

SSRE UNIT TRUST

**Annual report and unaudited financial statements
for the year ended 31 December 2020**

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Establishment

The Trust is operated under the terms of a trust instrument dated 5 April 2013.

Principal activities

The principal activity of the Unit Trust is that of property holding.

Results and dividends

The results for the year are shown in the Statement of Comprehensive Income.

Distributions totalling £nil were paid during the year (2019: £nil).

Trustees

Sackville Trustees 1 Limited and Sackville Trustees 2 Limited (the "Trustees") acted as Trustees for the year and subsequently.

COVID-19

COVID-19, which is a respiratory illness caused by a new virus, was declared a world-wide pandemic by the World Health Organisation in March 2020. COVID-19, as well as measures to slow the spread of the virus, have since had a significant impact on global economies and equity, debt and commodity markets. The Trustees have considered the impact of COVID-19 and other market volatility in preparing its financial statements. The Trustees have assessed the carrying values of its assets and liabilities and determined the impact thereon as a result of market inputs and variables impacted by COVID-19, and considered the impact of COVID-19 on the Trust's financial statement disclosures. The Trustees have concluded that there were no material matters that needed to be disclosed as a result of COVID-19.

Statement of Trustees' responsibilities with regard to the financial statements

The Trustees are responsible for preparing the Trustees' report and financial statements in accordance with the Trust instrument and in accordance with the Trustees (Jersey) Law, 1984.

The Unit Trust Instrument requires the Trustees to prepare financial statements for each financial period in accordance with generally accepted accounting principals. In accordance with the Unit Trust Instrument the Trustees have elected to prepare the financial statements in accordance with IFRS as adopted by the EU and applicable law. The financial statements are required to give a true and fair view of the state of affairs of the Unit Trust as at the end of the financial period and of the profit or loss of the Unit Trust for that period. In preparing these financial statements, the Trustees should:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Unit Trust will continue in business.

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


The Trustees confirm that they have complied with the above requirements in preparing the financial statements.

This report was approved by the Trustees on

2021 and signed by them on its behalf by:

DocuSigned by:

.....9864CCB0C07E409...
Director
Sackville Trustees 1 Limited

DocuSigned by:

.....9864CCB0C07E409...
Director
Sackville Trustees 2 Limited

.....
Date

.....
Date


Registered Office

47 Esplanade
St Helier
Jersey


SSRE Unit Trust
Statement of financial position
31 December 2020

| | Notes | 2020 £ | 2019 £ |
|---|-------|---------------------|--------------|
| Non-current assets | | | |
| Tangible assets | 5 | 345,812 | 406,166 |
| Investment property | 6 | 85,419,617 | 84,215,818 |
| | | 85,765,429 | 84,621,984 |
| Current assets | | | |
| Trade and other receivables | 7 | 1,444,837 | 1,735,430 |
| Cash at bank | | 7,335,552 | 7,617,172 |
| | | 8,780,389 | 9,352,602 |
| Current liabilities | | | |
| Trade and other payables | 8 | 3,480,632 | 7,314,349 |
| Loans payable | 9 | 3,000,000 | 3,000,000 |
| Income due to unitholders | | 1,254,452 | 1,254,452 |
| | | 7,735,084 | 11,568,801 |
| Net current assets/(liabilities) | | 1,045,305 | (2,216,199) |
| Total assets less current liabilities | | 86,810,734 | 82,405,785 |
| Non-current liabilities | | | |
| Borrowings | 10 | (44,513,166) | (45,650,612) |
| Loan notes | 11 | (15,306,951) | (14,414,611) |
| | | (59,820,117) | (60,065,223) |
| Total net assets attributable to unitholders | | 26,990,617 | 22,340,562 |

The financial statements on pages 4 to 18 were approved and authorised for issue by the Trustees on and were signed on its behalf by:

DocuSigned by:


 Director
 Sackville Trustees 1 Limited

DocuSigned by:


