Registered number: 112018

Links Healthcare REIT Limited

Annual Report and Consolidated Financial Statements

For the year ended 31 December 2021

Corporate information

Directors
Gary Wilder
Nicholas James Terry (appointed on 11 March 2021)
Simon Burgess (appointed on 11 March 2021)
Alan Booth (appointed on 11 March 2021)
Nick Bland (appointed on 11 March 2021)
Deeya Jugurnauth (resigned on 11 March 2021)
Marc Harris (resigned on 11 March 2021)
Sunil Masson (resigned on 11 March 2021)
Smoden Chimbalu (resigned on 11 March 2021)

Registered office
Ocorian Fund Services (Jersey) Limited
26 New Street
St. Helier
Jersey JE2 3RA

Company secretary
Ocorian Secretaries (Jersey) Limited
26 New Street
St Helier
Jersey JE2 3RA

Investment advisers
Moor Park Capital Partners LLP
13 Austin Friars,
London EC2N 2HE
United Kingdom

Legal advisors
Mourant Ozannes
22 Grenville Street, St Helier,
Jersey, JE4 8PX,
Channel Islands

Norton Rose LLP
3 More London Riverside
London
SE1 2AQ

Independent auditors
Deloitte LLP
PO Box 403
Gaspe House
66-72 Esplanade
St Helier
Jersey
JE4 8WA
Jersey

The Directors present their report and the audited consolidated financial statements of Links Healthcare REIT Limited (the"Company") and its subsidiaries (note 12) (together the "Group") for the year ended 31 December 2021.

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 2.

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 called up share capital of Links Bidco S.à.r.l., which holds an indirect interest in a property portfolio.

The Group's indirect subsidiaries incorporated in Luxembourg and as disclosed in note 11, changed their Luxembourg nationality into Jersey nationality on 13 November 2020, without interruption of their legal personality but with the corporate continuance in Jersey under the suspensive conditions of the issuance of certificates of continuance by the Jersey Registrar of Companies and the registration of the Group at the Jersey Registrar of Companies. As a consequence, the direct and indirect subsidiaries were removed from the register of companies in Luxembourg on 18 November 2020 for the purpose of becoming registered as a limited liability Group under the laws of Jersey pursuant to Article 127K of the Companies (Jersey) Law 1991.

The Group undertook the following significant activities during the year ended 31 December 2021:

The rental income for the year ended 31 December 2021 amounted to £61,640,056 (2020: £60,455,000).

As at 31 December 2021, the Group held investment properties valued at £1,426,660,000 (2020: £1,358,815,000).

On 5 March 2021, the UK's Financial Conduct Authority (FCA) formally announced the cessation of all GBP London Interbank Offered Rate (LIBOR) benchmark settings published by ICE Benchmark Administration (IBA) immediately after 31 December 2021. In response, during the current year, the Company entered into agreements with its lenders to amend the benchmark rate referenced in the agreements from GBP LIBOR to GBP SONIA plus a credit adjustment spread to compensate for the basis differential between the two benchmarks. The loan was amended as of 10 September 2021 with a rate switch date to SONIA effective for the interest period beginning 31 March 2022.

As part of the Company's IBOR reform programme, the swaps hedging the GBP LIBOR interest rate risk were also amended to update the reference benchmark index from GBP LIBOR to SONIA plus an economically equivalent credit adjustment spread. The swaps were amended as of 10 September 2021 with a rate switch date to SONIA effective for the interest period beginning 31 March 2022 of SONIA + 11.93bps.

The amendment of lending and hedging arrangements to Sonia resulted in net neutral economic impact to the Company.

The Board of Directors believes the key risks of the Company's activity include exposure to risks as described below:

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

The risks and Group policies to address these are further described in note 3.

The Company has not repurchased its own shares during the year, has no branches and no involvement in research and development activities.

Results and distributions

The results for the year are set out in the consolidated Statement of Profit and loss and other comprehensive income on page 14 to the consolidated Financial Statements.

Directors

The following persons were directors of Links Healthcare REIT Limited during the year and up to the date of this report:

Gary Wilder
Marc Harris (resigned on 11 March 2021)
Smoden Chimbalu (resigned on 11 March 2021)
Deeya Jugurnauth (resigned on 11 March 2021)
Sunil Masson (resigned on 11 March 20201)
Nicholas James Terry (appointed on 11 March 2021)
Simon Burges (appointed on 11 March 2021)
Alan Booth (appointed on 11 March 2021)
Nick Bland (appointed on 11 March 2021)

Company secretary

The Group Secretary of the Company during the year and, unless otherwise indicated, up to the date on which the consolidated financial statements were approved, is shown on page 2.

Statement of directors' responsibilities

The Directors are responsible for preparing the consolidated 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 consolidated financial statements for each financial year. The Directors have elected to prepare the consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB). The consolidated 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 year.

International Accounting Standard 1 requires that consolidated financial statements present fairly for each financial year the Group's consolidated 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 consolidated 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 consolidated 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 consolidated financial position of the Group and enable them to ensure that the consolidated 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.

The Directors confirm that they have complied with the above requirements throughout the year and subsequently.

Going Concern

The Directors have considered the position and, in accordance with note 2c the Directors expect the Group will continue in its present form for a period of at least 12 months from the date of approval of the financial statements based on the fact that revenue is secured through property leases up to 2042.

On 30th September 2020, the Group entered into a senior facility agreement (the ""New Loan"") with SCB for an amount of £800,000,000 which matures on 30th September 2025. The New Loan was syndicated (effective from 31 December 2020) to 8 lenders (including SCB). The New Loan bears a variable interest rate of 3 months GBP Libor plus a fixed margin of 1.16% per annum and interest is payable quarterly in arrears starting from 30 October 2020 to 31 March 2021. From 31 March 2022 the rate will revert to SONIA + 11.93bps plus a fixed margin of 1.16%.

The Group also entered a £800,000,000 notional swap at an all-in rate of 0.2435% per annum, to hedge the 3-month Libor interest rate risk associated with New Loan, also maturing on 30 September 2025. The swap includes a Floating Rate Option, expiring on 30 September 2022, whereby negative 3 month GBP Libor interest rates will be deemed to be zero. The swap was originally entered into with one counterparty, SCB, who subsequently novated part of the swap to three parties (effective from 31 December 2020). The swaps were amended to SONIA benchmark as of 10 September 2021 effective for the interest period beginning 31 March 2022.

The Group's loan to portfolio value was 56.1% (2020: 58.9%) which at this level is comfortably within the financial covenant contained within the facility. The Group had a positive cash inflow from operating activities during the year amounting to £73,216,000 and has forecasted to continue generating positive cashflow from core business to enable it to meet its financial obligations for a period of at least twelve months from the date of signing of the financial statements. The Group will continue to use its existing assets to continue to meet its financial obligations in full as they become due.

The UK left the European Union on 31 January 2020 and whilst changes in legislation remain uncertain, there has been no evidence that this has significantly affected the Group's activities.

In April 2021, the Tenant, along with other independent healthcare providers, entered into a new long-term framework agreement with the NHS, whereby the NHS will issue up to £10 billion of referrals to private healthcare providers over the next 4 years, to help ease the record-high NHS waiting lists arising as a result of the Covid-19 pandemic.

In light of the recent spike of Covid-19 cases in the UK due to the Omicron variant, the Tenant entered into a further contract with the NHS on 10 January 2022, allowing the NHS to refer additional patients for elective treatments such as cancer surgery. This agreement will last until 31 March 2022 and is on a payment by activity basis. In the event of a substantial surge of Covid-19 patients in NHS hospitals in England, the contract further allows the NHS to utilise up to 100% capacity of the Tenant's facilities on a local, regional or national basis, with the NHS providing the Tenant with full cost reimbursement in this case.

As at 31 December 2021, the Group had net current liabilities of £5,840,000 (2020: £4,725,000). The net current liabilities is solely due to deferred 2022 revenue collected in advance during December 2021, held as deferred revenue on the balance sheet.

Kwasa Global (Jersey) Limited has also expressed its financial support so that:

i. the Group has access to the financial resources of KWASA Global (Jersey) Limited to enable it to meet in full its financial obligations for a period of at least twelve months from the date of signing the financial statements/approval

ii. KWASA Global (Jersey) Limited, being the indirect shareholder of Links Healthcare REIT Limited as per Paragraph (i) above, has adequate financial means to meet any capital calls, equity injections and/or shareholders advances as required by Links Healthcare REIT Limited to settle its liabilities as and when they fall due and continue providing financial support to Links Healthcare REIT Limited and its wholly owned subsidiaries for at least the next twelve months from the date of signing the financial statements/approval.

There is no evidence to 31 December 2021 that Brexit, or the implications of COVID-19, Omicron have adversely affected the Group's activities and no repercussions were observed on the valuation of the Group's investments or operations. The Directors will continue to monitor the developments and assess for any changes.

Based on the above and steps taken by the Company, the Board of Directors has reasonable expectation that the Company has adequate resources to continue its operational existence for a period of at least 12 months from the date of signing the financial statements.

Statement of disclosure of information to auditor

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any materially relevant audit information and to establish that the Company's auditor is aware of that information.

Independent auditors

The auditor, Deloitte LLP, has been auditor during the year and has expressed its willingness to be re-appointed.

Approved by the board of directors

Date: 04/03/2022

Nicholas Terry

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LINKS HEALTHCARE REIT LIMITED

Report on the audit of the financial statements

1. Opinion

In our opinion the financial statements of Links Healthcare REIT Limited (the 'parent company') and its subsidiaries (the 'group'):

- give a true and fair view of the state of the group's affairs as at 31 December 2021 and of the group's profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB); and
- have been properly prepared in accordance with Companies (Jersey) Law, 1991.

We have audited the financial statements which comprise:

- the consolidated statement of comprehensive income;
- the consolidated statement of financial position;
- the consolidated statement of changes in equity;
- the consolidated cash flow statement; and
- the related notes 1 to 29

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as issued by the IASB.

2. Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. Summary of our audit approach

Key audit matter	The key audit matter that we identified in the current year was: • Investment property valuation. The key audit matter is consistent with the prior year.

Materiality	The materiality that we used for the group financial statements in the current year was £13,105,000 which was determined on the basis of net assets.
Scoping	Audit procedures to respond to the risks of material misstatements for all group components were performed directly by the group audit engagement team.
Significant changes in our approach	There have been no significant changes in our audit approach compared with the prior year.

4. Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the directors' assessment of the group's ability to continue to adopt the going concern basis of accounting included:

- Carrying out the following on the forecasts provided by management:
  - Testing the arithmetic accuracy and integrity of the model used for preparation of the forecasts;
  - Assessing whether the cash flows included in the forecast were in line with relevant agreements and market expectations; and
  - Assessing the other key inputs and assumptions in the forecasts for reasonableness and consistency with prior years and industry norms.
- Assessing the availability of financing facilities and the ability of the group to meet the covenants and the repayments terms;
- Evaluating the forecasts prepared by management in prior years to assess whether they are in line with the actual results in the current year; and
- Evaluating management's assessment of Covid-19 impact on the operations of the Group.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

5.1. Investment property valuation

Key audit matter description	The group's investment property consists of hospitals and is valued at £1,426,660,000 (2020: £1,358,815,000) at 31 December 2021. The value of the investment property and changes in fair value is quantitatively material to the group's financial statements. The group's accounting policy around investment property valuation and further details on the valuation carried out by an independent external valuer are disclosed in the financial statements in notes 2 and 13. In determining the fair value of investment property there is a degree of uncertainty and judgement involved. The main judgements are the application of different yields for the properties and rental cover - being the degree to which rent is covered by profits generated by the tenant from its occupation. In addition, the value of the investment property and changes in fair value of investment property are quantitatively material to the group's financial statements. The valuation also considers elements of uncertainty around impact of Covid-19.
How the scope of our audit responded to the key audit matter	We obtained assurance over the appropriateness of judgements applied in determining the fair value of the investment property by performing the following procedures: • Tested the relevant controls around the investment property valuation including robustness of management's challenges and reviews of the valuations. • With the involvement of our real estate specialist team, we challenged the inputs and assumptions used by reference to market research and knowledge of the UK Private Healthcare market, current pandemic situation, market sentiments, sustainability and assessed the reasonableness of the yields applied against market research. • Agreed the key inputs to source document i.e., legal agreements including tying the rental income numbers used to the rental lease agreements. • Obtained the tenant's financial results and assessed the performance including tying the revenue amounts to the external valuer's report. • Assessed the competence, capabilities and objectivity of the external valuer, and evaluating the scope of the review in the letter of engagement.
Key observations	Based on the work performed we concluded that the investment property valuation is appropriate.

