Registered Number 112018

LINKS HEALTHCARE REIT LIMITED

Unaudited Consolidated Financial Statements

For the period from 1 January 2019 to 30 June 2019

LINKS HEALTHCARE REIT LIMITED

Contents

Corporate information

DIRECTOR

Gary Wilder
Marc Harris
Sunil Masson
Deeya Jugurnauth
Gavin Carruthers (resigned on 1 March 2019)
Tim Hutchins (appointed on 1 March 2019 and resigned on 25 September 2019)
Smoden Chimbalu (appointed on 25 September 2019)

REGISTERED OFFICE

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ADMINISTRATOR, REGISTRAR AND COMPANY SECRETARY

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Report of the Directors
For the period from 1 January 2019 to 30 June 2019

The Directors present their report and the unaudited interim consolidated financial statements of Links Healthcare REIT Limited (the "Company") and its subsidiaries (together the "Group") for the period ended 30 June 2019.

PRINCIPAL ACTIVITIES

The Company was incorporated on 6 December 2012 as a public company under the Companies (Jersey) Law 1991, with registered number 112018. The registered office of the Company is outlined on page 1.

The Company primarily invests in Permitted Investments, as described in the Offering Memorandum dated 7 March 2013. The Company has been authorised by the Jersey Financial Services Commission to operate as a collective investment fund pursuant to the Collective Investment Funds (Jersey) Law 1988 as amended (the CIF Law). The Company is also listed on the Channel Islands Stock Exchange.

In March 2013, the Company entered into a Share Purchase Agreement with Links Midco Limited for the acquisition by the Company of the entire called up share capital of Links Bidco S.à.r.l., which holds an indirect interest in a property portfolio.

RESULTS

The results for the period are set out on page 3.

DIRECTORS

The Directors of the Company during the period and, unless otherwise indicated, up to the date on which the financial statements were approved are shown on page 1.

COMPANY SECRETARY

The Group Secretary of the Company during the period and, unless otherwise indicated, up to the date on which the financial statements were approved, is shown on page 1.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the financial statements in accordance with applicable law and regulations.

Pursuant to the Companies (Jersey) Law 1991, as amended (the "Law"), the Group is required to prepare financial statements for each financial period. The Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB). The financial statements are required by Law to give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group for that period.

International Accounting Standard 1 requires that financial statements present fairly for each financial period the Group's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and presentation of financial statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs. However, the Directors are also required to:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance; and
- make an assessment of the Group's ability to continue as a going concern.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the financial statements comply with the Law. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

BY ORDER OF THE BOARD

Director

Date: 21 October 2019

Consolidated statement of comprehensive income
For the period from 1 January 2019 to 30 June 2019

	Notes	Period from 1 January 2019 to 30 June 2019 '£000	Period from 1 January 2018 to 30 June 2018 '£000
Revenue	5	29,332	28,360
Administrative expenses	6	(3,088)	(3,069)
Operating profit		26,244	25,291
Finance cost	7	(20,333)	(20,489)
Profit for the period before tax		5,911	4,802
Income tax	8	(24)	(75)
Profit for the period		5,887	4,727
Profit attributable to equity holders		5,887	4,727
Other comprehensive (loss)/ income	18	(1,454)	3,569
Total comprehensive profit for the period		4,433	8,296
Attributable to equity holders		4,433	8,296

All items dealt with in arriving at the total comprehensive income for the period ended 30 June 2019 related to continuing operations.

LINKS HEALTHCARE REIT LIMITED

Consolidated statement of financial position
As at 30 June 2019

	Notes	30 June 2019 '£000	31 December 2018 '£000
ASSETS			
Non-current assets			
Investment properties	11	1,237,650	1,237,650
Total non-current assets		1,237,650	1,237,650
Current assets			
Trade and other receivables	13	2,789	2,842
Cash and cash equivalents	14	8,578	4,907
Total current assets		11,367	7,749
Total assets		1,249,017	1,245,399
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Group			
Called up share capital	18	1	1
Share premium	18	5,470	5,470
Legal reserve	18	14	14
Cash flow hedging reserve	18	(4,769)	(3,315)
Accumulated profit		491,155	492,268
Total equity attributable to equity holders of the Group		491,871	494,438
Non-current liabilities			
Loan payable	15	732,676	731,321
Intercompany payable		507	450
Derivative financial instruments	12	6,707	5,700
Total non-current liabilities		739,890	737,471
Current liabilities			
Other payables	16	17,256	13,490
Total current liabilities		17,256	13,490
Total equity		1,249,017	1,245,399

The consolidated financial statements were approved by the Board of Directors and authorised for issue on 21 October 2019

Registered Number 112018

Director

Consolidated statement of changes in equity
For the period from 1 January 2019 to 30 June 2019

	Share capital * '£000	Share premium '£000	Legal reserve '£000	Cash flow hedging reserve '£000	Accumulated profit '£000	Total equity '£000
Balance at 1 January 2019	1	5,470	14	(3,315)	492,268	494,438
Net profit for the period	-	-	-	-	5,887	5,887
Swap fair value movement	-	-	-	(1,454)	-	(1,454)
Dividends paid **	-	-	-	-	(7,000)	(7,000)
Balance at 30 June 2019	1	5,470	14	(4,769)	491,155	491,871

	Share capital * '£000	Share premium '£000	Legal reserve '£000	Cash flow hedging reserve '£000	Accumulated profit '£000	Total equity '£000
Balance at 1 January 2018	1	5,470	14	(8,831)	378,182	374,836
Adjustment on adoption of IFRS 9					9,573	9,573
Adjusted balance at 1 January 2018	1	5,470	14	(8,831)	387,755	384,409
Net profit for the period	-	-	-	-	4,727	4,727
Swap fair value movement	-	-	-	3,569	-	3,569
Dividends paid **	-	-	-	-	(6,000)	(6,000)
Balance at 30 June 2018	1	5,470	14	(5,262)	386,482	386,705

* The share capital amounts to £547.14 (2018: £547.14) (note 18).
** The total dividend paid per share for the period ended 30 June 2019 is £127.94 (2018: £109.66).