 Director
 Sackville Trustees 2 Limited

The notes on pages 8 to 18 are an integral part of these financial statements

SSRE Unit Trust
Statement of comprehensive income
For the year ended 31 December 2020

| | Notes | £ | 2020 | £ | £ | 2019 | £ |
|---|-------|---|------------|--------------------|---|------------|--------------------|
| Income | | | | | | | |
| Rental income | | | | 2,784,636 | | | 2,655,501 |
| Bank interest income | | | | <u>1,147</u> | | | <u>7,398</u> |
| | | | | 2,785,783 | | | 2,662,899 |
| Expenses | | | | | | | |
| Property management fees | | | 406,615 | | | 326,858 | |
| Property expenses | | | 209,434 | | | 393,220 | |
| Administration fees | | | 75,692 | | | 42,838 | |
| Depreciation | 5 | | 60,354 | | | 10,603 | |
| Professional fees | | | 19,263 | | | 25,312 | |
| Trustee fees | | | 16,813 | | | 12,892 | |
| Bank interest and charges | | | <u>663</u> | | | <u>634</u> | |
| | | | | <u>(788,834)</u> | | | <u>(812,357)</u> |
| | | | | 1,996,949 | | | 1,850,542 |
| Other operating gains/(losses) | | | | | | | |
| Movement in market value of investment property | 6 | | | 760,988 | | | 1,012,390 |
| Lease incentive fair value adjustments | 6 | | | <u>253,799</u> | | | <u>(96,877)</u> |
| Operating profit | | | | 3,011,736 | | | 2,766,055 |
| Finance expense | | | | | | | |
| Bank borrowings interest expense | | | | (1,324,740) | | | (1,345,726) |
| Amortisation of bank financing costs | | | | (207,314) | | | (218,911) |
| Agency fees | | | | (32,000) | | | (32,000) |
| Loan notes interest | | | | (842,572) | | | (838,093) |
| Loan interest | | | | <u>(155,055)</u> | | | <u>(49,767)</u> |
| | | | | <u>(2,561,681)</u> | | | <u>(2,484,497)</u> |
| Total comprehensive income for the year | | | | <u>450,055</u> | | | <u>281,558</u> |

The notes on pages 8 to 18 are an integral part of these financial statements

SSRE Unit Trust
Statement of changes in net assets attributable to unitholders
For the year ended 31 December 2020

| | Unitholders' capital | Retained deficit | Total |
|---|--------------------------|---------------------------|--------------------------|
| | £ | £ | £ |
| Balance at 01 January 2019 | 29,637,877 | (7,578,873) | 22,059,004 |
| Total comprehensive income for the year | <u>-</u> | <u>281,558</u> | <u>281,558</u> |
| Movement in market value of investment property | 1,012,390 | (1,012,390) | - |
| Lease incentive fair value adjustments | <u>(96,877)</u> | <u>96,877</u> | <u>-</u> |
| Balance at 31 December 2019 | <u>30,553,390</u> | <u>(8,212,828)</u> | <u>22,340,562</u> |
| | Unitholders' | Retained | Total |
| | capital | deficit | |
| | £ | £ | £ |
| Balance at 01 January 2020 | 30,553,390 | (8,212,828) | 22,340,562 |
| Total comprehensive income for the year | <u>-</u> | <u>450,055</u> | <u>450,055</u> |
| Issue of units | 4,200,000 | - | 4,200,000 |
| Movement in market value of investment property | 760,988 | (760,988) | - |
| Lease incentive fair value adjustments | <u>253,799</u> | <u>(253,799)</u> | <u>-</u> |
| Balance at 31 December 2020 | <u>35,768,177</u> | <u>(8,777,560)</u> | <u>26,990,617</u> |