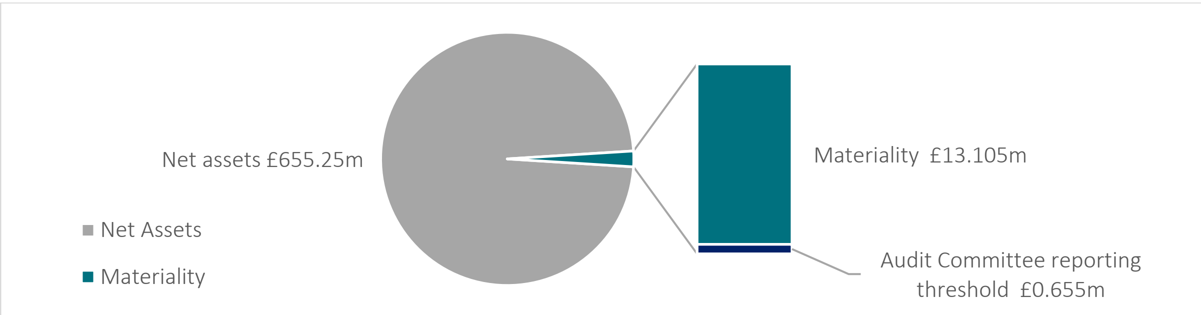
6. Our application of materiality

6.1. Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Group materiality	£13,105,000 (2020: £10,756,000)
Basis for determining materiality	Materiality is determined on the basis of 2% of net assets.
Rationale for the benchmark applied	The group's focus is to generate long-term capital value for the shareholders from the investment property portfolio and, therefore, net assets is considered to be the most appropriate basis for materiality



6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Group performance materiality was set at 70% of group materiality for the 2021 audit (2020: 70%).

In determining performance materiality, we considered factors including:

- our risk assessment and assessment of the group's overall control environment;
- our understanding of the turnover of management and key accounting personnel; and
- our past experience of the audit and the low number of corrected and uncorrected misstatements identified in the prior periods.

6.3. Error reporting threshold

We agreed with those charged with governance that we would report to them all audit differences in excess of £655,200 (2020: £538,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We also report to those charged with governance on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit

7.1. Identification and scoping of components

Our scoping has been tailored by assessing the risks of material misstatement for the group. The parent company holds Links Bidco Limited which holds the property companies. These property companies manage each of the 12 properties in the group's portfolio (100% of the portfolio).

Links Bidco Limited and the property companies are considered as significant components for the group audit and were subject to a full scope audits. This gives us a coverage of 100% of the group's material balances. In the current year, all components were audited by the group engagement team.

7.2. Our consideration of the control environment

We did not take a controls reliance approach during the audit for the group due to the simple control environment and financial reporting system.

8. Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

9. Responsibilities of directors

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

10. Auditor's responsibilities for the audit of the financial statements

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

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

11. Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

11.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including performance targets;
- results of our enquiries of management and those charged with governance about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the group's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations; and
- the matters discussed among the audit engagement team and relevant internal specialists, including tax, valuations, and industry specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the investment property valuation. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory framework that the group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the Companies (Jersey) Law 1991, The International Stock Exchange Listing Rules, UK and Jersey tax legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the group's ability to operate or to avoid a material penalty.

11.2. Audit response to risks identified

As a result of performing the above, we identified the investment property valuation as a key audit matter related to the potential risk of fraud. The key audit matters section of our report explains the matter in more detail and also describes the specific procedures we performed in response to that key audit matter.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management and those charged with governance concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance and reviewing correspondence with Jersey Financial Services Commission (JFSC); and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

12. Matters on which we are required to report by exception

12.1. Adequacy of explanations received and accounting records

Under the Companies (Jersey) Law, 1991 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- proper accounting records have not been kept, or proper returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

13. Use of our report

This report is made solely to the company's members, as a body, in accordance with Article 113A of the Companies (Jersey) Law, 1991. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

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Theo Brennand, BA, FCA

For and on behalf of Deloitte LLP
Jersey
07 March 2022

	Notes	**2021 '£000**	2020 '£000
Rental income	6	**61,614**	60,455
Other income		**89**	83
Administration expenses	7	**(1,004)**	(5,091)
Fair value movement on investment properties		**67,845**	20,785
Depreciation on rights of use assets	8	**(47)**	(47)
Operating profit		**128,497**	76,185
Net finance costs	9	**(13,110)**	(25,177)
Profit for the year before income tax		**115,387**	51,008
Income tax expense	10	**-**	(157)
Profit for the year after income tax		**115,387**	50,851
Other comprehensive income/(loss)	19	**32,574**	(1,932)
Total comprehensive income for the year		**147,961**	48,919
Profit attributable to:			
Equity holders of the Company		**115,387**	50,851
		115,387	50,851
Total comprehensive income attributable to:			
Equity holders of the Company		**147,961**	48,919
		147,961	48,919

All items dealt with in arriving at the total comprehensive income for the year ended 31 December 2021 related to continuing operations.

The notes on pages 18 to 61 are an integral part of these financial statements

	Notes	**2021 '£000**	2020 '£000
ASSETS			
Non-current assets			
Investment properties	13	**1,426,660**	1,358,815
Derivative financial instruments	19	**27,346**	-
Right of use assets	14	**2,798**	2,845
Total non-current assets		**1,456,804**	1,361,660
Current assets			
Trade and other receivables	15	**4,919**	4,840
Cash and cash equivalents	16	**15,494**	4,079
Total current assets		**20,413**	8,919
Total assets		**1,477,217**	1,370,579
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Share capital	17	**1**	1
Share premium	17	**5,470**	5,470
Cash flow hedging reserve	17	**27,346**	(5,228)
Retained earnings		**622,437**	556,678
Total equity attributable to equity holders of the Company		**655,254**	556,921
Non-current liabilities			
Lease liabilities	18	**2,827**	2,852
Derivative financial instruments	19	**-**	5,228
Borrowings	20	**792,882**	791,060
Intercompany payable		**1**	874
Total non-current liabilities		**795,710**	800,014
Current liabilities			
Lease liabilities	18	**24**	24
Other payables	21	**26,229**	13,620
Total current liabilities		**26,253**	13,644
Total liabilities		**821,963**	813,658
Total equity and liabilities		**1,477,217**	1,370,579

The consolidated financial statements on pages 14 to 61 were approved and authorised for issue by the board of directors on 4 March 2022 and were signed on its behalf by:

Nicholas Terry
Director

	Share capital* '£000	Share premium '£000	Cash flow hedging reserve '£000	Legal reserve '£000	Retained earnings '£000	Total equity '£000
Balance at 01 January 2020	1	5,470	(3,296)	14	593,615	595,804
Profit for the year						
Profit for the year after income tax	-	-	-	-	50,851	50,851
Other comprehensive income for the year						
Transfer of legal reserves	-	-	-	(14)	14	-
Other comprehensive loss	-	-	(1,932)	-	-	(1,932)
Total comprehensive income for the period ended 31 December 2020	-	-	(1,932)	(14)	50,865	48,919
Dividends **	-	-	-	-	(87,802)	(87,802)
Balance at 31 December 2020	1	5,470	(5,228)	-	556,678	556,921

	Share capital* '£000	Share premium '£000	Cash flow hedging reserve '£000	Legal reserve '£000	Retained earnings '£000	Total equity '£000
Balance at 01 January 2021	1	5,470	(5,228)	-	556,678	556,921
Profit for the year						
Profit for the year after income tax	-	-	-	-	115,387	115,387
Other comprehensive income for the year						
Movement in revaluation of interest rate swap	-	-	32,574	-	-	32,574
Total comprehensive income for the period ended 31 December 2021	**-**	**-**	**32,574**	**-**	**115,387**	**147,961**
Dividends**	-	-	-	-	(49,628)	(49,628)
Balance at 31 December 2021	1	5,470	27,346	-	622,437	655,254

* The share capital amounts to £547.14 (2020: £547.14) (note 17)).
**The total dividend paid per share in respect of the year ended 31 December 2021 is £725.70 (2020:£1,604.75).

The notes on pages 18 to 61 are an integral part of these financial statements

Cash flows from operating activities	Notes	**2021 '£000**	2020 '£000
Cash generated from operations	23	**73,216**	53,899
Income taxes paid		**(226)**	(294)
Net cash from operating activities		**72,990**	53,605
Cash flows from financing activities			
Interest paid		**(11,229)**	(20,459)
Increase in intercompany payable		**(718)**	211
Loan raised	20	**-**	800,000
Dividends paid		**(49,628)**	(87,802)
Loan repayment		**-**	(736,958)
Bank fees paid		**-**	(8,570)
Net cash used in financing activities		**(61,575)**	(53,578)
Net increase in cash and cash equivalents		**11,415**	27
Cash and cash equivalents at the beginning of the year		**4,079**	4,052
Cash and cash equivalents at end of year	16	**15,494**	4,079

There were no major non-cash movements during the year ended 31 December 2021 and 2020

1 General information

Links Healthcare REIT Limited (the "Company") was incorporated on 6 December 2012 as a public company limited by shares under the Companies (Jersey) Law 1991,with registered number 112018. The registered office is 26 New Street, St Helier, Jersey, JE2 3RA, 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 Limited, which holds an indirect interest in a property portfolio.

2 Summary of significant accounting policies

(a) 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 consolidated financial statements have been prepared under the historic cost convention as modified by the revaluation of investment 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 consolidated 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 consolidated 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 consolidated financial statements, are disclosed in note 5.

Consolidated statement of comprehensive income and consolidated statement of cash flows
The Group has elected to present all items of income and expense recognised in a year in a single consolidated 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 policies and disclosures

(i) New standards, amendments and interpretations issued and effective for the financial year beginning 1 January 2021

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 2021. The new standards issued during the year are not deemed to have any material impact on the Group.

2 Summary of significant accounting policies (continued)

Changes in accounting policies and disclosures (continued)

Amendments to IFRS 16 Covid-19-related rent concessions

As a result of the COVID-19 pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. In May 2020, the IASB made an amendment to IFRS 16 Leases which provides lessees with an option to treat qualifying rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concessions as variable lease payments in the period in which they are granted.

Entities applying the practical expedients must disclose this fact, whether the expedient has been applied to all qualifying rent concessions or, if not, information about the nature of the contracts to which it has been applied, as well as the amount recognised in profit or loss arising from the rent concessions.

The relief was originally limited to reduction in lease payments that were due on or before 30 June 2021. However, the IASB subsequently extended this date to 30 June 2022.

If a lessee already applied the original practical expedient, it is required to continue to apply it consistently, to all lease contracts with similar characteristics and in similar circumstances, using the subsequent amendment. If a lessee did not apply the original practical expedient to eligible lease concessions, it is prohibited from applying the expedient in the 2021 amendment.

However, if a lessee has not yet established an accounting policy on applying (or not) the practical expedient to eligible lease concessions, it can still decide to do so.

This amendment had no impact on the consolidated financial statements of the Group.

Interest Rate Benchmark Reform Phase 2 – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

In August 2020, the IASB made amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 to address the issues that arise during the reform of an interest rate benchmark rate, including the replacement of one benchmark with an alternative one.

The Phase 2 amendments provide the following reliefs:

- When changing the basis for determining contractual cash flows for financial assets and liabilities (including lease liabilities), the reliefs have the effect that the changes, that are necessary as a direct consequence of IBOR reform and which are considered economically equivalent, will not result in an immediate gain or loss in the income statement.
- The hedge accounting reliefs will allow most IAS 39 or IFRS 9 hedge relationships that are directly affected by IBOR reform to continue. However, additional ineffectiveness might need to be recorded.

Affected entities need to disclose information about the nature and extent of risks arising from IBOR reform to which the entity is exposed, how the entity manages those risks, and the entity’s progress in completing the transition to alternative benchmark rates and how it is managing that transition.

The amendments are relevant to the Group given that it applies hedge accounting to its benchmark interest rate exposures.

2 Summary of significant accounting policies (continued)

Changes in accounting policies and disclosures (continued)

Impact of the initial application of Interest Rate Benchmark Reform

In the prior year, the Group adopted the Phase 1 amendments Interest Rate Benchmark Reform—Amendments to IFRS 9/IAS 39 and IFRS 7. These amendments modify specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments are amended as a result of the interest rate benchmark reform. In the current year, the Group adopted the Phase 2 amendments Interest Rate Benchmark Reform—Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16. Adopting these amendments enables the Group to reflect the effects of transitioning from interbank offered rates (IBOR) to alternative benchmark interest rates (also referred to as 'risk free rates' or RFRs) without giving rise to accounting impacts that would not provide useful information to users of financial statements. The Group has not restated the prior period. Instead, the amendments have been applied retrospectively with any adjustments recognised in the appropriate components of equity as at 1 January 2021. Both the Phase 1 and Phase 2 amendments are relevant to the Group because it applies hedge accounting to its interest rate benchmark exposures, and in the current period modifications in response to the reform have been made to some (but not all) of the Group's derivative and non-derivative financial instruments that mature post 2021 (the date by which the reform is expected to be implemented). Details of the derivative and non-derivative financial instruments affected by the interest rate benchmark reform together with a summary of the actions taken by the Group to manage the risks relating to the reform and the accounting impact, including the impact on hedge accounting relationships, appear in Note 3.