Consolidated statement of cash flows
For the period from 1 January 2019 to 30 June 2019

	Notes	Period from 1 January 2019 to 30 June 2019 '£000	Period from 1 January 2018 to 30 June 2018 '£000
Cash flow from operating activities			
Cash generated from operations	20	29,920	28,634
Income tax paid		-	-
Net cash flows from operating activities		29,920	28,634
Cash flows from financing activities			
Interest paid		(17,990)	(19,611)
Loan repayment		(1,259)	-
Dividend paid		(7,000)	(6,000)
Net cash flows used in financing activities		(26,249)	(25,611)
Net increase in cash and cash equivalents		3,671	3,023
Cash and cash equivalents at beginning of the period		4,907	4,860
Cash and cash equivalents at the end of the period	14	8,578	7,883

1. Accounting policies

General information

Links Healthcare REIT Limited (the "Company") was incorporated on 6 December 2012 as a public company under the Companies (Jersey) Law 1991, with registered number 112018. The registered office is 4th Floor, St Paul's Gate, 22-24 New Street, St Helier, Jersey, JE1 4TR, Channel Islands.

The Company primarily invests in Permitted Investments, as described in the Offering Memorandum dated 7 March 2013. The Company has been authorised by the Jersey Financial Services Commission to operate as a collective investment fund pursuant to the Collective Investment Funds (Jersey) Law 1988 as amended (the CIF Law). The Company is also listed on The International Stock Exchange.

In March 2013, the Company entered into a Share Purchase Agreement with Links Midco Limited for the acquisition by the Company of the entire share capital of Links Bidco S.à.r.l., which holds an indirect interest in a property portfolio.

Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board ("IASB"), IFRIC interpretations and the Companies (Jersey) Law 1991.

These financial statements have been prepared under the historic cost convention as modified by the revaluation of properties and derivatives.

Under Article 105(11) of the Companies (Jersey) Law 1991 the Directors of a holding company need not prepare separate financial statements (i.e. company only financial statements) if consolidated financial statements for the company are prepared, unless required to do so by the members of the company by ordinary resolution. The members of the Company have not passed a resolution requiring separate financial statements and, in the Directors' opinion, the Company meets the definition of a holding company. As permitted by the law, the Directors have elected not to prepare separate accounts.

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. Changes in assumptions may have a significant impact on the financial statements in the year the assumptions changed. The Directors believe that the underlying assumptions are appropriate. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the unaudited consolidated financial statements, are disclosed in note 4.

Statement of comprehensive income and statement of cash flows

The Group has elected to present all items of income and expense recognised in a year in a single statement of comprehensive income and presents its expenses by function.

The Group reports cash flows from operating activities using the indirect method. Interest paid is presented within financing cashflows. The acquisitions of investment properties are disclosed as cash flows under investing activities because this most appropriately reflects the Group's business activities.

Changes in accounting policy and disclosures

(a) New standards, amendments and interpretations issued and effective for the financial year beginning 1 January 2019

In the current period, the Group has applied a number of amendments to IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting year that begins on or after 1 January 2019. The new standards issued during the year are not deemed to have any impact on the Group.

(b) New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2019 and not early adopted

The following new and amended standards and interpretations have been issued and are mandatory for the Group's accounting periods beginning on or after 1 January 2020 or later periods and are expected to be relevant to the Group.

Standard / interpretation	Content	Applicable for financial years on/after
Amendments to IAS 1 and IAS 8	Definition of Material	01/01/2020
Amendments to IFRS 3	Definition of a business	01/01/2020

1. Accounting policies (continued)

Basis of preparation (continued)

Changes in accounting policy and disclosures (continued)
Amendments to IAS 1 and IAS 8

(b) New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2019 and not early adopted (continued).

The changes in Definition of Material (Amendments to IAS 1 and IAS 8) all relate to a revised definition of 'material' which is quoted below from the final amendments:

Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

Three new aspects of the new definition should especially be noted:
'Obscuring. The existing definition only focused on omitting or misstating information, however, the Board concluded that obscuring material information

with information that can be omitted can have a similar effect. Although the term obscuring is new in the definition, it was already part of IAS 1 (IAS 1.30A).

Could reasonably be expected to influence. The existing definition referred to 'could influence' which the Board felt might be understood as requiring too much information as almost anything 'could' influence the decisions of some users even if the possibility is remote.

'Primary users. The existing definition referred only to 'users' which again the Board feared might be understood too broadly as requiring to consider all possible users of financial statements when deciding what information to disclose.

The amendments stress especially five ways material information can be obscured:
- if the language regarding a material item, transaction or other event is vague or unclear;
- if information regarding a material item, transaction or other event is scattered in different places in the financial statements;
- if dissimilar items, transactions or other events are inappropriately aggregated;
- if similar items, transactions or other events are inappropriately disaggregated; and
- if material information is hidden by immaterial information to the extent that it becomes unclear what information is material.

The amendments are effective for annual reporting periods beginning on or after 1 January 2020, however, earlier application is permitted. The Company is yet to determine the impact of adopting the amendments.

Amendments to IFRS 3
The post-implementation review of IFRS 3 Business Combinations revealed that entities have difficulties when determining whether they have acquired a business or a group of assets. As the accounting requirements for goodwill, acquisition costs and deferred tax differ on the acquisition of a business and on the acquisition of a group of assets, the IASB decided to issue narrow scope amendments aimed at resolving the difficulties that arise when an entity is determining whether it has acquired a business or a group of assets.

The amendments in Definition of a Business (Amendments to IFRS 3) are changes to Appendix A Defined terms, the application guidance, and the illustrative examples of IFRS 3 only. They:
- clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs;
- narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs;
- add guidance and illustrative examples to help entities assess whether a substantive process has been acquired;
- remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs; and
- add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

The amendments are effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period. Earlier application is permitted. The Company is yet to determine the impact of adopting the amendments.

Based on management's assessment, the Directors do not expect that the adoption of the Standards and Interpretations listed above will have a material impact on the financial statements of the Company in future periods.

Beyond the information above, it is not practicable to provide a reasonable estimate of the effect of these standards until a detailed review has been completed.