The notes on pages 8 to 18 are an integral part of these financial statements

SSRE Unit Trust
Statement of cash flows
For the year ended 31 December 2020

| | 2020 £ | 2019 £ |
|--|-------------------------|-------------------------|
| Cash flows from operating activities | | |
| Increase in net assets attributable to unitholders | 450,055 | 281,558 |
| Movement in market value of investment property | (760,988) | (1,012,390) |
| Lease incentive fair value adjustments | (253,799) | 96,877 |
| Depreciation | 60,354 | 10,603 |
| Amortisation of finance costs | 207,314 | 218,911 |
| Loan notes interest | 842,572 | 838,093 |
| Loan interest | 155,055 | 49,767 |
| Increase in trade and other receivables | 290,593 | (68,083) |
| Increase in trade and other payables | <u>260,995</u> | <u>96,165</u> |
| Net cash generated from operating activities | <u>1,252,151</u> | <u>511,501</u> |
| Cash flows from investing activities | | |
| Purchase of property, plant and equipment | - | (416,769) |
| Property improvement costs | <u>(189,012)</u> | <u>(1,512,610)</u> |
| Net cash used in investing activities | <u>(189,012)</u> | <u>(1,929,379)</u> |
| Cash flows from financing activities | | |
| Proceeds from borrowings | - | 3,000,000 |
| Repayments of bank borrowings | (1,000,000) | (1,000,000) |
| Financing costs paid | <u>(344,759)</u> | <u>-</u> |
| Net cash (used in)/generated from financing activities | <u>(1,344,759)</u> | <u>2,000,000</u> |
| Net (decrease)increase in cash and cash equivalents | (281,620) | 582,122 |
| Cash and cash equivalents at start of the year | <u>7,617,172</u> | <u>7,035,050</u> |
| Cash and cash equivalents at end of the year | <u>7,335,552</u> | <u>7,617,172</u> |

The notes on pages 8 to 18 are an integral part of these financial statements

1 General information

SSRE Unit Trust (the "Unit Trust") carries on the business of property investment through an investment in the property at 15 Sackville Street, London W1. The Unit Trust is a Jersey Unit Trust constituted by a Trust instrument date 5 April 2013. The Unit Trust is registered at 47 Esplanade, St Helier, Jersey, JE1 0BD.

2 Accounting policies

Basis of preparation

The financial statements of the Unit Trust have been prepared in accordance with International Financial Reporting Standards ("IFRS") including standards and interpretations as adopted by the International Accounting Standards Board ("IASB"). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment property at fair value through profit or loss.

Preparation of the financial statements

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the Trustees to exercise its judgement in the process of applying the Unit Trust's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed below.

New and amended standards adopted for the year ended 31 December 2020

There are no standards, amendments to standards or interpretations that are effective for annual periods beginning on 1 January 2020 that have a material effect on the consolidated financial statements of the Company.

New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2020 and have not been applied in preparing these financial statements. These new standards and amendments are listed below. None of these are expected to have a significant effect on the financial statements of the Company.

| | <i>Effective date</i> |
|--|-----------------------|
| • Covid-19 related Rent Concessions - Amendments to IFRS 16 | 1 June 2020 |
| • Classification of Liabilities as Current or Non-current - Amendments to IAS 1 | 1 January 2022 |
| • Property, Plant and Equipment: Proceeds before intended use - Amendments to IAS 16 | 1 January 2022 |
| • Reference to the Conceptual Framework - Amendments to IFRS 3 | 1 January 2022 |
| • Onerous Contracts - Cost of Fulfilling a Contract - Amendments to IAS 37 | 1 January 2022 |
| • Annual Improvements to IFRS Standards 2018-2020 | 1 January 2022 |
| • IFRS 17 Insurance Contracts | 1 January 2023 |

Going concern

The Trustees are of the opinion that the Unit Trust has access to sufficient resources to cover future liabilities and have therefore prepared the financial statements on a going concern basis.

Foreign currency

Functional and presentation currency

The Unit Trust's functional and presentation currency is the pound sterling.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

2 Accounting policies (continued)

Foreign currency (continued)

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

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 Statement of Comprehensive Income.