The amendments are relevant for the following types of hedging relationships and financial instruments of the Group, all of which extend beyond 2021:

- Cash flow hedges where IBOR-linked derivatives are designated as a cash flow hedge of IBOR-linked bank borrowings

The application of the amendments affects the Group's accounting in the following way:

- The Group has issued GBP-denominated floating rate debt that is subject to a cash flow hedge using GBP LIBOR interest rate swaps. The amendments permit continuation of hedge accounting even if in the future the hedged benchmark interest rate, GBP LIBOR, may no longer be separately identifiable and there is uncertainty about the replacement of the floating interest rates included in the interest rate swaps. However, this relief does not extend to the requirement that the designated interest rate risk component must continue to be reliably measurable. If the risk component is no longer reliably measurable, the hedging relationship will be discontinued.

The Group will continue to apply the Phase 1 amendments to IFRS 9/IAS 39 until the uncertainty arising from the interest rate benchmark reform with respect to the timing and the amount of the underlying cash flows to which the Group is exposed ends. The Group expects this uncertainty will continue until the Group's contracts that reference IBORs are amended to specify the date on which the interest rate benchmark will be replaced and the basis for the cash flows of the alternative benchmark rate are determined including any fixed spread.

As a result of the Phase 2 amendments:

When the contractual terms of the Group's bank borrowings are amended as a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the basis immediately preceding the change, the Group changes the basis for determining the contractual cash flows prospectively by revising the effective interest rate. If additional changes are made, which are not directly related to the reform, the applicable requirements of IFRS 9 are applied to the other changes. See note 20 and 3 for further details regarding changes made to the LIBOR-linked bank borrowings.

When changes are made to the hedging instruments, hedged item and hedged risk as a result of the interest rate benchmark reform, the Group updates the hedge documentation without discontinuing the hedging relationship and, in the case of a cash flow hedge, the amount accumulated in the cash flow hedge reserve is deemed to be based on SONIA (see note 3).

Note 3 provides the required disclosures related to these amendments.

2 Summary of significant accounting policies (continued)

Changes in accounting policies and disclosures (continued)

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 2021 and to asset acquisitions that occur on or after the beginning of that period.

(ii) New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2022 and not early adopted.

The amendments are effective for which the date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2022 and to asset acquisitions that occur on or after the beginning of that period.

Standard / interpretation	**Effective date**
• Amendments to IFRS 10 and IAS 28 - Sale or Contribution of Assets between an investor and its Associate or Joint Venture	deferred
• Amendments to IAS 1 - Classification of Liabilities as current or non-current	01/01/2023
• Amendments to IFRS 3 Reference to the Conceptual Framework - Reference to the Conceptual Framework	01/01/2022
• Amendments to IAS 16 - Property, Plant and Equipment—Proceeds before Intended Use	01/01/2022
• Amendments to IAS 37 - Onerous Contracts – Cost of Fulfilling a Contract	01/01/2022
• IFRS 17 - Insurance Contracts	01/01/2022
• Annual Improvements to IFRS Standards 2018-2020 Cycle - Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments and IFRS 16 Leases	01/01/2022

The Group's assessment of the impact of these new standards and interpretations are set out below:

2 Summary of significant accounting policies (continued)

Changes in accounting policies and disclosures (continued)

Amendments to IFRS 10 and IAS 28 sale or contribution of Assets between an Investor and its Associate or Joint Venture

The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The effective date of the amendments has yet to be set by the IASB; however, earlier application of the amendments is permitted. The Partnership is yet to determine the impact of adopting the amendments.

IAS 1 — Presentation of Financial Statements

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation. The amendments are not expected to have a material impact on the Group.

Amendments to IAS 1 – Classification of Liabilities as Current or Non-current

The amendments to IAS 1 affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items.

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendments are applied retrospectively for annual periods beginning on or after 1 January 2023, with early application permitted.

Amendments to IFRS 3 – Reference to the Conceptual Framework

The amendments update IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework. They also add to IFRS 3 a requirement that, for obligations within the scope of IAS 37, an acquirer applies IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21 Levies, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date.

Finally, the amendments add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The amendments are effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022. Early application is permitted if an entity also applies all other updated references (published together with the updated Conceptual Framework) at the same time or earlier.

2 Summary of significant accounting policies (continued)

Changes in accounting policies and disclosures (continued)

Amendments to IAS 16 – Property, Plant and Equipment—Proceeds before Intended Use

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use, i.e. proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Consequently, an entity recognises such sales proceeds and related costs in profit or loss. The entity measures the cost of those items in accordance with IAS 2 Inventories.

The amendments also clarify the meaning of 'testing whether an asset is functioning properly'. IAS 16 now specifies this as assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes. If not presented separately in the statement of comprehensive income, the financial statements shall disclose the amounts of proceeds and cost included in profit or loss that relate to items produced that are not an output of the entity's ordinary activities, and which line item(s) in the statement of comprehensive income include(s) such proceeds and cost.

The amendments are applied retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments.

The entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.

The amendments are effective for annual periods beginning on or after 1 January 2022, with early application permitted.

Amendments to IAS 37 – Onerous Contracts—Cost of Fulfilling a Contract

The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract (examples would be direct labour or materials) and an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and contracts (an example would be the allocation of the depreciation charge for an item of property, plant and contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The amendments apply to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments. Comparatives are not restated. Instead, the entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.

The amendments are effective for annual periods beginning on or after 1 January 2022, with early application permitted.

IFRS 17 – Insurance Contracts

IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 Insurance Contracts.

IFRS 17 outlines a general model, which is modified for insurance contracts with direct participation features, described as the variable fee approach. The general model is simplified if certain criteria are met. The general model uses current assumptions to estimate the amount, timing and uncertainty of future cash flows and it explicitly measures the cost of that uncertainty. It takes into account market interest rates and the impact of and it explicitly measures the cost of that uncertainty. It takes into account market interest rates and the impact of and it explicitly measures the cost of that uncertainty. It takes into account market interest rates and the impact of policyholders' options and guarantees.

The general model uses current assumptions to estimate the amount, timing and uncertainty of future cash flows and it explicitly measures the cost of that uncertainty. It takes into account market interest rates and the impact of policyholders' options and guarantees.

2 Summary of significant accounting policies (continued)

Changes in accounting policies and disclosures (continued)

IFRS 17 – Insurance Contracts (continued)

In June 2020, the IASB issued Amendments to IFRS 17 to address concerns and implementation challenges that were identified after IFRS 17 was published. The amendments defer the date of initial application of IFRS 17 (incorporating the amendments) to annual reporting periods beginning on or after 1 January 2023. At the same time, the IASB issued Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4) that extends the fixed expiry date of the temporary exemption from applying IFRS 9 in IFRS 4 to annual reporting periods beginning on or after 1 January 2023.

IFRS 17 must be applied retrospectively unless impracticable, in which case the modified retrospective approach or the fair value approach is applied.

For the purpose of the transition requirements, the date of initial application is the start if the annual reporting period in which the entity first applies the Standard, and the transition date is the beginning of the period immediately preceding the date of initial application.

Annual Improvements to IFRS Standards 2018–2020

The amendment provides additional relief to a subsidiary which becomes a first-time adopter later than its parent in respect of accounting for cumulative translation differences. As a result of the amendment, a subsidiary that uses the exemption in IFRS 1:D16(a) can now also elect to measure cumulative translation differences for all foreign operations at the carrying amount that would be included in the parent's consolidated financial statements, based on the parent's date of transition to IFRS Standards, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. A similar election is available to an associate or joint venture that uses the exemption in IFRS 1:D16(a).

The amendment is effective for annual periods beginning on or after 1 January 2022, with early application permitted.

IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The Group will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendments are not expected to have a material impact on the Group.

Definition of Accounting Estimates – Amendments to IAS 8

The amendment to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" clarifies how companies should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important, because changes in accounting estimates are applied prospectively to future transactions and other future events, but changes in accounting policies are generally applied retrospectively to past transactions and other past events as well as the current period.

The changes to IAS 8 focus entirely on accounting estimates and clarify the following:

- The definition of a change in accounting estimates is replaced with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty".
- Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty.

2 Summary of significant accounting policies (continued)

Changes in accounting policies and disclosures (continued)

Definition of Accounting Estimates – Amendments to IAS 8 (continued)

- The Board clarifies that a change in accounting estimate that results from new information or new developments is not the correction of an error. In addition, the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors.
- A change in an accounting estimate may affect only the current period's profit or loss, or the profit or loss of both the current period and future periods. The effect of the change relating to the current period is recognised as income or expense in the current period. The effect, if any, on future periods is recognised as income or expense in those future periods.

The amendments are effective for annual periods beginning on or after 1 January 2023 and changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted. The amendments are not expected to have a material impact on the Group.

Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2

The IASB amended IAS 1 to require entities to disclose their 'material' rather than their 'significant' accounting policies. The amendments define what is 'material accounting policy information' and explain how to identify when accounting policy information is material. They further clarify that immaterial accounting policy information does not need to be disclosed. If it is disclosed, it should not obscure material accounting information. To support this amendment, the IASB also amended IFRS Practice Statement 2 'Making Materiality Judgements' to provide guidance on how to apply the concept of materiality to accounting policy disclosures. The amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2023 and are applied prospectively. Earlier application is permitted. The amendments to IFRS Practice Statement 2 do not contain an effective date or transition requirements. The amendments are not expected to have a material impact on the Group.

IFRS 16 Leases

The amendment removes the illustration of the reimbursement of leasehold improvements.

As the amendment to IFRS 16 only regards an illustrative example, no effective date is stated.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 — Interest Rate Benchmark Reform — Phase 2

The amendments address issues that might affect financial reporting after the reform of an interest rate benchmark, including its replacement with alternative benchmark rates.

The changes in Interest Rate Benchmark Reform — Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) relate to the modification of financial assets, financial liabilities and lease liabilities, specific hedge accounting requirements, and disclosure requirements applying IFRS 7 to accompany the amendments regarding modifications and hedge accounting. The amendments are effective for annual periods beginning on or after 1 January 2021 and are to be applied retrospectively. Early application is permitted. Restatement of prior periods is not required, however, an entity may restate prior periods if, and only if, it is possible without the use of hindsight.

The amendments are relevant to the Group given that it applies hedge accounting to its benchmark interest rate exposures. The application of the amendments impacts the Group's accounting in the following ways:

The Group has floating rate debt, linked to GBP IBOR, which it cash flow hedges using interest rate swaps. The amendments permit continuation of hedge accounting even though there is uncertainty about the timing and amount of the hedged cash flows due to the interest rate benchmark reforms.

The Group will retain the cumulative gain or loss in the cash flow hedge reserve for designated cash flow hedges that are subject to interest rate benchmark reforms even though there is uncertainty arising from the interest rate benchmark reform with respect to the timing and amount of the cash flows of the hedged items. Should the Group consider the hedged future cash flows are no longer expected to occur due to reasons other than interest rate benchmark reform, the cumulative gain or loss will be immediately reclassified to profit or loss.

2 Summary of significant accounting policies (continued)

Changes in accounting policies and disclosures (continued)

The Group has considered the impact of interest rate benchmark reform ("IBOR reform") on its loan accounting and hedge accounting. The Group has adopted the Interest Rate Benchmark Reform – Phase 2 Amendments to IFRS 9, IAS 39 and IFRS 7 issued in August 2020 ("Phase 2 relief"). Adopting these amendments provides temporary relief from applying specific loan accounting and hedge accounting requirements for hedging relationships directly affected by IBOR reform.

For loan accounting, the reliefs have the effect that the Group can update its effective interest rate for the change to the new risk-free rate without recognising an immediate gain or loss. For hedge accounting, the reliefs have the effect that IBOR reform should not generally cause hedge accounting to cease and updates to hedge documentation relating to IBOR reform will not result in a de-designation event for existing hedge relationships. However, any hedge ineffectiveness should continue to be recorded in the income statement. Qualifying for the reliefs is contingent on the Group's transition, i.e. the new risk-free rate plus credit adjustment spread, being economically equivalent to the previous LIBOR basis.

On 5 March 2021, the UK's Financial Conduct Authority (FCA) formally announced the cessation of all GBP London Interbank Offered Rate (LIBOR) benchmark settings currently published by ICE Benchmark Administration (IBA) immediately after 31 December 2021. In response, during the current year, the Group has entered into agreements with its lenders to amend the benchmark rate referenced in the agreements from GBP LIBOR to GBP SONIA plus a credit adjustment spread to compensate for the basis differential between the two benchmarks. The loan was amended as of 10 September 2021 with a rate switch date to SONIA effective for the interest period beginning 31 March 2022.

As part of the Group's IBOR reform programme, the swaps hedging the GBP LIBOR interest rate risk were also amended to update the reference benchmark index from GBP LIBOR to SONIA plus an economically equivalent credit adjustment spread. The swaps were amended as of 10 September 2021 with a rate switch date to SONIA effective for the interest period beginning 31 March 2022.