1. Accounting policies (continued)

Basis of consolidation
The unaudited consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 30 June 2019. Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Company controls an investee if and only if the Company has:
• power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
• exposure, or rights, to variable returns from its involvement with the investee, and
• the ability to use its power over the investee to affect its returns.

When the Company has less than a majority of the voting or similar rights of an investee, the Company considers all relevant facts and circumstances in assessing whether it has power over an investee including:
• the contractual arrangement with the other vote holders of the investee
• rights arising from other contractual arrangements
• the Company's voting rights and potential voting rights

The Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Company gains control until the date the Group ceases to control the subsidiary.

For acquisitions meeting the definition of a business, the acquisition method of accounting is used. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

Acquisition-related costs in relation to business combination are expensed as incurred. If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss. Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

For acquisitions not meeting the definition of a business, the Group allocates the cost between the individual identifiable assets and liabilities in the Group based on their relative fair values at the date of acquisition. Such transactions or events do not give rise to goodwill. There were no acquisition during the current financial period.

The financial statements incorporate the results of the Company's subsidiaries. The accounting policies of subsidiaries has been aligned with the policies adopted by the Group. All the Group companies have 30 June as their period end.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Going concern
The Group's business activities are set out in the 'Principal activities' section of the Report of the Directors on page 2.

The Group has made profits of £5,887,000 (period ended 30 June 2018: £4,727,000) in the period ended 30 June 2019 and has positive net assets of £491,871,000 (31 December 2018: £494,438,000).

Additionally, revenue is secured through property leases which have unexpired term of 24 years.

The Directors are of the belief that the Group is expected to continue to generate positive cash flows from its operating activities on its own account for a period of at least twelve months from the date of signing of the financial statements bearing in mind the assets of the subsidiaries of the Group. The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for a period of at least twelve months from the date of signing of the financial statements and retain its ability to remain within bank covenants and repay its debts as and when these are due. Thus they continue to adopt the going concern basis of accounting in preparing the consolidated financial statements.

Foreign currency translation
(a) Functional and presentation currency
Items included in the financial statements of each of the Company's subsidiaries are measured using the currency of the primary economic environment in which the subsidiaries operate (the 'functional currency'). The consolidated financial statements are presented in pound sterling ('£000'), which is the functional currency of the Group's subsidiaries and the presentation currency of the Group.

1. Accounting policies (continued)

Foreign currency translation (continued)

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of comprehensive income for the period.

Revenue recognition

Revenue includes rental income from properties. Rental income from operating leases is recognised in revenue on a straight line basis over the lease term. When the Group provides incentives to its tenants, the cost of the incentives are recognised over the lease term, on a straight line basis, as a reduction of rental income.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented net in the consolidated statement of comprehensive income within finance costs and finance income respectively.

Dividends

Dividend distributions to the shareholders are recognised in the Group's financial statements in the year in which the dividends are approved.

Interest

Interest income and expenses are recognised within 'finance income' and 'finance costs' respectively in the statement of comprehensive income using the effective interest rate method.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating the interest income or interest expense over the relevant year. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts throughout the expected life of the financial instrument, to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts.

Expenses

Expenses include legal, accounting, auditing, asset management, investment management, trustee fees and other fees. They are recognised as expenses in the statement of comprehensive income in the year in which they are incurred (on an accruals basis).

Investment property

Investment properties comprise land and buildings which are held for long term rental yields or for capital appreciation or both in accordance with IAS 40 'Investment Property.' Land and buildings are shown at their fair value at the year end with fair value movement posted through the statement of comprehensive income.

Subsequent costs are included in the investment property's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial year in which they are incurred.

The investment properties are not depreciated.

Land held under operating leases is classified and accounted for by the Group as investment property when the rest of the definition of investment property is met. The operating lease is accounted for as if it were a finance lease.

Cash and cash equivalents

Cash and cash equivalents are also classified as loans and receivables. Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

Financial instruments

i. Recognition and initial measurement

Financial assets and financial liabilities are recognised in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

1. Accounting policies (continued)
Financial instruments (continued)

ii. Classification and subsequent measurement
Financial assets
a. Classification
From 1 January 2019, the Group classifies its financial assets in the following measurement category:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

For the purposes of assessment whether cash flows are solely payments of principal and interest, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin. In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

b. Subsequent measurement
Debt instruments
The Group classifies its debt instrument at amortised cost. Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in 'finance income' using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss. Impairment losses on financial assets are presented as separate line item in the consolidated statement of comprehensive income.

Financial liabilities - Classification and subsequent measurement

Financial liabilities are classified as either financial liabilities "at FVTPL" or "other financial liabilities".

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading, it is a derivative or it is designated as at FVTPL.

Financial liabilities at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'finance costs' line item in the consolidated statement of comprehensive income.

Other financial liabilities, including bank borrowings and trade and other payables, are subsequently measured at amortised cost using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

1. Accounting policies (continued)
Financial instruments (continued)

iii. Derecognition
Financial assets
The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Group retains an option to repurchase part of a transferred asset), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

Financial liability
A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in profit or loss.

iv. Impairment
The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss, including tenants' deposits and trade and other receivables. While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

For trade and other receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date.

Trade and other receivables are written off when there is no reasonable expectation of recovery.

If in a subsequent period the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date. Any subsequent reversal of an impairment loss is recognised in the unaudited consolidated statement of comprehensive income.

The Group assesses at each financial position date whether there is objective evidence that a financial asset or group of financial assets is impaired (an incurred loss model). If there is objective evidence (such as significant financial difficulty of the obligor, breach of contract, or it becomes probable that the debtor will enter bankruptcy), the asset is tested for impairment. The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (that is, the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through use of an allowance account. The amount of the loss is recognised in the unaudited consolidated statement of comprehensive income.

In relation to trade receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Group will not be able to collect all of the amounts due under the original terms of the invoice.

Derivative financial instruments and hedge accounting
The Group uses interest rate swaps to hedge its risks associated with interest rates. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are recognised as financial assets when the fair value is positive and as liabilities when the fair value is negative. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months.