Investment property

Investment property comprises property that is not occupied by the Unit Trust and which is held to earn rental income, or for capital appreciation, or both.

Investment property is initially measured at cost, including transaction costs. Subsequent to initial recognition, investment property is stated at fair value. Any gain or loss arising from a change in fair value is recognised in the Statement of Comprehensive Income.

The Trustees appoint professional valuers who hold recognised and relevant professional qualifications and who have recent experience in the location and category of the investment property being valued to perform valuations as at the reporting date. These valuations form the basis for determining the fair value of the investment property.

Tangible fixed assets

Fixed assets are measured at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is charged so as to allocate the cost of assets less their residual values over their estimated useful lives, using the straight-line method. The following annual rates are used:

| | |
|-----------------------------------|---------|
| Furniture, fixtures and equipment | 7 years |
|-----------------------------------|---------|

If there is an indication that there has been a significant change in depreciation rate, useful life or residual value of an asset, the depreciation of that asset is revised prospectively at the end of each reporting period to reflect the new expectations.

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

Interest bearing loans and borrowings

All loans and borrowing are initially recognised at fair value less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Bank arrangement fees incurred are initially capitalised and are then amortised over the term of the loan.

Financial instruments

Financial assets

Basic financial assets, including trade and other receivables, cash and bank balances and investments in commercial paper, are initially recognised at transaction price. Such assets are subsequently carried at amortised cost using the effective interest method. At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment.

2 Accounting policies (continued)

Financial instruments (continued)

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

Financial liabilities

Basic financial liabilities, including trade and other payables, bank loans and loans from fellow group companies are initially recognised at transaction price. Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

However where the arrangement constitutes a financing transaction, the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

Revenue recognition

All income is accounted for on an accruals basis.

Expenses

Expenses are accounted for on an accruals basis.

Distributions

Income produced by the Unit Trust's investment in the property is distributed to the unitholders to the extent that the Unit Trust's income exceeds expenses. When there is no income produced by the Unit Trust, the net expenses are charged to the retained earnings. Capital receipts are distributed to the unitholders as soon as reasonably practicable.

3 Taxation

The Unit Trust is a Jersey resident and domiciled property unit trust and is tax exempt as agreed with the Jersey tax authorities. The Unit Trust therefore makes no provision for taxation in these financial statements and no tax is withheld on distributions to investors. Each unitholder is, therefore, responsible for their own taxation treatment, both in the UK and in the country in which they reside, on their share of the Unit Trust return.

4 Critical accounting judgements and estimation uncertainty

The preparation of financial statements requires the Trustees to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Although these estimates are based on the Trustees' best knowledge of the events and amounts involved, actual results ultimately may differ from those estimates. The Trustees have made the following judgements that have the most significant effect on the amounts recognised in the financial statements.

(i) *Revenue recognition*

In making its judgement, management considered the detailed criteria of the recognition of revenue from rendering services as set out in IFRS 15. Management has judged that revenue has been recognised only when the outcome of the transactions involving the rendering of services can be estimated reliably. In making this judgement, the Trustees consider whether the amount of revenue can be measure reliably and whether it is possible that the economic benefits associated with the transaction will flow to the Unit Trust.

(ii) *Functional currency*

The Trustees considers Pound Sterling the currency that most faithfully represents the economic effect of the underlying transactions, events and conditions. Pound Sterling is the currency in which the Unit Trust measures its performance and reports its results, as well as the currency in which it issues units.

(iii) *Allowance for expected credit losses*

The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group.

(iv) *Property valuation*

In determining the value of the investment property, the Trustees have relied upon the work of independent professional valuers who hold recognised relevant professional qualifications.

