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**E&J GROUND RENTS NO5 LLP**

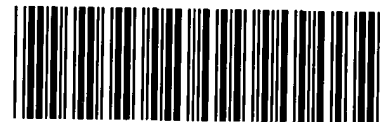
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**FINANCIAL STATEMENTS**

**INFORMATION FOR FILING WITH THE REGISTRAR**

**FOR THE PERIOD ENDED 31 MARCH 2020**

WEDNESDAY



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COMPANIES HOUSE

**E&J GROUND RENTS NO5 LLP**  
**REGISTERED NUMBER: OC377976**

**BALANCE SHEET**  
**AS AT 31 MARCH 2020**

	Note	31 March 2020 £	30 June 2019 £
<b>Fixed assets</b>			
Investments	6	2	2
Investment property	7	-	32,903,907
		<u>2</u>	<u>32,903,909</u>
<b>Current assets</b>			
Debtors: amounts falling due within one year	8	-	4,117,460
		<u>-</u>	<u>4,117,460</u>
Creditors: Amounts Falling Due Within One Year	9	(2)	(23,978,537)
		<u>(2)</u>	<u>(19,861,077)</u>
<b>Net current liabilities</b>			
		<u>(2)</u>	<u>(19,861,077)</u>
<b>Total assets less current liabilities</b>		<u>-</u>	<u>13,042,832</u>
<b>Net assets</b>		<u>-</u>	<u>13,042,832</u>
<b>Represented by:</b>			
<b>Loans and other debts due to members within one year</b>			
Other amounts	10	(1,148,706)	11,894,127
		<u>(1,148,706)</u>	<u>11,894,127</u>
<b>Members' other interests</b>			
Other reserves classified as equity	1,148,706	1,148,706	1,148,705
		<u>1,148,706</u>	<u>1,148,705</u>
		<u>-</u>	<u>13,042,832</u>
<b>Total members' interests</b>			
Loans and other debts due to members	10	(1,148,706)	11,894,127
Members' other interests		1,148,706	1,148,705
		<u>-</u>	<u>13,042,832</u>

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**E&J GROUND RENTS NO5 LLP**  
**REGISTERED NUMBER: OC377976**

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**BALANCE SHEET (CONTINUED)**  
**AS AT 31 MARCH 2020**

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The financial statements have been prepared in accordance with the provisions applicable to entities subject to the small LLPs regime.

The financial statements have been delivered in accordance with the provisions applicable to LLPs subject to the small LLPs regime.

The entity has opted not to file the statement of comprehensive income in accordance with the provisions applicable to entities subject to the small LLPs regime.

The financial statements were approved and authorised for issue by the members and were signed on their behalf by:



**J E Tuttle for and on behalf of SF Member No.1 Limited**  
Designated member  
Date: 26 March 2021

The notes on pages 3 to 9 form part of these financial statements.

E&J Ground Rents No5 LLP has no equity and, in accordance with the provisions contained within the Statement of Recommended Practice "Accounting by Limited Liability Partnerships", has not presented a Statement of Changes in Equity.

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## **E&J GROUND RENTS NO5 LLP**

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### **NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2020**

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#### **1. General information**

E&J Ground Rents No5 LLP is a limited liability partnership, incorporated in England & Wales (registered number OC377976). Its registered office and principal place of business is Prospect Place, Moorside Road, Winchester, England, SO23 7RX. The financial statements are presented in Sterling, which is the functional currency of the LLP. The principal activity of the LLP was that of property investment. The LLP ceased to trade on 12 August 2019.

#### **2. 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 and the requirements of the Statement of Recommended Practice "Accounting by Limited Liability Partnerships".

The following principal accounting policies have been applied:

##### **2.2 Going concern**

These accounts have been prepared on the going concern basis on the understanding that the intermediate parent company, SF Funding Limited, will continue to financially support the LLP. At the period end, creditors total £2 (2019: £23,978,537).

##### **2.3 Revenue**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the LLP and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

###### **Rendering of services**

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the LLP will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

##### **2.4 Taxation**

Taxation on all the LLP's profits is solely the personal liability of individual members and is not dealt with in these financial statements.

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## E&J GROUND RENTS NO5 LLP

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2020

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#### 2. Accounting policies (continued)

##### 2.5 Exceptional items

Exceptional items are transactions that fall within the ordinary activities of the LLP but are presented separately due to their size or incidence.

##### 2.6 Investment property

The LLP's holding of investment property comprises freehold reversionary interests and these are initially measured at cost and subsequently measured at fair value. Changes in fair value are recognised in the Statement of Comprehensive Income.

These assets, as their name implies, represent interests held in the freehold land on which third party developers have built and sold long leasehold properties. As such these assets are more akin to financial investments, as they generate income in the form of annual ground rents along with other ancillary income streams.

Recognising the unusual nature of these investment properties and the lack of a regular market for significant portfolios of such assets, which are in distinct contrast with the more regular "bricks and mortar" investment properties, the members are of the opinion that the best approximation to fair value for these properties is provided by a discounted cashflow valuation of the income streams generated by these assets. The valuation of the entire freehold reversionary interest portfolio is undertaken by independent valuers.

The members also recognise, given the unusual nature and lack of a regular market for significant portfolios of such assets, that these carrying values may not be realised should the LLP seek to dispose of any or all of the investment properties.

Further details are given in note 7.