1. Accounting policies (continued)
Financial instruments (continued)

Derivative financial instruments and hedge accounting (continued)

For the purpose of hedge accounting, the Group designates certain derivatives as either:
- hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedges)
- hedges of a particular risk associated with the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges), or
- hedges of a net investment in a foreign operation (net investment hedges).

As at reporting period, the Group designated its derivatives as cash flow hedges.

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:
- There is 'an economic relationship' between the hedged item and the hedging instrument.
- The effect of credit risk does not 'dominate the value changes' that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

Share capital
Shares are classified as equity when there is no obligation to transfer cash or other assets.

Current tax

The tax expense for the period comprises current tax. Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the period end date. The current tax charge is the minimum required tax provision from Luxembourg.

Revenues, expenses and assets are recognised net of the amount of sales tax, except for receivables and payables that are stated with the amount of sales tax included. The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position. Stamp duty payable on the direct acquisition of investment property is capitalised as part of the property's acquisition costs.

Fair value

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price). The fair value of financial instruments is always determined on the basis of the listed price on an active market (mark to market) or, if this is not possible, on the basis of industry standard valuation models (mark to matrix or mark to model).

Financial instruments valued using observable market prices
If a quoted market price in an active market is available for an instrument, the fair value is calculated based on the market price.

Financial instruments valued using a valuation technique
In the absence of a quoted market price in an active market, management uses industry standard models to make its best estimate of the price that the market would set for that financial instrument. In order to make these estimations, various techniques are employed, including extrapolation from observable market data and observation of similar financial instruments with similar characteristics. Wherever possible, valuation parameters for each product are based on prices directly observable in active markets or that can be derived from directly observable market prices.

Fair value hierarchy
The Company applies the following fair value hierarchy that prioritises the inputs to valuation techniques used in measuring fair value. The hierarchy establishes three categories for valuing financial instruments, giving the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs.

Level 1 - Unadjusted quoted prices for identical assets or liabilities in an active market that the Company has the ability to access at the measurement date.

Level 2 - Quoted prices in markets that are not active, quoted prices for similar assets or liabilities, recent market transactions, inputs other than quoted market prices for the asset or liability that are observable either directly or indirectly for substantially the full term, and inputs to valuation techniques that are derived principally from or corroborated by observable market data through correlation or other statistical means for substantially the full term of the asset or liability.

Level 3 - Inputs to the pricing or valuation techniques that are significant to the overall fair value measurement of the asset or liability are unobservable.

2. Financial risk management

Financial risk factors

The Group has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk (including currency risk, interest rate risk and other price risk)

Vistra Secretaries Limited who provides secretarial and administration services to the Group, have their own business risk assessment which the Directors utilise for the purposes of the Group. These policies are described below.

The Directors of the Group review and agree policies for managing its risk exposure. The primary objectives of the financial risk management function are to establish appropriate risk limits, and then ensure that exposure to risks stays within these limits. The Group's financial assets and financial liabilities comprise cash and cash equivalents, trade and other receivables and trade and other payables that arise directly from its operations.

Principal financial instruments

The principal financial instruments used by the Group, from which financial instrument risk arises, are as follows:

- Derivative financial instruments
- Trade and other receivables
- Cash and cash equivalents
- Other payables
- Loan payable

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from tenants and cash and cash equivalents held at banks.

The Group's maximum exposure to credit risk by class of financial asset is as follows:-

	30 June 2019 '£000	31 December 2018 '£000
Trade and other receivables	2,771	2,807
Cash and cash equivalents	8,578	4,907
	11,349	7,714

The Group has £nil (31 December 2018: £nil) receivable from its tenants. The Group has policies in place to ensure that rental contracts are entered into only with lessees with an appropriate credit history.

The fair value of cash and cash equivalents at 30 June 2019 approximates the carrying value. Further details regarding cash and cash equivalents can be found in note 14. In the period cash risk was mitigated by holding cash and cash equivalents with several different reputable financial institutions. As at 30 June 2019, cash balances were held with RBS International and Standard Chartered Bank. Refer to note 14 for credit ratings of these banking institutions.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's position.

The Group's liquidity position is monitored and reviewed on a quarterly basis by the Directors. The amounts disclosed in the below tables are the contractual undiscounted cash flows.

The maturity analysis of financial instruments at 30 June 2019 and 31 December 2018 are as follows:

2019	Within one year '£000	From one to two years '£000	From two to five years '£000	Later than 5 years '£000	Total '£000
Assets					
Trade and other receivables	2,771	-	-	-	2,771
Cash and cash equivalents	8,578	-	-	-	8,578
	11,349	-	-	-	11,349
Liabilities					
Loan payable	-	-	732,676	-	732,676
Other payables	17,256	-	-	-	17,256
Derivative financial instruments	-	-	6,707	-	6,707
Intercompany payables	-	-	507	-	507
	17,256	-	739,890	-	757,146

2. Financial risk management

Liquidity risk (continued)

2018	Within one year	From one to two years	From two to five years	Later than 5 years	Total
	'£000	'£000	'£000	'£000	'£000
Assets					
Trade and other receivables	2,807	-	-	-	2,807
Cash and cash equivalents	4,907	-	-	-	4,907
	7,714	-	-	-	7,714
Liabilities					
Loan payable	-	-	731,321	-	731,321
Other payables	13,490	-	-	-	13,490
Derivative financial instruments	-	-	5,700	-	5,700
Intercompany payables	-	-	450	-	450
	13,490	-	737,471	-	750,961

Out of the £732,676,000 (31 December 2018: £731,321,000) loan payable, the Group's loan with the lenders mentioned in note 15 for an amount of £531,774,000 (2018: £529,160,000) is repayable on 31 December 2020 and secured by a charge over the Group's investment properties which are disclosed in note 11. The Directors expect that upon maturity of the bank loan, further finance will be negotiated until the properties are sold.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. The Group's market risk arises from open positions in interest bearing assets and liabilities, to the extent that these are exposed to general and specific market movements.

IFRS 7 requires disclosure of sensitivity analysis for each type of market risk to which the entity is exposed at the reporting date showing how profit or loss and equity would have been affected by changing the relevant risk variables that were reasonably possible at that date.