5 Tangible assets

| | Furniture, fixtures & equipment |
|---------------------------------|--|
| | £ |
| Cost or Valuation | |
| At 01 January 2020 | 416,769 |
| At 31 December 2020 | <u>416,769</u> |
| Accumulated Depreciation | |
| At 01 January 2020 | 10,603 |
| Charge for the year | <u>60,354</u> |
| At 31 December 2020 | <u>70,957</u> |
| Net Book Value | |
| At 31 December 2020 | <u>345,812</u> |
| At 31 December 2019 | <u>406,166</u> |

6 Investment property

| | 2020 £ | 2019 £ |
|--|------------------------------|-----------------------|
| 15 Sackville Street, London W1 | | |
| Acquisition of property | 56,000,000 | 56,000,000 |
| Capitalised acquisition costs | 3,018,201 | 3,018,201 |
| Fit out costs | 293,459 | 293,459 |
| Transfer from furniture, fixtures & fittings | 98,363 | 98,363 |
| Property improvements | <u>1,701,622</u> | <u>1,512,610</u> |
| | 61,111,645 | 60,922,633 |
| Fair value adjustments brought forward | 24,677,367 | 23,664,977 |
| Fair value adjustment for the year/period | <u>760,988</u> | <u>1,012,390</u> |
| Market value at 31 December | <u>86,550,000</u> | <u>85,600,000</u> |
| Lease incentive adjustments | | |
| Brought forward | (1,384,182) | (1,287,305) |
| Adjustment for the year | <u>253,799</u> | <u>(96,877)</u> |
| | <u>(1,130,383)</u> | <u>(1,384,182)</u> |
| Fair value at 31 December | <u>85,419,617</u> | <u>84,215,818</u> |

On 26 April 2013, the Unit Trust acquired the freehold property located at 15 Sackville Street, London (the "Property") at a cost of £56,000,000.

The market value of the Property at 31 December 2020 in the sum of £86,550,000 (2019: £85,600,000) was determined by Colliers International Valuation UK LLP, who are external independent property valuers holding recognised professional qualifications and recent experience in the location and category of the property being valued. The valuation was carried out in accordance with the RICS Valuation - Professional Standards prepared by the Royal Institution of Chartered Surveyors ("RICS"). The valuation is compliant with the RICS Valuation - Global Standards 2017 (incorporating the IVSC International Valuation Standards) prepared by RICS (the "red book").

The independent valuers provide the fair value of the Property on an annual basis and their reports are based on:

- information provided by the Unit Trust (via the Unit Trust's property manager), such as current rents, terms and conditions of lease arrangements, service charges and capital expenditure; and
- assumptions and valuation models used by the valuers. The assumptions are typically market related as outlined below. The selection of market related assumptions are based on the valuer's professional judgement and market observations.

The fair value measurement has been categorised as a Level 3 fair value based on the inputs to the valuation technique used. The valuation method used reflects the yield methodology using market rental values capitalised with a capitalisation rate based on available market transaction data, less estimated cost of administration and capital expenditure.

The valuation is based on a net initial yield of 3.67% (2019: 3.72%), a nominal equivalent yield of 3.45% (2019: 3.57%) and market value per sq ft of £2,343 (2019: £2,316).

7 Trade and other receivables

| | 2020 £ | 2019 £ |
|--|------------------|------------------|
| Tenant receivables | 312,354 | 167,407 |
| Accrued rent receivable (lease incentive adjustment) | 1,130,383 | 1,384,182 |
| Service charge income and expense control | - | 114,343 |
| Prepaid expenses | <u>2,100</u> | <u>69,498</u> |
| | <u>1,444,837</u> | <u>1,735,430</u> |

8 Trade and other payables

| | 2020 £ | 2019 £ |
|---|------------------|------------------|
| Rent deposits | 1,961,365 | 1,692,592 |
| Trade creditors | 90,763 | 51,890 |
| Deferred income | 801,256 | 792,140 |
| Amounts due to Forth Trust | 86,622 | 86,622 |
| Unitholder loan - Sackville 1 Limited | - | 4,200,000 |
| Bank loan interest payable | 167,803 | 171,518 |
| Loan interest payable - Mashoch Limited | 155,055 | 49,767 |
| Accruals | 90,364 | 212,249 |
| VAT liability | <u>127,404</u> | <u>57,571</u> |
| | <u>3,480,632</u> | <u>7,314,349</u> |