In accordance with Phase 2 relief, the Group has adjusted the effective interest rate on its borrowings resulting in no immediate impact on profit or loss. The Group determined that the amendment to the swaps resolved the uncertainty arising from the timing and cash flows due to a change in interest rate benchmark and has therefore also updated its hedge documentation with no discontinuation of hedge accounting or immediate release from the cash flow hedge reserve.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12

The amendments to IAS 12 'Income Taxes' require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. They will typically apply to transactions such as leases of lessees and decommissioning obligations and will require the recognition of additional deferred tax assets and liabilities. The amendment should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, entities should recognise deferred tax assets (to the extent that it is probable that they can be utilised) and deferred tax liabilities at the beginning of the earliest comparative period for all deductible and taxable temporary differences associated with:
-right-of-use assets and lease liabilities, and
-decommissioning, restoration and similar liabilities, and the corresponding amounts recognised as part of the cost of the related assets.
The cumulative effect of recognising these adjustments is recognised in retained earnings, or another component of equity, as appropriate. IAS 12 did not previously address how to account for the tax effects of on-balance sheet leases and similar transactions and various approaches were considered acceptable. Some entities may have already accounted for such transactions consistent with the new requirements. These entities will not be affected by the amendments. The amendments are effective for annual reporting periods beginning on or after 1 January 2023. Early adoption is permitted.
The Group is currently assessing the impact the amendments will have on current practice and whether there will be a need of recognising deferred tax on existing right-of-use assets and lease liabilities

(b) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2021. 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)

2 Summary of significant accounting policies (continued)

(b) Basis of consolidation (continued)

- 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 consolidated 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 IFRS 9 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 year.

When a business combination is achieved in stages, the Group's previously held interests (including joint operations) in the acquired entity are remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The consolidated 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 31 December as their year end.

All intra-group transactions, balances, income, expenses and cash flows relating to transactions between the members of the group are eliminated on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

2 Summary of significant accounting policies (continued)

(b) Basis of consolidation (continued)

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interests
- Derecognises the cumulative translation differences recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

(c) Going concern

The consolidated financial statements have been prepared on a going concern basis.

The Group has made profits of £115,387,000 (2020: £50,851,000) during the year ended 31 December 2021 and has positive net assets of £655,253,000 (2020: £556,921,000).

The Directors expect the Group will continue in its present form for a period of at least 12 months from the date of approval of the financial statements based on the fact that revenue is secured through property leases up to 2042.

The Group's loan to portfolio value was 56.1% (2020: 58.9%) which at this level is comfortably within the financial covenant contained within the facility. The Group had a positive cash inflow from operating activities during the year amounting to £73,216,000 and has forecasted to continue generating positive cashflow from core business to enable it to meet its financial obligations for a period of at least twelve months from the date of signing of the financial statements. The Group will continue to use its existing assets to continue to meet its financial obligations in full as they become due.

The UK left the European Union on 31 January 2020 and whilst changes in legislation remain uncertain, there has been no evidence that this has significantly affected the Group's activities.

In April 2021, the Tenant, along with other independent healthcare providers, entered into a new long-term framework agreement with the NHS, whereby the NHS will issue up to £10 billion of referrals to private healthcare providers over the next 4 years, to help ease the record-high NHS waiting lists arising as a result of the Covid-19 pandemic.

In light of the recent spike of Covid-19 cases in the UK due to the Omicron variant, the Tenant entered into a further contract with the NHS on 10 January 2022, allowing the NHS to refer additional patients for elective treatments such as cancer surgery. This agreement will last until 31 March 2022 and is on a payment by activity basis. In the event of a substantial surge of Covid-19 patients in NHS hospitals in England, the contract further allows the NHS to utilise up to 100% capacity of the Tenant's facilities on a local, regional or national basis, with the NHS providing the Tenant with full cost reimbursement in this case.

As at 31 December 2021, the Group had net current liabilities of £5,840,000 (2020: £4,725,000). The net current liabilities is solely due to deferred 2022 revenue collected in advance during December 2021, held as deferred revenue on the balance sheet.

Kwasa Global (Jersey) Limited has also expressed its financial support so that:

i. the Group has access to the financial resources of KWASA Global (Jersey) Limited to enable it to meet in full its financial obligations for a period of at least twelve months from the date of signing the financial statements/approval

ii. KWASA Global (Jersey) Limited, being the indirect shareholder of Links Healthcare REIT Limited as per Paragraph (i) above, has adequate financial means to meet any capital calls, equity injections and/or shareholders advances as required by Links Healthcare REIT Limited to settle its liabilities as and when they fall due and continue providing financial support to Links Healthcare REIT Limited and its wholly owned subsidiaries for at least the next twelve months from from the date of signing the financial statements/approval.

2 Summary of significant accounting policies (continued)

(c) Going concern (continued)

There is no evidence to 31 December 2021 that Brexit, or the implications of COVID-19, Omicron have adversely affected the Group’s activities and no repercussions were observed on the valuation of the Group's investments or operations. The Directors will continue to monitor the developments and assess for any changes.

Based on the above and steps taken by the Company, the Board of Directors has reasonable expectation that the Company has adequate resources to continue its operational existence for a period of at least 12 months from the date of signing the financial statements.

(d) Foreign currency translation

(i) Functional and presentation currency

Items included in the consolidated 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.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rate at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss.

(ii) 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 year.

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.

(e) Revenue recognition

Revenue includes rental income from investment properties. Rental income from operating leases is recognised in revenue on a straight line basis over the lease term. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis. When the Group provides incentives to its tenants, the cost of the incentives are recognised over the lease term, by applying IFRS 15, as a reduction of rental income.

Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis.

(f) Dividends

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

2 Summary of significant accounting policies (continued)

(g) Interest

Interest income and expenses are recognised within ‘finance income’ and ‘finance costs’ respectively in the consolidated 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.

(h) Expenses

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

In calculating interest income and expenses, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverses to the gross basis.

(i) Investment properties

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 year end with fair value movement posted through the consolidated 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 consolidated 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.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

(j) Cash and cash equivalents

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.

2 Summary of significant accounting policies (continued)

(k) Financial instruments

i. Recognition and initial measurement

Financial assets and financial liabilities are recognised in the Group's consolidated 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.

ii. Classification and subsequent measurement

Financial assets

a. classification

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;

2 Summary of significant accounting policies (continued)

(k) Financial instruments (continued)

- 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.

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.

2 Summary of significant accounting policies (continued)

(k) Financial instruments (continued)

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. The Group recognises a loss allowance based on lifetime ECLs at each reporting date.

The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Trade and other receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 120 days past due.

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 consolidated statement of comprehensive income.

(l) 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.

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.

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.

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
- 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.

The Group applies hedge accounting if the qualifying criteria stated above were met.

- Hedge accounting is applied to financial assets and financial liabilities only where all of the following criteria are met:

2 Summary of significant accounting policies (continued)

(l) Derivative financial instruments and hedge accounting (continued)

- At the inception of the hedge there is formal designation and documentation of the hedging relationship and the Group's risk management objective and strategy for undertaking the hedge.
- For cash flow hedges, the hedged item in a forecast transaction is highly probable and presents an exposure to variations in cash flows that could ultimately affect the consolidated statement of comprehensive income.
- The cumulative change in the fair value of the hedging instrument is expected to be between 80-125% of the cumulative change in the fair value or cash flows of the hedged item attributable to the risk hedged (i.e. it is expected to be highly effective).
- The effectiveness of the hedge can be reliably measured.
- The hedge remains highly effective on each date tested, effectiveness is tested annually.

Cash flow hedges

The effective portion of gains and losses on derivatives used to manage cash flow interest rate risk (such as floating to fixed interest rate swaps) are also recognised in other comprehensive income and accumulated for in the cash flow hedge reserve. However, if the Group closes out its position early, the cumulative gains and losses recognised in other comprehensive income are frozen and reclassified from the cash flow hedging reserves to the income statement using the effective interest method. The ineffective portion of gains and losses on derivatives used to manage cash flow interest rate risk are recognised in the income statement within finance expense or finance income.

Interest rate benchmark reform

In the prior year the Group early adopted the Phase 1 amendments 'Interest Rate Benchmark Reform: Amendments to IFRS 9/IAS 39 and IFRS 7'. These amendments modify specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments are amended as a result of the interest rate benchmark reform.

In the current year, the Group has adopted all requirements of 'Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement, IFRS 7 Financial Instruments: Disclosures, IFRS 4 Insurance Contracts and IFRS 16 Leases' which was issued in August 2020. These amendments are mandatory for annual reporting periods beginning on or after 1 January 2021. Adopting these amendments early enables the Group to reflect the effects of transitioning from Interbank offered rates (IBOR) to alternative benchmark interest rates (also referred to as 'risk free rates' or RFRs) without giving rise
to accounting impacts that would not provide useful information to users of financial statements. The Group has not restated the prior period. Instead, the amendments have been applied retrospectively with any adjustments recognised in the appropriate components of equity as at 1 January 2020. Both the Phase 1 and Phase 2 amendments are relevant to the Group because it applies hedge accounting to its interest rate benchmark exposures, and in the current period modifications in response to the reform have been made to some (but not all) of the Group's derivative and non-derivative financial instruments that mature post 2021 (the date by which the reform is expected to be implemented). Details of the derivative and non-derivative financial instruments affected by the interest rate benchmark reform together with a summary of the actions taken by the Group to manage the risks relating to the reform and the accounting impact, including the impact on hedge accounting relationships, appear in Note 3 Financial Risk Management.

The amendments are relevant for the following types of hedging relationships and financial instruments of the Group, all of which extend beyond 2021, the date by which the reform is expected to be implemented by:

- cash flow hedges where IBOR-linked derivatives are designated as a cash flow hedge of IBOR-linked cash flows (in GBP);
- loans to joint ventures, bank borrowings and lease liabilities which reference IBORs and are subject to the interest rate benchmark reform.

The application of the amendments impacts the Group's accounting in the following ways:

Hedge accounting relationships will continue despite the following:

- for cash flow hedges of IBOR cash flows, there is uncertainty about the timing and amount of the hedged cash flows due to the interest rate benchmark reform;

2 Summary of significant accounting policies (continued)

(l) Derivative financial instruments and hedge accounting (continued)

- The Group will retain the cumulative gain or loss in the cash flow hedge reserve for designated IBOR cash flow hedges that are subject to the interest rate benchmark reform even though there is uncertainty arising from the interest rate benchmark reform with respect to the timing and amount of the cash flows of the hedged items. Should the Group consider the hedged future cash flows are no longer expected to occur due to reasons other than the interest rate benchmark reform, the cumulative gain or loss will be immediately reclassified to profit or loss.
- The Group will continue to apply the Phase 1 amendments to IFRS 9/IAS 39 until the uncertainty arising from the interest rate benchmark reform with respect to the timing and the amount of the underlying cash flows to which the Group is exposed ends. The Group expects this uncertainty will continue until the Group's contracts that reference IBORs are amended to specify the date on which the interest rate benchmark will be replaced and the basis for the cash flows of the alternative benchmark rate are determined including any fixed spread.

As a result of the Phase 2 amendments:

When the contractual terms of the Group's loans to joint ventures and bank borrowings are amended as a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the basis immediately preceding the change, the Group changes the basis for determining the contractual cash flows prospectively by revising the effective interest rate. If additional changes are made, which are not directly related to the reform, the applicable requirements of IFRS 9 are applied to the other amendments.

When a lease is modified as a direct consequence of the interest rate benchmark reform and the new basis for determining the lease payments is economically equivalent to the previous basis, the Group remeasures the lease liability to reflect the revised lease payments discounted using a revised discount rate that reflects the change in the basis for determining the contractual cash flows.

When changes are made to the hedging instruments, hedged item and hedged risk as a result of the interest rate benchmark reform, the Group updates the hedge documentation without discontinuing the hedging relationship.

For the Group's cash flow hedges, if the hedged item is modified due to the interest rate benchmark reform,the cumulative gain or losing the cash flow hedge reserve for designated cash flow hedges is deemed to be based on the alternative benchmark rate.

Note 3 provides the required disclosures related to this amendment.

(m) Share Capital

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

(n) Current tax

The Group is subject to Jersey corporate income tax at the rate of 0% and UK income tax at 19% of its profits related to property rental.

The tax expense for the year 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 year end date.

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 consolidated statement of financial position. Stamp duty payable on the direct acquisition of investment property is capitalised as part of the property's acquisition costs.

(o) Deferred tax

Deferred tax arises from timing differences between taxable profits and total comprehensive income as stated in the consolidated financial statements. Deferred tax shall be recognised in respect of all timing differences at the reporting date, except as otherwise required below.

2 Summary of significant accounting policies (continued)

(o) Deferred tax (continued)

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference using tax rates enacted or substantively enacted by the consolidated statement of financial position. Deferred tax balances are not discounted.

Unrealised tax losses and other deferred tax assets are recognised only to the extent that is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

(p) 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.

(q) Contingent liabilities

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. The Group does not recognise a contingent liability but discloses its existence in the financial statements.

2 Summary of significant accounting policies (continued)

(r) Leases

The Group as a lessee

For any new contracts entered on or after 1 January 2019, the Group considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period in exchange for consideration'. To apply this definition the Group assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group
- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract
- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

Measurement and recognition of leases as a lessee

The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Group as a lessor

The Group enters into lease agreements as a lessor with respect to some of its investment properties.