As discussed below, the Group does not have significant exposure to price risk or cashflow and fair value interest rate risk and therefore no sensitivity analysis for those risks has been disclosed.

a) Foreign exchange risk

The Group is exposed to foreign currency risk due to the retranslation of some assets and liabilities denominated in foreign currency however the exposure is not significant as its subsidiaries, though domiciled in Luxembourg, use the pound sterling (£) as their functional currency.

b) Price risk

The Group is exposed to property price and property rental risk which are not financial instruments. The Group is not exposed to market risk with respect to financial instruments as it does not hold any marketable equity securities.

c) Cash flow and fair value interest rate risk

The Group is exposed to cash flow risk in relation to interest payable on the bank loan amounting to £531,774,000 (31 December 2018: £529,160,000) with Standard Chartered Bank. The loan is repayable in four years and carries a floating interest rate as described in note 15.

The Group uses interest rate swaps to manage its exposure to interest rate movements on its bank borrowings by swapping all of those borrowings from floating rates to fixed rates. Currently, the Group has contracts with an aggregate nominal value of £540,000,000 (2018: £540,000,000) split between Standard Chartered Bank for £205,659,260 (2018: £205,659,260), DBS Bank Ltd for £93,600,000 (2018: £93,600,000), Sumitomo Mitsui Banking Corporation for £120,370,370 (2018: £120,370,370) and Oversea-Chinese Banking Corporation for £120,370,370 (2018: £120,370,370). The Group pays fixed interest at a rate of 1.5987% for years up until 2020 & receive floating interest at 3 months GBP Libor.

The interest rate swaps settle on a quarterly basis for floating and fixed rate interest respectively. The Group will settle the difference between the fixed and floating interest rate on a net basis. All interest rate swap contracts exchanging floating rate interest amounts for fixed rate interest amounts are designated as cash flow hedges as from December 2015 in order to reduce the Group's cash flow exposure resulting from variable interest rates on borrowings.

All trade and other receivables and payables are interest-free and have settlement dates within one year.

2. Financial risk management (continued)

Capital management

The Group considers its capital to comprise its ordinary share capital, share premium and its accumulated retained earnings. Refer to note 18.

The Directors' objective when managing capital is to safeguard the Group's ability to continue as a going concern in the short and long term in order to provide returns for the shareholders and benefits for other stakeholders. There are no external regulatory requirements imposed on the Group with regards to capital management.

3. Segmental analysis

The Group's operations are carried out in Jersey and Luxembourg. The results and net assets of the Company and Group are derived from its investment in commercial investment properties situated in United Kingdom. The Company does not trade its debt or equity instruments in a public market and it is not in the process of filing its consolidated financial statements with a securities commission or other regulatory organisation for the purpose of issuing any class of instruments in a public market. Therefore, segmental analysis has not been presented.

4. Critical accounting judgements and key sources of estimation uncertainty

Estimates and judgements are continually evaluated and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Judgements

Fair value of investment properties

In determining the fair value of investment properties under IAS 40 there is a degree of uncertainty and judgement involved. The Group uses external professional valuers to determine relevant amounts. The Directors have reviewed the valuations and assumptions applied and have concluded that they are reasonable.

The Directors believe that the chosen valuation techniques and assumptions used are appropriate in determining the residual value and useful lives of investment properties. The details of the valuation are disclosed on note 11.

(b) Estimates

Fair value of derivative instruments

The Group determines the fair value of financial instruments that are not quoted, using valuation techniques. Those techniques are significantly affected by the assumptions used, including discount rates and estimates of future cash flows. In that regard, the derived fair value estimates cannot always be substantiated by comparison with independent markets and, in many cases, may not be capable of being realised immediately.

The methods and assumptions applied to the fair value of the derivative financial instruments are disclosed in note 12.

5. Revenue

	Period from 1 January 2019 to 30 June 2019 '£000	Period from 1 January 2018 to 30 June 2018 '£000
Rental income	29,332	28,360

6. Administrative expenses

	Period from 1 January 2019 to 30 June 2019 '£000	Period from 1 January 2018 to 30 June 2018 '£000
Direct operating expenses arising from investment property that generated rental income during the period:		
Investment fee*	(2,700)	(2,700)
Investment advisor fee	(50)	(50)
Other operating expenses:		
Administrative fees	(32)	(36)
Tax return fee	(29)	(31)
Valuation fees	(80)	(39)
Legal and professional fees	(67)	(92)
Trustee fees	(95)	(89)
Audit fees	(30)	(29)
Bank charges	(5)	(3)
	(3,088)	(3,069)

*The investment fee is calculated on a quarterly basis on the outstanding loan principal amount at a rate of 1% (2018: 1%) per annum.

7. Finance cost

	Period from 1 January 2019 to 30 June 2019 '£000	Period from 1 January 2018 to 30 June 2018 '£000
Interest on bank loan	(7,645)	(6,934)
Interest rate swap	(1,456)	(2,015)
Interest on intercompany loan	(11,232)	(11,540)
	(20,333)	(20,489)

8. Income tax expense

The Company is tax exempt. Links Bidco S.à.r.l. and other Luxembourg subsidiaries are subject to the Luxembourg general tax regulations applicable to all commercial companies registered in Luxembourg.

Analysis of tax charge in the period

	Period from 1 January 2019 to 30 June 2019 '£000	Period from 1 January 2018 to 30 June 2018 '£000
Minimum current tax - Luxembourg companies	(24)	(75)
Total tax charge for the period	(24)	(75)

As a REIT, the Group is required to pay Property Income Distributions equal to at least 90% of the Group's exempted net income. To remain as a REIT, there are a number of conditions to be met in respect of the principal company of the Group, Links Bidco S.à.r.l.'s qualifying activity and its balance of business. The Group met these conditions.

The tax charge in the period relates primarily to the legal minimum Luxembourg tax provision for 2019 and 2018 for the Luxembourg entities and withholding tax on the partners income distributions.

9. Directors and employees

The Company has no employees. Refer to related party note (note 17) for details of corporate services fees paid to Vistra Secretaries Limited.