9 Loans payable

| | 2020 £ | 2019 £ |
|--|------------------|------------------|
| Amounts falling due within one year | | |
| Mashoch - Tranche A (interest bearing) | 1,500,000 | 1,500,000 |
| Mashoch - Tranche B (interest free) | <u>1,500,000</u> | <u>1,500,000</u> |
| | <u>3,000,000</u> | <u>3,000,000</u> |

On 12 July 2019, the Unit Trust entered into a loan agreement with Mashoch Limited for a total amount of £3,000,000, consisting of two individual tranches. Tranche A is interest bearing at a fixed rate of 7%, whereas Tranche B is interest free. Both tranches are unsecured and repayable on demand.

10 Bank borrowings

| | 2020 £ | 2019 £ |
|---|-------------------|-------------------|
| Amounts falling due after one year | | |
| Deutsche Pfandbriefbank AG | 45,170,000 | 46,170,000 |
| Capitalised finance costs (net of amortisation) | <u>(656,834)</u> | <u>(519,388)</u> |
| | <u>44,513,166</u> | <u>45,650,612</u> |

On 31 July 2017 the Unit Trust entered into a secured credit facility agreement with Deutsche Pfandbriefbank AG for an amount of £49,800,000. On 3 August 2017 the Unit Trust made a drawdown in an amount of £48,420,000 from the facility.

10 Bank borrowings (continued)

The loan is repayable in installments on each interest payment date in the amount of £250,000, with the first repayment date having been made on 15 November 2017. During November 2020, the Trustees entered into an Amendment and Restatement Agreement with Deutsche Pfandbriefbank AG, and the final repayment date (previously May 2022) was extended to August 2027. Costs in connection with the refinancing totalling £344,759 have been capitalised and are being amortised over the remaining term of the loan.

The rate of interest is the aggregate of the margin and the fixed rate. The margin is currently 2.40% and the fixed rate, as determined by the lender, is currently 0.54% (prior to Amendment and Restatement Agreement: 0.905%).

The bank borrowings are secured by way of a charge over all of the assets of the Unit Trust, Mashoch Limited, the Unitholders and any other subordinated creditor becoming party to the credit facility agreement.

11 Subordinated loan notes

| | 2020 £ | 2019 £ |
|--|-------------------|-------------------|
| Amounts falling due after one year | | |
| Mashoch Limited - principal sum | 12,325,000 | 12,325,000 |
| Mashoch Limited - interest | <u>2,981,951</u> | <u>2,089,611</u> |
| Amortised cost of loan notes at the end of the year/period | <u>15,306,951</u> | <u>14,414,611</u> |

On 18 July 2017 the Unit Trust entered into a Loan Note Instrument with Mashoch Limited. The Loan Note Instrument constituted subordinated unsecured loan notes in the amount of £60,525,000. On 3 August 2017 the Unit Trust repaid part of the loan notes in the amount of £48,200,000.

The subordinated loan notes accrue interest at a rate of 7% per annum. The effective interest rate applied to arrive at the amortised cost is 6.17%.

12 Operating leases - The Unit Trust as Lessor

The Unit Trust has entered into leases on its investment property. The rental agreements include clauses to enable periodic upward revision of the rental charges according to the prevailing market conditions.

Future minimum rentals receivable under non-cancellable operating leases are as follows:

| | 2020 £ | 2019 £ |
|---|-------------------|-------------------|
| Within 1 year | 3,328,195 | 3,096,336 |
| After 1 year, but not more than 5 years | 8,360,253 | 9,433,736 |
| More than 5 years | <u>2,858,368</u> | <u>3,701,783</u> |
| | <u>14,546,816</u> | <u>16,231,855</u> |