As a lessor the Group classifies its leases as either operating or finance leases.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset, and classified as an operating lease if it does not.

3 Financial risk management

Financial risk factors

The Group'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 Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

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
- Bank Borrowings

(a) 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. Credit risk associated with the derivative financial instrument is considered to be low as the counterparties are reputable financial organisations.

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

	2021	2020
	'£000	'£000
Trade and other receivables	**4,485**	4,639
Cash and cash equivalents	**15,494**	4,079
	19,979	8,718

The Group has £Nil (2020: £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 31 December 2021 approximates the carrying value. Further details regarding cash and cash equivalents can be found in note 16. In the period cash risk was mitigated by holding cash and cash equivalents with several different reputable financial institutions. As at 31 December 2021, cash balances were held with Standard Chartered Bank and RBS International. Refer to note 16 for credit ratings of these banking institutions.

(b) 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 31 December 2021 and 31 December 2020 are as follows:

3 Financial risk management (continued)

2021	Within one year '£000	From one to two year '£000	From two to five year '£000	Later than 5 year '£000	Total '£000
Assets					
Trade and other receivables	4,485	-	-	-	4,485
Cash and cash equivalents	15,494	-	-	-	15,494
Derivative financial instruments	-	-	27,346	-	27,346
	19,979	-	27,346	-	47,325
Liabilities					
Lease liabilities	24	24	73	2,730	2,851
Bank borrowings	-	-	792,883	-	792,883
Current tax liabilities	2,574	-	-	-	2,574
Accruals and other payables	535	-	-	-	535
	3,133	24	792,956	2,730	798,843

2020	Within one year '£000	From one to two year '£000	From two to five year '£000	Later than 5 year '£000	Total '£000
Assets					
Trade and other receivables	4,639	-	-	-	4,639
Cash and cash equivalents	4,079	-	-	-	4,079
	8,718	-	-	-	8,718
Liabilities					
Lease liabilities	24	24	72	2,756	2,876
Derivative financial instruments	-	-	5,228	-	5,228
Bank borrowings	-	-	791,060	-	791,060
Other payables	1,082	-	-	-	1,082
Intercompany payables	-	-	874	-	874
	1,106	24	797,234	2,756	801,120

The Group's bank borrowings are secured by a charge over the Company's investment properties which are disclosed in note 13. The Board of Directors expects that upon maturity of the bank loans, further finance will be negotiated until the properties are sold.

The Group's loan with the lenders were repaid in full on 30 September 2020 by way of a refinancing from SCB. The New Loan has a maturity date of 30 September 2025 and bears interest of a margin of 1.16% per annum and 3 month LIBOR.

(c) 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 arise 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 report 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.

(i) 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 Jersey, use the pound sterling (£) as their functional currency.

3 Financial risk management (continued)

(ii) 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.

In respect of price risk, a 25BP increase in the yield of the of investment properties would increase profit by 72% and increase the net asset value of the Group by 13%. A 25BP decrease in the yield of the of investment properties would decrease profit by 65% and decrease the net asset value of the Group by 11%.

A decrease in yield or an increase in rent will cause a consequent increase in the value of the investment property, with opposite movements causing a decrease in value. A summary of the sensitivity of key inputs to the valuation is set out below.

	Valuation impact	**Valuation impact**	**Valuation impact**	**Valuation impact**
Fair value at	+ 5% ERV/RV	- 5% ERV/RV	- 25 bps in yields	+ 25 bps in yields
31 December 2021	1,497,993	1,355,327	1,510,191	1,351,889

(iii) Cash flow risk

The Group is exposed to cash flow risk in relation to interest payable on the bank loan amounting to £792,882,000 (2020: £791,060,000) with Standard Chartered Bank. The loan is due on 30 September 2025 and carries a floating interest rate as described in note 20. The following table details notional principal amounts and remaining terms of interest rate swaps contracts outstanding at the end of reporting year:

Cashflow hedges

Outstanding receive float pay fixed contracts	**Average contracted fixed rate**		**Notional principal value**		**Fair value of derivatives under cash flow hedge**	
	2021	**2020**	**2021**	**2020**	**2021**	**2020**
Within 1 year		0%		-		-
1 to 5 year		100%%	800,000,000	800,000,000	27,346	5,228,000
			800,000,000	800,000,000	27,346	5,228,000

The fair values of the interest rate swaps are disclosed in note 19.

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 £800,000,000 (2020: £800,000,000) split between Standard Chartered Bank (Hong Kong) Limited for £421,000,000 (2020: £421,000,000), DBS Bank Ltd Labuan branch for £119,000,000 (2020: £119,000,000), United Overseas Bank Limited London branch for £140,000,000 (2020: £140,000,000) and Oversea-Chinese Banking Corporation Limited London branch for £120,000,000 (2020: £120,000,000).

Interest rate swaps are allocated between Standard Chartered Bank, DBS Bank Ltd, United Overseas Bank Limited and Oversea-Chinese Banking Corporation Limited. The Group pays fixed interest at a rate of 0.2435% (2020: 0.2435%) for years up until 30 September 2025 and receives 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.

Interest rate benchmark reform

In the prior year, the Group has chosen to early adopt ‘Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement, IFRS 7 Financial Instruments: Disclosures, IFRS 4 Insurance Contracts and IFRS 16 Leases’ which was issued in August 2020. These amendments are mandatory for annual reporting periods beginning on or after 1 January 2021. Adopting these amendments early enables the Group to reflect the effects of transitioning from Interbank offered rates (IBOR) to alternative benchmark interest rates (also referred to as ‘risk free rates’ or RFRs) without giving rise to accounting impacts that would not provide useful information to users of financial statements. The Group has not restated the prior period. Instead, the amendments have been applied retrospectively with any adjustments recognised in the appropriate components of equity as at 1 January 2020.

3 Financial risk management (continued)

Both the Phase 1 and Phase 2 amendments are relevant to the Group because it applies hedge accounting to its interest rate benchmark exposures, and in the current period modifications in response to the reform have been made to some (but not all) of the Group's derivative and non- derivative financial instruments that mature post 2021 (the date by which the reform is expected to be implemented).

Details of the derivative and non-derivative financial instruments affected by the interest rate benchmark reform together with a summary of the actions taken by the Group to manage the risks relating to the reform and the accounting impact, including the impact on hedge accounting relationships, appear in note 2 Financial Risk Management.

The amendments are relevant for the following types of hedging relationships and financial instruments of the Group, all of which extend beyond 2021, the date by which the reform is expected to be implemented by:

- cash flow hedges where IBOR-linked derivatives are designated as a cash flow hedge of IBOR-linked cash flows (in GBP);
- loans to joint ventures, bank borrowings and lease liabilities which reference IBORs and are subject to the interest rate benchmark reform.

The application of the amendments impacts the Group's accounting in the following ways: Hedge accounting relationships will continue despite the following:

- for cash flow hedges of IBOR cash flows, there is uncertainty about the timing and amount of the hedged cash flows due to the interest rate benchmark reform;

The Group will retain the cumulative gain or loss in the cash flow hedge reserve for designated IBOR cash flow hedges that are subject to the interest rate benchmark reform even though there is uncertainty arising from the interest rate benchmark reform with respect to the timing and amount of the cash flows of the hedged items. Should the Group consider the hedged future cash flows are no longer expected to occur due to reasons other than the interest rate benchmark reform, the cumulative gain or loss will be immediately reclassified to profit or loss.

The Group will continue to apply the Phase 1 amendments to IFRS 9/IAS 39 until the uncertainty arising from the interest rate benchmark reform with respect to the timing and the amount of the underlying cash flows to which the Group is exposed ends. The Group expects this uncertainty will continue until the Group's contracts that reference IBORs are amended to specify the date on which the interest rate benchmark will be replaced and the basis for the cash flows of the alternative benchmark rate are determined including any fixed spread.

As a result of the Phase 2 amendments:

- When the contractual terms of the Group's loans to joint ventures and bank borrowings are amended as a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the basis immediately preceding the change, the Group changes the basis for determining the contractual cash flows prospectively by revising the effective interest rate. If additional changes are made, which are not directly related to the reform, the applicable requirements of IFRS 9 are applied to the other amendments.
- When a lease is modified as a direct consequence of the interest rate benchmark reform and the new basis for determining the lease payments is economically equivalent to the previous basis, the Group remeasures the lease liability to reflect the revised lease payments discounted using a revised discount rate that reflects the change in the basis for determining the contractual cash flows.
- When changes are made to the hedging instruments, hedged item and hedged risk as a result of the interest rate benchmark reform, the Group updates the hedge documentation without discontinuing the hedging relationship.
- For the Group's cash flow hedges, if the hedged item is modified due to the interest rate benchmark reform, the cumulative gain or losing the cash flow hedge reserve for designated cash flow hedges is deemed to be based on the alternative benchmark rate.

Note 2 provides the required disclosures related to this amendment.

3 Financial risk management (continued)

Impact of Inter Bank Offered Rates Reform

Following the financial crisis, the reform and replacement of benchmark interest rates such as GBP LIBOR and other Interbank offered rates ('IBORs') has become a priority for global regulators. There is currently uncertainty around the timing and precise nature of these changes. The Group's risk exposure that is directly affected by the interest rate benchmark reform is its floating-rate debt. The Group has hedged this debt with an interest rate swap, and it has designated the swap in a cash flow hedge of the variability in cash flows of the debt, due to changes in GBP LIBOR that is the current benchmark interest rate.

The Group is exposed to the following interest rate benchmarks which are subject to interest rate benchmark reform: GBP LIBOR. The exposures arise on derivatives financial assets and liabilities.

As listed in note 2, the Group has cash flow hedge relationships affected by the interest rate benchmark reform. Hedged items in these hedges include issued GBP floating rate debt. Hedging instruments include IBOR based interest rate swaps.

The Group has closely monitored the market and the output from the various industry working groups managing the transition to new benchmark interest rates. This includes announcements made by GBP LIBOR regulators (including the UK Financial Conduct Authority (FCA)) regarding the transition from LIBOR to the Sterling Overnight Index Average rate (SONIA). The FCA has made clear that, at the end of 2021, it will no longer seek to persuade, or compel, banks to submit to LIBOR.

In response to the announcements, the Group has in place an interest rate benchmark transition programme comprised of the following work streams: risk management, tax, treasury, legal, accounting and systems. The programme is under the governance of the Board.

Risks arising from the interest rate benchmark reform

The key risks for the Group arising from the transition are:

- **Interest rate basis risk:**

There are two elements to this risk as outlined below:

If the bilateral negotiations with the Group's counterparties are not successfully concluded before the cessation of IBORs, there are significant uncertainties with regard to the interest rate that would apply. This gives rise to additional interest rate risk that was not anticipated when the contracts were entered into and is not captured by our interest rate risk management strategy. For example, in some cases the fallback clauses in IBOR loan contracts may result in the interest rate becoming fixed for the remaining term at the last IBOR quote. The Group is working closely with all counterparties to avoid this from occurring, however if this does arise, the Group's interest rate risk management policy will apply as normal and may result in closing out or entering into new interest rate swaps to maintain the mix of floating rate and fixed rate debt.

Interest rate risk basis may arise if a non-derivative instrument and the derivative instrument held to manage the interest risk on the non-derivative instrument transition to alternative benchmark rates at different times. This risk may also arise where back-to-back derivatives transition at different times. The Group will monitor this risk against its risk management policy which has been updated to allow for temporary mismatches of up to 12 months and transact additional basis interest rate swaps if required.

- **Liquidity risk:**

There are fundamental differences between IBORs and the various alternative benchmark rates which the Group will be adopting. IBORs are forward looking term rates published for a period (e.g. 3 months) at the beginning of that period and include an inter-bank credit spread, whereas alternative benchmark rates are typically risk free overnight rates published at the end of the overnight period with no embedded credit spread. These differences will result in additional uncertainty regarding floating rate interest payments which will require additional liquidity management. The Group's liquidity risk management policy has been updated to ensure sufficient liquid resources to accommodate unexpected increases in overnight rates.

3 Financial risk management (continued)

- **Accounting:**

If transition to alternative benchmark rates for certain contracts is finalised in a manner that does not permit the application of the reliefs introduced in the Phase 2 amendments, this could lead to discontinuation of hedge accounting relationships, increased volatility in profit or loss if re-designated hedges are not fully effective and volatility in the profit or loss if non-derivative financial instruments are modified or derecognised. The Group is aiming to agree changes to contracts that would allow IFRS 9 reliefs to apply. In particular, the Group is not seeking to novate derivatives or close out derivatives and enter into new on-market derivatives where derivatives have been designated in hedging relationships.

- **Litigation risk:**

If no agreement is reached to implement the interest rate benchmark reform on existing contracts, (e.g. arising from differing interpretation of existing fallback terms), there is a risk of prolonged disputes with counterparties which could give rise to additional legal and other costs. The Group is working closely with all counterparties to avoid this from occurring.