10. Subsidiaries

The following table details the subsidiaries owned by the parent company and included in these consolidated financial statements.

Subsidiary undertakings	Ownership	Holding %	Country of incorporation	Activity
Links Bidco S.à.r.l.	Direct	100	Luxembourg	Holding company
Links Bidco S.à.r.l. Propco 1	Indirect	100	Luxembourg	Property holding
Links Bidco S.à.r.l. Propco 2	Indirect	100	Luxembourg	Property holding
Links Bidco S.à.r.l. Propco 3	Indirect	100	Luxembourg	Property holding
Links Bidco S.à.r.l. Propco 4	Indirect	100	Luxembourg	Property holding
Links Bidco S.à.r.l. Propco 5	Indirect	100	Luxembourg	Property holding
Links Bidco S.à.r.l. Propco 6	Indirect	100	Luxembourg	Property holding
Links Bidco S.à.r.l. Propco 7	Indirect	100	Luxembourg	Property holding
Links Bidco S.à.r.l. Propco 9	Indirect	100	Luxembourg	Property holding
Links Bidco S.à.r.l. Propco 10	Indirect	100	Luxembourg	Property holding
Links Bidco S.à.r.l. Propco 11	Indirect	100	Luxembourg	Property holding
Links Bidco S.à.r.l. Propco 12	Indirect	100	Luxembourg	Property holding
Links Bidco S.à.r.l. Propco 13	Indirect	100	Luxembourg	Property holding
Links Property 9 Limited	Indirect	100	England	Dormant

On 29 June 2016, the Company incorporated a new wholly owned subsidiary in Luxembourg namely Propco 13. On 31 August 2016, the Company sold all its shares in Propco 8 to the Spire Group and thereby acquired 100% shareholding in Spire Property 9 Limited which was renamed as Links Property 9 Limited. Links Property 9 Limited was liquidated on 13 June 2019.

10. Subsidiaries (continued)

Links Bidco S.à.r.l.

The entire share capital of Links Bidco S.à.r.l. ("Bidco") was purchased from Links Midco Limited through a sale and purchase agreement in March 2013.

Bidco has been incorporated on 3 December 2012 for an unlimited duration as a société a responsabilité limitée with registration number B 173566. The company was established as a special purpose vehicle (the "SPV"). The company is subject to the Law of 10 August 1915 on Commercial Companies, as subsequently amended, as well as by its articles of association.

The company receives rental income on behalf of the Propcos from underlying investment properties located in the United Kingdom.

11. Investment properties

2019	Cost '£000	Accumulated Fair Value Gains '£000	Fair Value '£000
Opening balance	719,526	518,124	1,237,650
Fair value movement during the period	-	-	-
Balance as at 30 June 2019	719,526	518,124	1,237,650

2018	Cost '£000	Accumulated Fair Value Gains '£000	Fair Value '£000
Opening balance	719,526	413,374	1,132,900
Fair value movement during the year	-	104,750	104,750
Balance as at 31 December 2018	719,526	518,124	1,237,650

Fair value of investment property

On an annual basis, the Group engages external, independent and qualified valuers to determine the fair value of the investment properties. As at 30 October 2018, fair value of the investment properties have been determined by Knight Frank LLP using Royal International Chartered Surveyors ("RICS") valuation. Knight Frank LLP also issued an opinion stating that the valuation of 30 October 2018 is still appropriate for 31 December 2018. No valuation has been conducted for these interim financial statements.

The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly (Level 2).
- Inputs for the asset or liability that are not based on observable market data (Level 3).

The external valuations of the investment properties have been carried out using the comparative investment method and the investment properties have been classified as level 3. The valuation is based on a collation and analysis of appropriate comparable investment transactions. Such transactions were then applied to the investment properties by taking into account the size, location, terms, covenant and other material factors.

Details of the Group's investment properties and information about the fair value hierarchy (assuming 6.79% cost of acquisition) as at 30 June 2019 and 31 December 2018 are as follows:

Subsidiary	Hospital	% of ownership	Level 1 '£000	Level 2 '£000	Level 3 '£000	30 June 2019 / 31 December 2018 '£000
Links Bidco S.à.r.l. Propco 1	Bristol, Glen	100%	-	-	133,050	133,050
Links Bidco S.à.r.l. Propco 2	Bushey	100%	-	-	199,200	199,200
Links Bidco S.à.r.l. Propco 3	Edinburgh	100%	-	-	127,450	127,450
Links Bidco S.à.r.l. Propco 4	Gatwick	100%	-	-	91,150	91,150
Links Bidco S.à.r.l. Propco 5	Leeds	100%	-	-	132,350	132,350
Links Bidco S.à.r.l. Propco 6	Leicester	100%	-	-	93,150	93,150
Links Bidco S.à.r.l. Propco 7	Little Aston	100%	-	-	72,850	72,850
Links Bidco S.à.r.l. Propco 9	Portsmouth	100%	-	-	95,050	95,050
Links Bidco S.à.r.l. Propco 10	Roding	100%	-	-	92,600	92,600
Links Bidco S.à.r.l. Propco 11	Southampton	100%	-	-	145,700	145,700
Links Bidco S.à.r.l. Propco 12	Tunbridge Wells	100%	-	-	18,350	18,350
Links Bidco S.à.r.l. Propco 13	Wirral	100%	-	-	36,750	36,750
			-	-	1,237,650	1,237,650

11. Investment properties (continued)
There were no transfers between levels during the period.

Information about fair value measurements using significant unobservable inputs (Level 3)