13 Units in issue

| | 2020 Number | 2019 Number |
|-----------------------------|-------------------|-------------------|
| At the start of the year | 16,214,375 | 16,214,375 |
| Issued in the year | <u>4,200,000</u> | <u>-</u> |
| Total issued and fully paid | <u>20,414,375</u> | <u>16,214,375</u> |

14 Net Asset Value ("NAV") per unit

| | Per unit £ | Total £ |
|------------------------|---------------|------------|
| As at 31 December 2020 | 1.32 | 26,990,617 |
| As at 31 December 2019 | 1.38 | 22,340,562 |

15 Financial risk management

Financial risk factors

The Unit Trust's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The financial risks relate to the following financial instruments: trade and other receivables, cash and cash equivalents, trade and other payables and loans payable. The accounting policies with respect to these financial instruments are described in Note 2. The Unit Trust's risk management policies employed to manage these risks are discussed below.

(a) Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and the availability of funding through an adequate amount of loan facilities. The risk is monitored quarterly by the Trustees. The Trustees manage the risk by maintaining inter company loans sufficient to meet the short term cash flow requirements, monitoring debt maturities and debt service requirements and ensuring it has available finance facilities to meet its obligations.

The following is a summary table with the maturities of the financial assets and liabilities, that is used by key management personnel to manage liquidity risks:

| 31 December 2020 | Up to 1 yr £ | 2 - 5 yrs £ | 5+ yrs £ | Total £ |
|-----------------------------|------------------|-------------------|-------------------|-------------------|
| Assets | | | | |
| Trade and other receivables | 1,444,837 | - | - | 1,444,837 |
| Cash and cash equivalents | 7,335,552 | - | - | 7,335,552 |
| | <u>8,780,389</u> | <u>-</u> | <u>-</u> | <u>8,780,389</u> |
| Liabilities | | | | |
| Bank loan payable | - | - | 44,513,166 | 44,513,166 |
| Loan notes | - | 15,306,951 | - | 15,306,951 |
| Loans payable | 3,000,000 | - | - | 3,000,000 |
| Trade and other payables | 3,480,632 | - | - | 3,480,632 |
| Income due to unitholders | 1,254,452 | - | - | 1,254,452 |
| | <u>7,735,084</u> | <u>15,306,951</u> | <u>44,513,166</u> | <u>67,555,201</u> |

15 Financial risk management (continued)

(a) Liquidity risk (continued)

| 31 December 2019 | Up to 1 yr £ | 2 - 5 yrs £ | 5+ yrs £ | Total £ |
|-----------------------------|-------------------|-------------------|-------------|-------------------|
| Assets | | | | |
| Trade and other receivables | 1,735,430 | - | - | 1,735,430 |
| Cash and cash equivalents | <u>7,617,172</u> | <u>-</u> | <u>-</u> | <u>7,617,172</u> |
| | <u>9,352,602</u> | <u>-</u> | <u>-</u> | <u>9,352,602</u> |
| Liabilities | | | | |
| Bank loan payable | - | 45,650,612 | - | 45,650,612 |
| Loan notes | - | 14,414,611 | - | 14,414,611 |
| Loans payable | 3,000,000 | - | - | 3,000,000 |
| Trade and other payables | 7,314,349 | - | - | 7,314,349 |
| Income due to unitholders | <u>1,254,452</u> | <u>-</u> | <u>-</u> | <u>1,254,452</u> |
| | <u>11,568,801</u> | <u>60,065,223</u> | <u>-</u> | <u>71,634,024</u> |

(b) Credit risk

Credit risk is the risk that a counter party will be unable to meet a commitment that it has been entered into with the Unit Trust.

In the event of default by an occupational tenant, the Unit Trust will suffer a rental income shortfall and incur additional related costs.

The Trustees mitigate any credit risk by leasing the various areas of the property to high quality tenants. The Trustees believe the risk of the tenants defaulting on their rental and service charge payments is minimal. All cash balances at the year end are held with Barclays Bank, whose credit rating at 31 December 2020 was BBB+. If the credit quality or the financial position of Barclays Bank was to deteriorate significantly the Trustees would transfer the cash balances to another bank.

