakings due within one year comprised £2.3m of unsecured loan interest. The interest accrued relates to the new loan agreement at an interest rate of 5% per annum.

**15. Creditors: Amounts falling due after more than one year**

	2020 £000	2019 £000
Amounts owed to parent undertakings	110,468	69,003
	<u>110,468</u>	<u>69,003</u>

Upon the listing of Elite Commercial REIT in February 2020, the Company obtained an additional shareholder loan of £41m at an interest of 5% per annum.

In July 2020, there was a new agreement ending the first (£63.6m dated November 2018) and second loans, which were repaid by the Borrower, and setting a new loan up to £111m at an interest rate of 5% per annum. In accordance with IFRS 9, management assessed that the first loan had been substantially modified as this new agreement was in substance an exchange with the same lender but on substantially different terms. Accordingly, the first loan was derecognised, and a new loan recognised with no gain or loss recognised in the profit and loss. The second loan of up to £41m was discharged by way of repayment and recognised again with no adjustment.

Interest charged during the year amounted to £7m (see note 7). Interest is paid bi-annually in August and February with £2.3m of accrued interest being outstanding at year end (see note 14).

**16. Financial instruments**

	2020 £000	2019 £000
<b>Financial assets</b>		
Financial assets that are measured at amortised cost	<u>112,806</u>	<u>98,296</u>
<b>Financial liabilities</b>		
Financial liabilities measured at amortised cost	<u>(112,792)</u>	<u>(98,309)</u>

Financial assets that are measured at amortised cost comprise amounts owed by group companies.

---

---

**ELITE UK COMMERCIAL INVESTMENTS LIMITED**

---

---

**Notes to the Financial Statements  
For the Year Ended 31 December 2020**

---

**16. Financial instruments (continued)**

Financial liabilities measured at amortised cost comprise accruals and amounts owed to group undertakings.

**17. Share capital**

	2020 £000	2019 £000
At 01 January	28,000	-
Ordinary shares issued	60,900	28,000
	<u>88,900</u>	<u>28,000</u>

Upon listing of the Elite Commercial REIT which took place on 6 February 2020, the Company issued 60,900,000 equity shares at £1 each at par.

**18. Post balance sheet events**

*Further Acquisition*

The ultimate UK holding company of the Group, Elite UK Commercial Holdings Limited, successfully completed £212.5m acquisition from Elite Bushel Holding Limited of 58 UK commercial properties on 9 March 2021, increasing the portfolio value to £515.3m. The portfolio remains 100% occupied with 99.9% of the quarterly advance rent collected in full and on time.

*Further Debt Refinancing Acquisition*

As part of the acquisition the Group undertook a refinancing to extend the repayment of the shareholder loans to November 2023 and also extended the external loan with Deutsche Bank by £30.8m to £134m in total.

*Dividend Declaration*

After the year end date of the financial statements, the first interim dividends of £6.45m was declared in February 2021.

**19. Controlling party**

As at the period end date and at the date of this Annual Report, Elite UK Investments Limited is a wholly owned subsidiary of Elite UK Holdings Limited, which is incorporated in the United Kingdom.

Its ultimate parent is Elite Commercial REIT (a trust constituted in Singapore). Perpetual (Asia) Limited, in its capacity as trustee of Elite Commercial REIT is the ultimate controlling party. Its address is 8 Marina Boulevard, #05-02 Marina Bay Financial Centre, Singapore 018981.

Publicly available consolidated financial statements are produced by Elite Commercial REIT (formerly Elite UK Commercial Fund) and are available on the company's website, <https://www.elitecreit.com/>.