Description	Fair value as at 30 June 2019 '£000	Unobservable inputs	Type/Category	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Bristol, Glen	133,050	Initial yield	Strong performer with wide range of services and/or dominant player in the local market	4.50% (2018: 4.50%)	The higher the initial yield the lower the fair value
Bushey	199,200	Initial yield	Strong performer with wide range of services and/or dominant player in the local market	4.50% (2018: 4.50%)	The higher the initial yield the lower the fair value
Edinburgh	127,450	Initial yield	Well established business but with some constraints in growing the business	4.50% (2018: 4.50%)	The higher the initial yield the lower the fair value
Gatwick	91,150	Initial yield	Well established business but with some constraints in growing the business	4.50% (2018: 4.50%)	The higher the initial yield the lower the fair value
Leeds	132,350	Initial yield	Strong performer with wide range of services and/or dominant player in the local market	4.50% (2017: 4.50%)	The higher the initial yield the lower the fair value
Leicester	93,150	Initial yield	Well established business but with some constraints in growing the business	4.50% (2018: 4.50%)	The higher the initial yield the lower the fair value
Little Aston	72,850	Initial yield	Well established business but with some constraints in growing the business	4.50% (2018: 4.50%)	The higher the initial yield the lower the fair value
Portsmouth	95,050	Initial yield	Well established business but with some constraints in growing the business	4.50% (2018: 4.50%)	The higher the initial yield the lower the fair value
Roding	92,600	Initial yield	Well established business but with some constraints in growing the business	4.50% (2018: 4.50%)	The higher the initial yield the lower the fair value
Southampton	145,700	Initial yield	Strong performer with wide range of services and/or dominant player in the local market	4.50% (2017: 4.50%)	The higher the initial yield the lower the fair value
Tunbridge Wells	18,350	Initial yield	Well established business but with some constraints in growing the business	4.50% (2017: 4.50%)	The higher the initial yield the lower the fair value
Wirral	36,750	Initial yield	Well established business but with some constraints in growing the business	4.50% (2017: 4.50%)	The higher the initial yield the lower the fair value

Investment properties pledged as security
Investment properties with a market value of £1,237,650,000 (31 December 2018: £1,237,650,000) have been pledged to secure borrowings of the Group (note 15). The investment properties have been pledged as security for bank loans under a mortgage. The Group is not allowed to pledge these assets as security for other borrowings or to sell them to another entity.

12. Derivative financial instruments

	30 June 2019 '£000	31 December 2018 '£000
Derivatives designated and effective as hedging instrument carried at fair value		
Interest rate swap valuation	(6,707)	(5,700)
	(6,707)	(5,700)
Movement in derivative designated as hedging instruments		
Opening balance	(5,700)	(12,088)
Movement for the period / year	(1,007)	6,388
Closing balance	(6,707)	(5,700)

12. Derivative financial instruments (continued)

Movement in cash flow hedging reserve	30 June 2019	31 December 2018
Opening balance	(3,315)	(8,831)
Movement for the period / year	(1,454)	5,516
Closing balance	(4,769)	(3,315)

The Group is not netting off financial instruments in accordance with IAS 32 and does not have relevant offsetting arrangements.

The Group uses interest rate swaps to manage its exposure to interest rate movements on its bank borrowings by swapping all of those borrowings from floating rates to fixed rates. Currently, the Group has contracts with an aggregate nominal value of £540,000,000 (2018: £540,000,000) split between Standard Chartered Bank for £205,659,260 (2018: £205,659,260), DBS Bank Ltd for £93,600,000 (2018: £93,600,000), Sumitomo Mitsui Banking Corporation for £120,370,370 (2018: £120,370,370) and Oversea-Chinese Banking Corporation for £120,370,370 (2018: £120,370,370). The Group pays fixed interest at a rate of 1.5987% for years up until 2020 & receive floating interest at 3 months GBP Libor.

The interest rate swaps settle on a quarterly basis for floating and fixed rate interest. The Group will settle the difference between the fixed and floating interest rate on a net basis. All interest rate swap contracts exchanging floating rate interest amounts for fixed rate interest amounts are designated as cash flow hedges in order to reduce the Group's cash flow exposure resulting from variable interest rates on borrowings.

The interest rate swaps settle on a quarterly basis for floating and fixed rate interest. The Group will settle the difference between the fixed and floating interest rate on a net basis. All interest rate swap contracts exchanging floating rate interest amounts for fixed rate interest amounts are designated as cash flow hedges in order to reduce the Group's cash flow exposure resulting from variable interest rates on borrowings.

The fair values of the derivative financial instruments are determined by the holder of the instrument calculated based on discounted cash flow analysis using the applicable yield curve for the duration of the instruments for non optional derivatives. Interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates. These valuation techniques maximise the use of observable market data, such as Bank of England's Limited Price Indexation. Accordingly, the fair valuation of the swaps is deemed to be Level 2.

13. Trade and other receivables

	30 June 2019 '£000	31 December 2018 '£000
Amounts falling due within one year:		
Other debtors and prepayments	1,065	1,062
Group receivable	1,724	1,780
	2,789	2,842

14. Cash and cash equivalents

	30 June 2019 '£000	31 December 2018 '£000
Deutsche Bank AG	-	7
Standard Chartered Bank	8,571	4,900
RBS International	7	-
	8,578	4,907

The following table is a summary of the banking institutions' credit rating per Moody's Credit Rating Agent as at reporting date:

Banking institution	30 June 2019	31 December 2018
Standard Chartered Bank	A1	A1
RBS International	Baa2	Baa2

15. Loan payable

	30 June 2019 '£000	31 December 2018 '£000
Bank loan	531,774	529,160
Intercompany loan:		
Interest bearing loan	200,902	202,161
	732,676	731,321
The loan payable is split as follows:		
Current	-	-
Long term	732,676	731,321
	732,676	731,321

On 31 December 2015, The Group entered into a new facility agreement pursuant to which the facility amount was increased to £540,000,000 with a maturity date of 31 December 2020. On 31 March 2016, there was a syndication of the loan and new lenders (together "the lenders") acceded to the facility. The amount of £540,000,000 was split between Standard Chartered Bank for £115,000,000 (2018: £115,000,000), DBS Bank Ltd for £130,000,000 (2017: £130,000,000), Sumitomo Mitsui Banking Corporation for £130,000,000 (2018: £130,000,000), Oversea-Chinese Banking Corporation Limited for £130,000,000 (2018: £130,000,000) and Sumitomo Mitsui Trust Bank Limited for £35,000,000 (2018: £35,000,000).

The loan is secured against the investment properties and shall be repaid in full on the Termination date. The Group pays accrued interest on the loan on each interest payment date at a rate of Margin of 1% + LIBOR. Accrued interest that remain unpaid as at the interest payment date are capitalised. There have been no breaches in borrowing covenants in the year.