- **Operational risk:**

Our current treasury management system is undergoing upgrades to fully manage the transition to alternative benchmark rates and there is a risk that such upgrades are not fully functional in time, resulting in additional manual procedures which give rise to operational risks. The Group is working closely with its system provider to ensure the relevant updates are made in good time and the Group has plans in place for alternative manual procedures with relevant controls to address any potential delay.

Progress towards implementation of alternative benchmark interest rates

All newly transacted floating rate financial assets and liabilities are linked to an alternative benchmark rate, such as SONIA or SOFR or if, linked to IBOR, include detailed fallback clauses clearly referencing the alternative benchmark rate and the trigger event on which the clause is activated.

The Group has a risk management policy of maintaining an appropriate mix between fixed and floating rate borrowings. However, due to the lack of liquidity in the SONIA and SOFR markets, the Group is temporarily increasing the amount of fixed rate debt it carries by either issuing fixed rate debt or entering into interest rate swap contracts.

None of the Group's GBP LIBOR legacy contracts include adequate and robust fallback clauses for a cessation of the referenced benchmark interest rate. Various working groups in the industry are working on fallback provisions for different instruments and IBORs, which the Group is monitoring closely. The Group is planning to transition the majority of its IBOR-linked contracts to risk free rates through introduction of, or amendments to, fallback clauses into the contracts which will change the basis for determining the interest cash flows from IBOR to RFR at an agreed point in time. Some of these fallback provisions have been incorporated into contracts during 2020 but the majority are expected to be implemented during 2021.

Interest rate benchmark transition for derivatives and hedge relationships

The Group has in issue £800,000,000 of GBP denominated floating rate debt which was in a cash flow hedge of GBP LIBOR using a fixed to GBP LIBOR interest rate swap contract.

The Company has considered the impact of interest rate benchmark reform ("IBOR reform") on its loan accounting and hedge accounting. The Company has adopted the Interest Rate Benchmark Reform – Phase 2 Amendments to IFRS 9, IAS 39 and IFRS 7 issued in August 2020 ("Phase 2 relief"). Adopting these amendments provides temporary relief from applying specific loan accounting and hedge accounting requirements for hedging relationships directly affected by IBOR reform.

For loan accounting, the reliefs have the effect that the Company can update its effective interest rate for the change to the new risk-free rate without recognising an immediate gain or loss. For hedge accounting, the reliefs have the effect that IBOR reform should not generally cause hedge accounting to cease and updates to hedge documentation relating to IBOR reform will not result in a de-designation event for existing hedge relationships. However, any hedge ineffectiveness should continue to be recorded in the income statement. Qualifying for the reliefs is contingent on the Company's transition, i.e. the new risk-free rate plus credit adjustment spread, being economically equivalent to the previous LIBOR basis.

3 Financial risk management (continued)

On 5 March 2021, the UK's Financial Conduct Authority (FCA) formally announced the cessation of all GBP London Interbank Offered Rate (LIBOR) benchmark settings currently published by ICE Benchmark Administration (IBA) immediately after 31 December 2021. In response, during the current year, the Company has entered into agreements with its lenders to amend the benchmark rate referenced in the agreements from GBP LIBOR to GBP SONIA plus a credit adjustment spread to compensate for the basis differential between the two benchmarks. The loan was amended as of 10 September 2021 with a rate switch date to SONIA effective for the interest period beginning 31 March 2022.

As part of the Company's IBOR reform programme, the swaps hedging the GBP LIBOR interest rate risk were also amended to update the reference benchmark index from GBP LIBOR to SONIA plus an economically equivalent credit adjustment spread. The swaps were amended as of 10 September 2021 with a rate switch date to SONIA effective for the interest period beginning 31 March 2022.

In accordance with Phase 2 relief, the Company has adjusted the effective interest rate on its borrowings resulting in no immediate impact on profit or loss. The Company determined that the amendment to the swaps resolved the uncertainty arising from the timing and cash flows due to a change in interest rate benchmark and has therefore also updated its hedge documentation with no discontinuation of hedge accounting or immediate release from the cash flow hedge reserve.

At the time of reporting, industry working groups are reviewing methodologies for calculating adjustments between GBP LIBOR and SONIA. The Working Group on Sterling Risk-Free Reference Rates has stated that it anticipates full transition to non-LIBOR alternative rates by end of 2021. The Working Group's top priority is for markets and their users to be fully prepared for the end of sterling LIBOR by the end of 2021. In particular the Working Group has recommended that, from the end of March 2021, sterling LIBOR is no longer used in any new lending or other cash products that mature after the end of 2021. All businesses with existing loans in sterling should already have heard from their lenders about the transition, and those seeking a new or refinanced loan today should be offered a non-LIBOR alternative. Throughout the remainder of the year, existing contracts linked to sterling LIBOR should be actively transitioned where possible. In addition, the Working Group has recommended that firms no longer initiate new linear derivatives linked to sterling LIBOR after the end of March 2021, other than for risk management of existing positions or where they mature before the end of 2021.

Below are details of the hedging instruments and the related hedged items that have been or will be subject to transition to alternative benchmark interest rates, by hedge type. The terms of the hedged items listed match those of the corresponding hedging instruments.

Hedge Type	Instrument Type prior to transition	Maturity	Nominal in currency	Total nominal (£)	Hedge Item	Transition for derivatives
Cash flow hedges	Receive 1-month GBP LIBOR pay GBP fixed interest rate swap	30/09/2025	GBP	800,000,000	GBP floating rate debt of same notional and maturity of the swap	To transition derivatives via ISDA protocol

As at 31 December 2021, the following table contains summary of the derivatives (i.e. interest rate swaps) and bank borrowings that are related the Group's cash flow hedges. Details of the terms of the derivatives and bank borrowings are discussed in note 19 and 20, respectively.

3 Financial risk management (continued)

Balance sheet line items	Note	Notional amounts £000	Carrying amount £000	Change in fair value for the year £000
2021				
Derivatives-Hedging instruments	19	(800,000)	27,346	32,574
Bank Borrowings-Hedge items	20	-	(792,882)	-
2020				
Derivatives (all in liability position)-Hedging instruments	19	(800,000)	(5,228)	(1,932)
Bank Borrowings-Hedge items	20	-	(791,060)	-

Capital management

The Group considers its capital to comprise its ordinary share capital, share premium and its accumulated retained earnings. Refer to note 17.

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.

4 Segment analysis

The Group's operations are carried out in Jersey. 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.

5 Critical accounting estimates and judgements

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.

Head lease expense

The Group has entered into a commercial arrangement with the tenant whereby the tenant pays the ground rent on Links Bidco Propco 4 Limited, to the head lease landlord directly.

IFRS 16 requires entities to make certain judgements and estimations. Those that are significant have been identified as follows:
- This arrangement will continue with the tenant for the remaining head lease term of 61 years which runs from 1 January 2020 to 30 September 2081.
- The discount rate for the calculation of the right of use asset and liability is based on the current financing in place. This being the fixed EIR calculated under IFRS 9 and applied to the current external debt of 2.03% (2020: 2.03%).
- The headlease payments currently paid by the tenant remain fixed.

5 Critical accounting estimates and judgements (continued)

(a) Judgements

Management have not taken any judgement in preparing these financial statements.

(b) Estimates

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 13.

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 19.

6 Revenue

	2021 '£000	2020 '£000
Rental income	**61,614**	60,455

Future aggregate miniumum rental receivables are disclosed in note 22.

7 Administration expenses

	2021 '£000	2020 '£000
Direct operating expenses arising from investment property that generated rental income during the year:		
Investment deed fee charged by Links Holdings LP	**-**	(4,050)
Investment advisor fee	**(200)**	(196)
Other operating expenses:		
Legal and professional fees	**(537)**	(621)
Trustee fees	**(168)**	(156)
Administrative fees	**(35)**	(38)
Audit fees	**(53)**	(61)
Sundry expenses	**(5)**	43
Bank charges	**(6)**	(12)
	(1,004)	(5,091)

7 Administration expenses (continued)

	'£000	'£000
Auditor's non-audit services		
Services provided by Deloitte LLP could be analysed as below:		
Tax advisory fees for Links Bidco Limited	**169**	264
Tax advisory fees for Links Healthcare REIT Limited	**12**	11
	181	275

The Company's auditor, Deloitte LLP, provided non-audit services to the Group amounting to £181,000 (2020: £275,000). Non-audit services were provided in relation to tax advisory £120,000 (2020: £180,000), tax compliance fees £61,000 (2020: £55,000) and migration fees £Nil (2020: £40,000). The Directors do not consider the provision of these services to have impaired the auditor's independence during the financial year ended 31 December 2021. The scope for any non-audit services is reviewed by the Links Holdings (GP) Limited (the "General Partner") and approved prior to the auditor's engagement.

The investment deed fee was calculated on a quarterly basis up to 30 September 2021 on the outstanding amount of the Old Loan principal at a rate of 0.25% per quarter (2020: 0.25% per quarter). On 30 September 2020, the outstanding Old Loan principal was repaid in full and since that date no investment deed fee is chargeable.

8 Depreciation on right of use assets

	2021 '£000	2020 '£000
Depreciation on right of use assets	**(47)**	(47)

Depreciation has been calculated over the remaining life of head lease term on Links Bidco Propco 4 Limited, on a straight line basis over 62 years as the time of recognition as a right of use assets on the 1 January 2019 up to 30 September 2081.

9 Net finance costs

	2021 '£000	2020 '£000
Interest on loan from Links Holdings LP	**-**	(5,504)
Interest on bank loans	**(11,651)**	(14,408)
Interest rate swap	**(1,400)**	(5,206)
Interest on right of use assets	**(59)**	(59)
	(13,110)	(25,177)

10 Income tax

The Company and all of its subsidiaries are taxed under the Jersey tax law at a standard rate of 0%. The tax charge during the year under Jersey law is nil (2020: £157k). The directors believe that there is no relationship that exists between tax expenses/income and the tax is nil in the current year and therefore, no tax reconciliation is disclosed in the financial statements.

Analysis of tax charge in the year	**2021** **'£000**	2020 '£000
Current income tax		
Current tax	**-**	181
Tax refund*	**-**	(24)
	-	157
Profit on ordinary activities before taxation	**115,387**	51,008

*Tax refund represents amounts due to the Group after tax assessment for prior years was completed. Advance payments previously made by the Group to the Luxembourg Tax Authorities were credited against the final tax liability and the excess is refundable.

Factors affecting the tax charge for the year

The Group has elected to be treated as a REIT (Real Estate Investment Trust) with effect from 15 March 2013. The REIT rules exempt the profits of the Group's UK property rental business from corporation tax. Gains on UK properties are also exempt from tax, provided they are not held for trading or sold in the three years after completion of development. The Group is otherwise subject to tax in its relevant jurisdictions.

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 Limited's qualifying activity and its balance of business. The Group met these conditions.

Up to 13 November 2020, the Company was subject to the general tax regulations to all commercial companies in Luxembourg. Following the migration on 13 November 2020, the Company is now taxed under the Jersey tax law at a standard rate of 0%.

11 Director and Employees

The Company has no employees.Refer to related party note (note 28) for details of corporate services fees paid to Ocorian Fund Services (Jersey) Limited.

12 Investment in subsidiaries

The following table details the subsidiaries owned by the parent company as at 31 December 2021 and 2020 are included in these consolidated financial statements.

Subsidiary undertakings as at 31 December 2021 & 2020	Ownership	Holding %	Country of incorporation	Activity
Links Bidco Limited / Links Bidco S.à.r.l.	Direct	100	Jersey	Property holding
Links Bidco Propco 1 Limited / Links Bidco S.à.r.l. Propco 1	Indirect	100	Jersey	Property holding
Links Bidco Propco 2 Limited / Links Bidco S.à.r.l. Propco 2	Indirect	100	Jersey	Property holding
Links Bidco Propco 3 Limited / Links Bidco S.à.r.l. Propco 3	Indirect	100	Jersey	Property holding
Links Bidco Propco 4 Limited / Links Bidco S.à.r.l. Propco 4	Indirect	100	Jersey	Property holding
Links Bidco Propco 5 Limited / Links Bidco S.à.r.l. Propco 5	Indirect	100	Jersey	Property holding
Links Bidco Propco 6 Limited / Links Bidco S.à.r.l. Propco 6	Indirect	100	Jersey	Property holding
Links Bidco Propco 7 Limited / Links Bidco S.à.r.l. Propco 7	Indirect	100	Jersey	Property holding
Links Bidco Propco 9 Limited / Links Bidco S.à.r.l. Propco 9	Indirect	100	Jersey	Property holding
Links Bidco Propco 10 Limited / Links Bidco S.à.r.l. Propco 10	Indirect	100	Jersey	Property holding
Links Bidco Propco 11 Limited / Links Bidco S.à.r.l. Propco 11	Indirect	100	Jersey	Property holding
Links Bidco Propco 12 Limited / Links Bidco S.à.r.l. Propco 12	Indirect	100	Jersey	Property holding
Links Bidco Propco 13 Limited / Links Bidco S.à.r.l. Propco 13	Indirect	100	Jersey	Property holding

Links Bidco Limited

The entire share capital of Links Bidco Limited ("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. Bidco was established as a special purpose vehicle (the "SPV"). Bidco is subject to the Law of 10 August 1915 on Commercial Companies, as subsequently amended, as well as by its articles of association.