There are no financial assets which are past due but not impaired. As a result, no loss allowance has been recognised based on 12-month expected credit losses as any such impairment would be wholly insignificant to the Unit Trust.

(c) Market risk

The Unit Trust's exposure to market risk is comprised of the following risks:

(i) Foreign exchange risk

The Unit Trust is not exposed to any material foreign exchange risk as the majority of the Unit Trust's transactions are in Sterling which is the Unit Trust's functional and presentation currency.

(ii) Cash flow and fair value interest rate risk

The borrowings of the Unit Trust incur interest at fixed rates and the only assets subject to interest rate changes are cash and cash equivalents. Therefore, in the opinion of the Trustees, there is no material interest rate risk.

(iii) Price risk

The Unit Trust is exposed to property price and property rentals risk.

15 Financial risk management (continued)

Fair value estimation

The Unit Trust has adopted the amendment to IFRS 7, Financial instruments: Disclosures, for financial instruments that are measured in the statement of financial position at fair value, this requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- 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 (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Unit Trust's assets and liabilities that are measured at fair value.

| As at 31 December 2020 | Level 1 | Level 2 | Level 3 |
|------------------------|---------|---------|-------------------|
| Assets | | | |
| Investment property | - | - | <u>85,419,617</u> |

| As at 31 December 2019 | Level 1 | Level 2 | Level 3 |
|------------------------|---------|---------|-------------------|
| Assets | | | |
| Investment property | - | - | <u>84,215,818</u> |

There were no transfers between levels during the year.

16 Related party transactions

P Hunter and A Hind are Directors of Crestbridge Family Office Services Limited ("CFOSL") and Sackville Trustees 2 Limited. P Hunter and A Hind are Directors of Sackville 1 Limited and Sackville 2 Limited, the unitholders. CFOSL provides administration and accounting services to the Unit Trust and during the year, fees totalling £94,955 (2019: £55,730) were payable to CFOSL, of which £36,762 (2019: £11,918) was outstanding at the year end.

On 18 July 2017 the Unit Trust entered into a Loan Note Instrument with Mashoch Limited (parent company of Sackville 1 Limited). The Loan Note Instrument constituted subordinated unsecured subordinated loan notes in the amount of £60,525,000. On 3 August 2017 the Unit Trust repaid part of the loan notes in the amount of £48,200,000. As at 31 December 2020, the principal amount of loan notes outstanding was £12,325,000. The subordinated loan notes accrue interest at a rate of 7% per annum. The effective interest rate applied to arrive at the amortised cost is 6.17%.

On 3 August 2017, Sackville 1 Limited granted a loan in the sum of £4,200,000 to the Unit Trust. The loan was unsecured, interest free and repayable on demand. The grant of the loan was ratified in 2018 as part of restructuring and refinancing. The loan was repaid during the year following the receipt of additional units by the Unit Trust to Sackville 1 Limited.

On 12 July 2019, the Unit Trust entered into a loan agreement with Mashoch Limited for a total amount of £3,000,000, consisting of two individual tranches. Tranche A is interest bearing at a fixed rate of 7%, whereas Tranche B is interest free. Both tranches are unsecured and repayable on demand.

17 Ultimate controlling party

The units are held by Sackville 1 Limited (99%) and Sackville 2 Limited (1%). The ultimate controlling parties are Sackville Trustees 1 Limited and Sackville Trustees 2 Limited, as trustees of the Unit Trust.

18 Events after the reporting period

The COVID-19 pandemic has developed rapidly in 2020, with a significant number of cases. Measures taken by various governments to contain the virus have affected economic activity. The Trustees have taken a number of measures to monitor and mitigate the effects of COVID-19. At this stage, the impact on the business and results has not been significant and based on the experience to date the Trustees expect this to remain the case.

In the opinion of the Trustees, there are no additional events subsequent to the year end that should be adjusted for or disclosed in these financial statements.