The Company has an Interest Bearing Loan with Links Holdings LP for a total amount of £233,010,000. As at 30 June 2018, the outstanding principal balance is £200,902,893 (30 June 2018: £201,161,309). The loan bears interest at a rate of 11.5% less a margin of 0.26% (30 June 2018: margin of 0.26%). The loan is repayable at any time at the option of the Company. During the period to 30 June 2019, £1,259,416 principal amounts were repaid (30 June 2018: nil)

During the period ended 30 June 2019, there was a repayment of £1,259,416 (31 December 2018: £4,882,128) of the intercompany loan with Links Holdings LP.

16. Other payables

	30 June 2019 '£000	31 December 2018 '£000
Current liabilities:		
Rent received in advance	12,267	11,902
Other payables	4,989	1,588
	17,256	13,490

Rent received in advance include £12,266,849 (31 December 2018: £11,901,654) of quarterly rents received in advance. The fair value of other payables approximates their carrying value above.

17. Related party transactions

Transactions during the period between the Group and the related parties are shown below:

During the period fees of £21,092 (30 June 2018: £16,860) were payable to Vistra Secretaries Limited in respect of corporate services provided to the Group, including the provision of directors. Vistra Secretaries Limited is a related party by virtue of common directors in certain of the underlying subsidiary companies in the Group.

On 12 August 2018, Vistra (Luxembourg) Sàrl. was appointed as administrator to the Company. Vistra (Luxembourg) Sàrl. is a related party by virtue of common directors to the Luxembourg subsidiary companies. During the period fees of £95,289 (30 June 2018: £89,106) were paid in respect of corporate services provided to the Group and its Luxembourg subsidiaries, including the provision of directors. The fees are included under trustee fees in note 6.

During the period interest of £11,108,498 (31 December 2018: £27,086,661) was paid to Links Holdings LP in respect of loan interest payable. Interest expense for the period is shown as interest on intercompany loan in note 7, which amounted to £11,232,232 (30 June 2018: £11,540,000).

During the period 30 June 2019, dividends of £7,000,000 (30 June 2018: £6,000,000) were paid to Links Holdings LP as disclosed in the Statement of Changes in Equity. Out of £7,000,000 the £1,400,000 (30 June 2018: £1,200,000) related to withholding tax.

During the period £2,700,000 (30 June 2018: £2,700,000) was paid to Kwasa Global (Jersey) Limited in respect of an Investment Deed Fee. Refer to note 6.

Significant balances outstanding between the related parties in the group are shown below.

At 30 June 2019, loans from Links Holdings LP were held for £200,901,893 (31 December 2018: £202,161,309) as disclosed in note 15.

At 30 June 2019, the intercompany payable to Links Holdings LP by the Group amounted to £507,000 (31 December 2018: £450,000) as disclosed in the Consolidated Statement of Financial Position. The amount due to Links Holdings LP is interest free and repayable on demand.

None of the above balances are secured. All of the above transactions are made on terms equivalent to those that prevail in arm's length transactions.

18. Called up share capital and share premium

(a) Called up share capital

Summary at 30 June:

	30 June 2019	31 December 2018
	£	£
Opening share capital	547.14	547.14
Closing share capital	547.14	547.14

The authorised share capital consists of 100,000 shares of £0.01 each. As at 30 June 2019, 54,714 (31 December 2018: 54,714) shares were issued amounting to £547.14 (31 December 2018: £547.14).

18. Called up share capital and share premium (continued)

(b) Share premium

Summary at 30 June:

	30 June 2019 '£000	31 December 2018 '£000
Opening share capital	5,470	5,470
Closing share capital	5,470	5,470

(c) Legal reserve

Summary at 30 June:

	30 June 2019 '£000	31 December 2018 '£000
Opening legal reserve	14	14
Closing share capital	14	14

Further to the shareholder's meeting held during 2014, it was decided to allocate the maximum allowable legal reserve of 10% of the subscribed capital from the profit for the period ended 31 December 2013.

(d) Cash flow hedging reserve

Summary at 30 June:

	30 June 2019 '£000	31 December 2018 '£000
Opening cash flow hedging reserve	(3,315)	(8,831)
Swap fair value movement	(1,454)	5,516
Opening cash flow hedging reserve	(4,769)	(3,315)

The cash flow hedging reserve comprises the effective portion of the cumulative net change in the fair value of the derivative financial instruments (such as floating to fixed interest rate swaps) used in cash flow hedge pending subsequent recognition in profit or loss as the hedged cash flows affect profit or loss.

19. Operating leases

The Group as lessor

The future aggregate minimum rentals receivable under non-cancellable operating leases are as follows:

	30 June 2019 '£000	31 December 2018 '£000
Not later than one year	59,397	58,693
Later than one year but not later than five years	237,589	234,772
Later than five years	1,076,232	1,113,561
Total	1,373,218	1,407,026

20. Cash generated from operations

	Period from 1 January 2019 to 30 June 2019	Period from 1 January 2018 to 30 June 2018
	'£000	'£000
Profit before tax	5,911	4,802
Adjustments for:		
Finance costs	20,332	20,489
Changes in working capital		
Decrease/ (increase) in other receivables	3	(325)
Increase in other payables	3,674	3,668
Net cash generated from operations	29,920	28,634

21. Directors' remuneration

No emoluments were granted to the Directors during the period ended 30 June 2019 (30 June 2018: £nil).

22. Contingent liabilities

There were no contingent liabilities for the Group and its operations as at 30 June 2019. Refer to note 11 for details of "Investment properties pledged as security" for the Standard Chartered loan facility.

23. Non-controlling interest

There were no non-controlling interest for the Group as at 30 June 2019 and 31 December 2018 as all the subsidiaries are 100% owned.

24. Post balance sheet events

There are no material post balance sheet events up to the date of approval of these financial statements.

25. Controlling party

The ultimate controlling party is the Employees Provident Fund, of Bangunan KWSP, Jalan Raja Laut, 50350, Kuala Lumpur, Malaysia.