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

As part of a migration programme (the "Migration"), the Company's direct and indirect subsidiaries changed their Luxembourg nationality into Jersey nationality on 18 November 2020, without interruption of their legal personality but with the corporate continuance in Jersey under the suspensive conditions of the issuance of a certificates of continuance by the Jersey Registrar of Companies and the registration of the Company at the Jersey Registrar of Companies. As a consequence, the direct and indirect subsidiaries were removed from the register of companies in Luxembourg on 18 November 2020 for the purpose of becoming registered as a limited liability company under the laws of Jersey pursuant to Article 127K of the Companies (Jersey) Law 1991.

13 Investment properties

2021	**Cost**	**Accumulated Fair Value Gains**	**Fair value**
At 1 January 2021			
Opening balance	719,526	639,289	1,358,815
Fair value movement during the year	-	67,845	67,845
Balance as at 31 December 2021	719,526	707,134	1,426,660

2020	**Cost**	**Accumulated Fair Value Gains**	**Fair Value**
Opening balance	719,526	618,504	1,338,030
Fair value movement during the year	-	20,785	20,785
Balance as ar 31 December 2020	719,526	639,289	1,358,815

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. For the year ended 31 December 2021, the Group appointed CBRE to determine fair value of the investment properties as per the valuation standards of the Royal Institution of Chartered Surveyors (the “RICS”). The fair value of the investment properties per the valuation report provided (the "Valuation Report") amounted to £1,426,660,000 as at 31 December 2021 (2020: £1,358,815,000).

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.

The UK left the European Union on 31 January 2020 and whilst changes in legislation remain uncertain there is no evidence to 31 December 2021 that Brexit, combined with the implications of COVID-19, has adversely affected the Group’s activities and no repercussions was observed on the valuation of the Group's investments or operations. However, the Directors will still carry on to monitor the developments and assess for any changes.

Property values can change substantially over short periods of time, therefore the value of the property at the date of signing these financial statements may differ materially from the valuation provided by the valuers which the directors believe are a reasonable approximation of the investment properties fair values.

13 Investment properties (continued)

Details of the Group's investment properties and information about the fair value hierarchy (assuming 6.79% cost of acquisition) as at 31 December 2021 and 2020 are as follows:

2021 Subsidiary	Hospital	% of ownership	Level 1 £000	Level 2 £000	Level 3 £000	Fair value at 31 December 2021
Links Bidco Propco 1 Limited	Bristol,Glen	100%	-	-	190,760	190,760
Links Bidco Propco 2 Limited	Bushey	100%	-	-	234,405	234,405
Links Bidco Propco 3 Limited	Edinburgh	100%	-	-	145,725	145,725
Links Bidco Propco 4 Limited	Gatwick	100%	-	-	90,965	90,965
Links Bidco Propco 5 Limited	Leeds	100%	-	-	149,705	149,705
Links Bidco Propco 6 Limited	Leicester	100%	-	-	116,435	116,435
Links Bidco Propco 7 Limited	Little Aston	100%	-	-	113,080	113,080
Links Bidco Propco 9 Limited	Portsmouth	100%	-	-	120,335	120,335
Links Bidco Propco 10 Limited	Roding	100%	-	-	68,695	68,695
Links Bidco Propco 11 Limited	Southampton	100%	-	-	162,430	162,430
Links Bidco Propco 12 Limited	Turbridge Wells	100%	-	-	8,240	8,240
Links Bidco Propco 13 Limited	Wirral	100%	-	-	25,885	25,885
			-	-	1,426,660	1,426,660

As part of a migration programme (the "Migration"), the Company's direct and indirect subsidiaries changed their Luxembourg nationality into Jersey nationality on 13 November 2020, without interruption of their legal personality but with the corporate continuance in Jersey under the suspensive conditions of the issuance of certificates of continuance by the Jersey Registrar of Companies and the registration of the Company at the Jersey Registrar of Companies. As a consequence, the direct and indirect subsidiaries were removed from the register of companies in Luxembourg on 13 November 2020 for the purpose of becoming registered as a limited liability company under the laws of Jersey pursuant to Article 127K of the Companies (Jersey) Law 1991.

Details of the Group's investment properties and information about the fair value hierarchy as at 31 December 2020 are as follow:

2020 Subsidiary	Hospital	% of ownership	Level 1 £000	Level 2 £000	Level 3 £000	Fair value at 31 December 2020
Links Bidco Propco 1 Limited	Bristol,Glen	100%	-	-	181,685	181,685
Links Bidco Propco 2 Limited	Bushey	100%	-	-	223,255	223,255
Links Bidco Propco 3 Limited	Edinburgh	100%	-	-	138,795	138,795
Links Bidco Propco 4 Limited	Gatwick	100%	-	-	86,640	86,640
Links Bidco Propco 5 Limited	Leeds	100%	-	-	142,585	142,585
Links Bidco Propco 6 Limited	Leicester	100%	-	-	110,895	110,895
Links Bidco Propco 7 Limited	Little Aston	100%	-	-	107,705	107,705
Links Bidco Propco 9 Limited	Portsmouth	100%	-	-	114,610	114,610
Links Bidco Propco 10 Limited	Roding	100%	-	-	65,430	65,430
Links Bidco Propco 11 Limited	Southampton	100%	-	-	154,710	154,710
Links Bidco Propco 12 Limited	Turbridge Wells	100%	-	-	7,850	7,850
Links Bidco Propco 13 Limited	Wirral	100%	-	-	24,655	24,655
			-	-	1,358,815	1,358,815

There were no transfers between levels during the year.

The yields CBRE applied to the PropCo assets as at 31 December 2021 reflect the lease terms and structure as well as taking into account the rent realignment deed. This deed provides the Landlord with the option to periodically redistribute the rent across the portfolio without affecting the total aggregate rent. This allows the rents to be brought in line with generally considered KPIs maintaining good and reasonable rent coverage (both on a gross and net basis), therefore reducing risks associated with over renting on any particular PropCo. The first re-alignment of rents took effect from 17 January 2020. The second re-alignment of rents was due to be effective from 17 January 2022, however, in light of the Covid-19 pandemic, the Landlord and Tenant agreed to a one-time 1 year deferment of this right, such that the second effective date is now 17 January 2023.

13 Investment properties (continued)

The initial yields used for the year ended 31 December 2021 is in a range of 4.15%-4.5% (2020: 4.15%-4.5%).

Information about fair value measurements using significant unobservable inputs (Level 3) as at 31 December 2021 are as follows:

Description	Fair value as at 31 December 2021 £000	Unobservable inputs	Type/Category	Relationship of unobservable inputs to fair value
Bristol,Gen	190,760	Initial yield	Strong performer with wide range of services and/or dominant player in the local market	The higher the initial yield the lower the fair value
Bushey	234,405	Initial yield	Strong performer with wide range of services and/or dominant player in the local market	The higher the initial yield the lower the fair value
Edinburgh	145,725	Initial yield	Strong performer with wide range of services and/or dominant player in the local market	The higher the initial yield the lower the fair value
Gatwick	90,965	Initial yield	Strong performer with wide range of services and/or dominant player in the local market	The higher the initial yield the lower the fair value
Leeds	149,705	Initial yield	Strong performer with wide range of services and/or dominant player in the local market	The higher the initial yield the lower the fair value
Leicester	116,435	Initial yield	Strong performer with wide range of services and/or dominant player in the local market	The higher the initial yield the lower the fair value
Little Aston	113,080	Initial yield	Strong performer with wide range of services and/or dominant player in the local market	The higher the initial yield the lower the fair value
Portsmouth	120,335	Initial yield	Strong performer with wide range of services and/or dominant player in the local market	The higher the initial yield the lower the fair value
Roding	69,695	Initial yield	Strong performer with wide range of services and/or dominant player in the local market	The higher the initial yield the lower the fair value
Southampton	162,430	Initial yield	Strong performer with wide range of services and/or dominant player in the local market	The higher the initial yield the lower the fair value
Tunbridge Wells	8,240	Initial yield	Strong performer with wide range of services and/or dominant player in the local market	The higher the initial yield the lower the fair value
Wirral	25,885	Initial yield	Strong performer with wide range of services and/or dominant player in the local market	The higher the initial yield the lower the fair value

13 Investment properties (continued)

Information about fair value measurements using significant unobservable inputs (Level 3) as at 31 December 2020 are as follows:

Description	Fair value as at 31 December 2020 £000	Unobservable inputs	Type/Category	Relationship of unobservable inputs to fair value
Bristol,Glen	181,685	Initial yield	Strong performer with wide range of services and/or dominant player in the local market	The higher the initial yield the lower the fair value
Bushey	223,255	Initial yield	Strong performer with wide range of services and/or dominant player in the local market	The higher the initial yield the lower the fair value
Edinburgh	138,795	Initial yield	Strong performer with wide range of services and/or dominant player in the local market	The higher the initial yield the lower the fair value
Gatwick	86,640	Initial yield	Strong performer with wide range of services and/or dominant player in the local market	The higher the initial yield the lower the fair value
Leeds	142,585	Initial yield	Strong performer with wide range of services and/or dominant player in the local market	The higher the initial yield the lower the fair value
Leicester	110,895	Initial yield	Strong performer with wide range of services and/or dominant player in the local market	The higher the initial yield the lower the fair value
Little Aston	107,705	Initial yield	Strong performer with wide range of services and/or dominant player in the local market	The higher the initial yield the lower the fair value
Portsmouth	114,610	Initial yield	Strong performer with wide range of services and/or dominant player in the local market	The higher the initial yield the lower the fair value
Roding	65,430	Initial yield	Strong performer with wide range of services and/or dominant player in the local market	The higher the initial yield the lower the fair value
Southampton	154,710	Initial yield	Strong performer with wide range of services and/or dominant player in the local market	The higher the initial yield the lower the fair value
Turnbridge Wells	7,850	Initial yield	Strong performer with wide range of services and/or dominant player in the local market	The higher the initial yield the lower the fair value
Wirral	24,655	Initial yield	Strong performer with wide range of services and/or dominant player in the local market	The higher the initial yield the lower the fair value

13 Investment properties (continued)

Investment properties pledged as security

Investment properties with a carrying amount of £1,426,660,000 (2020: £ 1,358,815,000) have been pledged to secure borrowings of the Group (note 20). 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.

14 Right of use assets

This note provides information for leases where the Group is a lessee, represented by Links Bidco Propco 4 Limited.

	2021	2020
	'£000	'£000
Right of use of assets	**2,938**	2,938
Depreciation of use assets	**(140)**	(93)
	2,798	2,845

The right of use assets relates to the land that is under leasehold in Links Bidco Propco 4 Limited.

The right of use assets and lease liabilities have been estimated by discounting the future cash flows of the head lease rental payments at the Group current incremental borrowing rate of 2.03%.

The Group has chosen to depreciate the right of use assets over the remaining life of the head lease term from the date of recognition on the 1 January 2019 up to 30 September 2081, being 62 years

15 Trade and other receivables

	2021	2020
	'£000	'£000
Receivables due to Links Healthcare REIT Limited	**42**	1,075
Intercompany receivable	**4,877**	3,765
	4,919	4,840

All receivables presented above are repayable on demand, unsecured and interest free.

16 Cash and cash equivalents

	2021 '£000	2020 '£000
Standard Chartered Bank	**15,455**	4,037
RBS International	**39**	42
	15,494	4,079

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

Banking institution	2021	2020
Standard Chartered Bank	**A1**	A1
RBS International	**A3**	A1/A2

17 Share capital, share premium, legal reserve and cash flow hedging reserve

	2021 '£000	2020 '£000

(a) Share capital

Summary as at 31 December	2021 '£000	2020 '£000
Opening share capital	**547**	547
Closing share capital	**547**	547

The authorised share capital consists of 100,000 shares of £0.01 each. As at 31 December 2021, 54,714 (2020: 54,714) shares were issued amounting to £547.14 (2020: £547.14).

(b) Share premium

Summary as at 31 December	2021 '£000	2020 '£000
Opening share capital premium	**5,470**	5,470
Closing share capital premium	**5,470**	5,470

(c) Legal reserve

Summary as at 31 December	2021 '£000	2020 '£000
Opening legal reserve	**-**	14
Transfer of legal reserve to retained earnings	**-**	(14)
Closing legal reserves	**-**	-

In accordance with Luxembourg company law, the Company was required to appropriate a minimum of 5% of its net profits to a legal reserve until the balance of such reserve is equal to 10% of the issued share capital. The legal reserve is not available for distribution to shareholders, except upon the dissolution of the Company.

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 of Links Bidco and its subsidiaries from the profit for the period ended 31 December 2013.

Share capital, share premium, legal reserve and cash flow hedging reserve (continued)

Following the migration into a Jersey entity on 13 November 2020, the Company is no longer operational under the Luxembourg company law and there is no legal requirement to cater for the legal reserve. The legal reserve was reclassified into retained earnings as at 31 December 2020.