##### 2.7 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

##### 2.8 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

##### 2.9 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.

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## E&J GROUND RENTS NO5 LLP

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2020

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

In the application of the LLP's accounting policies, which are described in note 2, management is required to make judgements, estimates and assumptions about the carrying values of assets and the liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revisions affect only that period, or in the period of the revisions and future periods if the revision affects both current and future periods.

The key sources of estimation uncertainty that have a significant effect on the amounts recognised in the financial statements are described below.

#### Valuation of investment properties

A key accounting estimate in preparing these financial statements relates to the carrying value of the investment property which is stated at fair value, as valued by the independent valuers. However, the valuation of the group's investment property is inherently subjective, as it is made on the basis of valuation assumptions which may in future not prove to be accurate, the risk of which is heightened due to the potential legislative changes noted below.

In December 2017 the Department for Communities and Local Government, now known as the Ministry for Housing, Communities and Local Government (MHCLG) published the outcome of the 'Tackling unfair practices in the leasehold market' consultation it had conducted during the year.

Since this date the Government, through the MHCLG, has undertaken a series of further consultations on the residential property market with a focus on the legal framework surrounding the freehold and leasehold classes of property interests. In January 2021 MHCLG announced potential measures with the purpose of making enfranchisement and lease extensions easier and cheaper for leaseholders. If implemented, these measures may, over time, lead to a material reduction in the level of ground rent generated by the portfolio and therefore would be a significant threat to the group.

The Company is of the view that the proposed changes (as currently formulated) would be very damaging to the residential property market and against the interests of consumers and other property owners. The director has engaged actively in the consultations and with other stakeholders and interested parties in order to convey the group's opposition to the current proposals. Recent public announcements by government and in symposiums held by the Law Commission, both have recognised that the proposals to make wholesale reforms retrospectively poses real problems with respect to the contravention of human rights legislation.

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 raised above may affect these forecasts to the extent that the underlying assumption is no longer valid.

However, there is no clear indication of the form that future legislation will actually take and the financial consequences of any changes are too uncertain to enable the director to reasonably estimate the impact of such changes on those forecasts and it is assumed that the current methodology continues to represent a fair value of these assets.

Details of the principal assumptions applied in the valuation of the investment properties are set out in note 7.

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E&J GROUND RENTS NO5 LLP

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 MARCH 2020

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4. Employees

The entity has no employees.

5. Information in relation to members

	31 March 2020 Number	30 June 2019 Number
The average number of members during the year was	2	2

6. Fixed asset investments

	Investments in subsidiary companies £
Cost or valuation	
At 1 July 2019	2
At 31 March 2020	2

The subsidiary's equity and profit/loss are disclosed within the intermediate parent company's financial statements.

**E&J GROUND RENTS NO5 LLP**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 MARCH 2020**

**7. Investment properties**

	Freehold investment properties £
At 1 July 2019	32,903,907
Transfers intra group	(32,903,907)
<b>At 31 March 2020</b>	<b>-</b>

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

- Reference gilt rates, provided with reference to directly observable data.
- Funding margins, provided with reference to comparable transactions.
- Taxation - no allowance has been made for taxation in projecting the future revenue flow.
- Projected RPI (Retail Price Index) rate, provided with reference to implied rate from observable data.
- HPI (Household Price Index) or MRR (Market Rent Review) projected rate, provided with reference to historical data using conservative assumptions which are found to be acceptable to lenders in this sector.
- PSEI (Private Sector Earnings Index), this has been set at 0% as a conservative assumption.
- Leases with "10-year doubling or 15-year doubling" rental uplift clauses - all such leases have been rebased to uplift clauses linked to the RPI. Expected deed of variation fee receipts will offset reduced rental income.

If the Investment properties had been accounted for under the historic cost accounting rules, the properties would have been measured as follows:

	31 March 2020 £	30 June 2019 £
Historic cost	-	14,761,575
	-	14,761,575



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**E&J GROUND RENTS NO5 LLP**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 MARCH 2020**

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**8. Debtors**

	<b>31 March 2020 £</b>	<b>30 June 2019 £</b>
Trade debtors	-	212,801
Other debtors	-	150
Prepayments and accrued income	-	3,904,509
	<u>-</u>	<u>4,117,460</u>

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

	<b>31 March 2020 £</b>	<b>30 June 2019 £</b>
Trade creditors	-	62,737
Amounts owed to group undertakings	-	23,066,020
Other creditors	2	2
Accruals and deferred income	-	849,778
	<u>2</u>	<u>23,978,537</u>

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E&J GROUND RENTS NO5 LLP

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 MARCH 2020

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10. Loans and other debts due to members

	31 March 2020 £	30 June 2019 £
Amounts due to members	(1,148,706)	11,894,127
	<u>(1,148,706)</u>	<u>11,894,127</u>

Loans and other debts due to members may be further analysed as follows:

	31 March 2020 £	30 June 2019 £
Amounts due within 1 year	(1,148,706)	11,894,127
	<u>(1,148,706)</u>	<u>11,894,127</u>

Loans and other debts due to members rank equally with debts due to ordinary creditors in the event of a winding up.

11. Related party transactions

FRS 102 does not require disclosure of 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.

12. Controlling party

The smallest group to consolidate these financial statements is SF Funding Limited. The registered office and principal place of business of SF Funding Limited is Prospect Place, Moorside Road, Winchester, England, SO23 7RX.

13. Disclosure under section 444(5B) of the Companies Act 2006

The auditors' report on the financial statements for the period ended 31 March 2020 was unqualified.

The audit report was signed on 26 March 2021 by Daniel Walters (Senior Statutory Auditor) on behalf of Harris & Trotter LLP.