(d) Cash flow hedging reserve

Summary as at 31 December	**2021 '£000**	2020 '£000
Opening cash flow hedging reserve	**(5,228)**	(3,296)
Swap fair value movement	**32,574**	(1,932)
Closing cash flow hedging reserve	**27,346**	(5,228)

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.

18 Lease Liabilities

This note provides information for leases where the Group is a lessee, represented by Links Bidco Propco 4 Limited.

	2021 '£000	**2020 '£000**
Lease liabilities	**2,938**	2,938
Lease liabilities - interest	**161**	103
Lease liabilities - head lease rent payable	**(248)**	(165)
	2,851	2,876

The lease liabilities are split as follows:	**2021 '£000**	**2020 '£000**
Current	**24**	24
Non-current	**2,827**	2,852
	2,851	2,876

Refer to note 14 on right of use assets details. Maturity analysis of contractual undiscounted cash flows of lease liabilities is disclosed in Note 22.

19 Derivative financial instruments

Derivatives designated and effective as hedging instrument carried at fair value	**2021 '£000**	2020 '£000
Interest rate swap valuations	**27,346**	(5,228)
Movement in derivative designated as hedging instruments		
Opening balance	**(5,228)**	(4,601)
Movement for the year	**32,574**	(627)
Closing balance	**27,346**	(5,228)
Movement in cash flow hedging reserve		
Opening balance	**(5,228)**	(3,296)
Movement for the year	**32,574**	(1,932)
Closing balance	**27,346**	(5,228)

19 Derivative financial instruments (continued)

The Group is not netting off financial instruments in accordance with IFRS 9 and does not have relevant offsetting arrangements.

Interest rate swaps - designated and effective as hedging instrument carried at fair value

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 £800,000,000 (2020: £800,000,000) split between Standard Chartered Bank (Hong Kong) Limited for £421,000,000 (2020: £421,000,000), DBS Bank Ltd Labuan branch for £119,000,000 (2020: £119,000,000), United Overseas Bank Limited London branch for £140,000,000 (2020: £140,000,000) and Oversea-Chinese Banking Corporation Limited London branch for £120,000,000 (2020: £120,000,000).

Interest rate swaps are allocated between Standard Chartered Bank, DBS Bank Ltd, United Overseas Bank Limited and Oversea-Chinese Banking Corporation Limited. The Group pays fixed interest at a rate of 0.2435% (2020: 0.2435%) for years up until 30 September 2025 and receives 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.

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.

Interest rate swaps - designated and effective as hedging instrument carried at fair value

As at 31 December 2021 the Group has an outstanding interest swap agreement with a notional amount of £800,000,000 hedging the interest rate exposure arising from the loan by fixing the interest rate at 0.2435% as at reporting date. This will expire on 30 September 2025.

As at 31 December 2020 the Group had an outstanding interest swap agreement with a notional amount of £540,000,000 hedging the interest rate exposure arising from the loan by fixing the interest rate at 1.5987%. This expired on 31 December 2020.

As at 31 December 2021, this derivative instrument is classified as non-current asset (2020: non-current liability).

On 5 March 2021, the UK's Financial Conduct Authority (FCA) formally announced the cessation of all GBP London Interbank Offered Rate (LIBOR) benchmark settings currently published by ICE Benchmark Administration (IBA) immediately after 31 December 2021. In response, during the current year, the Company has entered into agreements with its lenders to amend the benchmark rate referenced in the agreements from GBP LIBOR to GBP SONIA plus a credit adjustment spread to compensate for the basis differential between the two benchmarks. The loan was amended as of 10 September 2021 with a rate switch date to SONIA effective for the interest period beginning 31 March 2022.

As part of the Company's IBOR reform programme, the swaps hedging the GBP LIBOR interest rate risk were also amended to update the reference benchmark index from GBP LIBOR to SONIA plus an economically equivalent credit adjustment spread. The swaps were amended as of 10 September 2021 with a rate switch date to SONIA effective for the interest period beginning 31 March 2022.

20 Borrowings

	2021 '£000	2020 '£000
Bank borrowings	**792,882**	791,060
	792,882	791,060
The bank loans are split as follows:		
Current	**-**	-
Long term	**792,882**	791,060
	792,882	791,060

Bank borrowings subjected to hedge accounting

On 30 September 2020, the Company entered into a senior facility agreement with SCB for an amount of £800,000,000. The new facility was used to refinance in full all outstanding amounts as at 30 September 2020 under the senior term loan facility agreement with SCB and repay in full the outstanding Interest Free Loan due to Links Holdings LP.

On 18 December 2020, the Group entered into a syndication and accession agreement to syndicate SCB loan of £800,000,000 among Standard Chartered Bank (Hong Kong) Limited, Bank Of China (Hong Kong) Limited, DBS Bank Ltd., Labuan Branch, MUFG Bank, Ltd; Labuan Branch, Oversea-Chinese Banking Corporation Limited; London Branch, United Overseas Bank Limited; London Branch, Sumitomo Mitsui Banking Corporation; Labuan Branch and Hong Leong Bank Berhad, Damansara; City Branch for £80,000,000, £140,000,000, £140,000,000, £140,000,000 £120,000,000, £140,000,000, £20,000,000 and £20,000,000 respectively.

The New Loan has a maturity date of 30 September 2025 and bears interest of a margin of 1.16% per annum and 3 month LIBOR. Accrued interest that remains unpaid as at the interest payment date are capitalised. There have been no breaches in borrowing covenants during the year.

The New Loan is secured against the investment properties and shall be repaid on maturity which is 30 September 2025. During the year, interest of £11,656,300 (2020: £14,408,118) accrued while the amount of £9,827,726 (2020: £8,440,164) was paid by the Group.

On 5 March 2021, the UK's Financial Conduct Authority (FCA) formally announced the cessation of all GBP London Interbank Offered Rate (LIBOR) benchmark settings currently published by ICE Benchmark Administration (IBA) immediately after 31 December 2021. In response, during the current year, the Company has entered into agreements with its lenders to amend the benchmark rate referenced in the agreements from GBP LIBOR to GBP SONIA plus a credit adjustment spread to compensate for the basis differential between the two benchmarks. The loan was amended as of 10 September 2021 with a rate switch date to SONIA effective for the interest period beginning 31 March 2022.

As part of the Company's IBOR reform programme, the swaps hedging the GBP LIBOR interest rate risk were also amended to update the reference benchmark index from GBP LIBOR to SONIA plus an economically equivalent credit adjustment spread. The swaps were amended as of 10 September 2021 with a rate switch date to SONIA effective for the interest period beginning 31 March 2022.

20 Borrowings (continued)

As at 31 December 2021, the amount of the outstanding bank loan with SCB is allocated to each of the Links Bidco Limited subsidiaries as follows:

	1 January 2021	Movement during the year	Balance at 31 December 2021
	'£000	'£000	'£000
Links Bidco Propco 1 Limited	105,773	238	106,011
Links Bidco Propco 2 Limited	129,973	283	130,256
Links Bidco Propco 3 Limited	80,802	182	80,984
Links Bidco Propco 4 Limited	50,439	113	50,552
Links Bidco Propco 5 Limited	83,009	198	83,207
Links Bidco Propco 6 Limited	64,560	154	64,714
Links Bidco Propco 7 Limited	62,702	149	62,851
Links Bidco Propco 9 Limited	66,723	158	66,881
Links Bidco Propco 10 Limited	38,091	90	38,181
Links Bidco Propco 11 Limited	90,065	215	90,280
Links Bidco Propco 12 Limited	4,569	10	4,579
Links Bidco Propco 13 Limited	14,354	32	14,386
	791,060	1,822	792,882

21 Other payables

	2021	2020
	'£000	'£000
Current liabilities:		
Rent received in advance	**12,854**	12,538
Other payables	**13,375**	1,082
	26,229	13,620

Rent received in advance include £12,853,905 (2020: £12,538,130) of quarterly rents received in advance. The fair value of other payables approximates their carrying value above.

All other payables presented above are repayable on demand, unsecured and interest free.

22 Operating leases

The Group as lessee

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

	2021 '£000	2020 '£000
Not later than one year	**82,500**	82,500
Later than one year but not later than five years	**330,000**	330,000
Later than five years	**4,516,875**	4,599,375
Total	**4,929,375**	5,011,875

The Group as lessor

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

	2021 '£000	2020 '£000
Not later than one year	**64,516**	61,145
Later than one year but not later than five years	**258,026**	244,580
Later than five years	**1,031,365**	1,038,460
Total	**1,353,907**	1,344,185

23 Cash generated from operations

	2021 '£000	2020 '£000
Profit before income tax	**115,387**	51,008
Adjustments for:		
Finance costs	**13,110**	25,177
Fair value movement on investment properties	**(67,845)**	(20,785)
Depreciation on right of use assets	**47**	47
Changes in working capital		
Increase in other receivables	**(7)**	(2,283)
Increase in other payables	**12,524**	749
Decrease in legal reserve	**-**	(14)
Net cash generated from operations	**73,216**	53,899

24 Directors remuneration

No emoluments were granted to the Directors during the year ended 31 December 2021.

25 Contingent liabilities

There were no contingent liabilities for the Group and its operations as at 31 December 2021. Refer to note 13 for details of "Investment properties pledged as security" for the Standard Chartered loan facility.

26 Non-controlling interest

There were no non-controlling interest for the Group as at 31 December 2021 as all the subsidiaries are 100% owned.

27 Ultimate controlling party

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

28 Related party transactions

Transactions in the year between the Group and the related parties are shown below:

Ocorian Corporate Services (Jersey) Limited ("OCSJL") took over the administration of the Company from Vistra Secretaries Limited with effect from 1 April 2021.

OCSJL is a related party by virtue of common directors in certain of the underlying subsidiary companies in the Group. Vistra Secretaries Limited was previously a related party by virtue of common directors it provided in certain of the underlying subsidiary companies in the Group. During the year administrative fees of £208,013 (2020: £nil) were payable to OCSJL. During 2020 £194,063 was paid to Vistra Secretaries Limited in respect of corporate services provided to the Group, including the provision of directors.

During the year interest of £nil (2020: £5,504,275) was paid to Links Holdings LP in respect of interest on loan received. Interest expense for the year is shown as interest on intercompany loan in note 10, which amounted to £nil (2020: £5,504,275). The intercompany loan with Links Holdings LP was repaid in full on 30 September2020.

During the year dividends of £49,628,140 (2020: £87,802,000) were paid to Links Holdings LP as disclosed in the Statement of Changes in Equity. Out of the dividends paid, £9,925,628 (2020: £9,920,111) related to withholding tax.

During the year, investment deed fees of £nil (2020: £4,050,000) were paid to Kwasa Global (Jersey) Limited in respect of investment support provided to the Group and its Jersey subsidiaries. Refer to note 7.

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

At 31 December 2021, the intercompany payable to Links Holdings LP by the Group amounted to £4,484,987 (2020: £874,000) as disclosed in the consolidated statement of financial position. The amount due to Links Holdings LP is interest free and repayable on demand.

In the year ended 31 December 2021, the intercompany balance between Links Healthcare REIT Limited and Links Holdings LP amounted to £1,379 (2020: £854,330) and the intercompany balance between Links Healthcare REIT Limited and Links Holdings (GP) Limited amounted to £Nil (2020:£20,050).

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.

29 Post balance sheets events

During the year ended 31 December 2021 and up to the date of approval of these financial statements, the COVID 19 outbreak has caused continued disruption to businesses and economic activities globally specially after the first 2 novel coronavirus cases in the United Kingdom were identified on 31 January 2020. However, the vaccination programme which was started in early December 2020 and launched globally provides some certainty and as of 18 February 2021, at least seven different vaccines across three platforms have been rolled out in countries. In August 2021, the UK Government eased restrictions and the economy is gradually and safely reopened, the Government plans is carefully tailor the level of support to individuals and businesses to reflect the changing circumstances. In October 2021, United Kingdom rolled out Covid-19 booster shots for the elderly and all eligible groups including those who are clinically vulnerable and work in health and social care to that people get vital protection against the virus, ahead of the winter. On 26 November 2021, World Health Organisation (WHO) designated the Omicron variant as a variant of concern. Preliminary evidence suggests there may be an increased risk of reinfection with Omicron (i.e., people who have previously had COVID-19 could become reinfected more easily with Omicron), as compared to other variants of concern, but information is limited. Researchers are working to understand the potential impact of this variant on our existing countermeasures, including vaccines. However, vaccines remain critical to reducing severe disease and death, including against the dominant circulating variant, Delta. Since the confirmation of the first Omicron case in the United Kingdom, the variant has been spreading steadily resulting into the government introducing 'Plan B' restrictions that include compulsory face masks in most public places, Covid passes for some places and work from home instructions but there are no plans for another lockdown.

The directors monitor the updates and effects of COVID 19 closely and believes that the impact on the business is not significant. Since 24 February 2022 the Government have since removed the remaining domestic restriction.

Apart from the above, there were no other subsequent events or transactions that required recognition or disclosure in the financial statements.