Registered Number 112018

LINKS HEALTHCARE REIT LIMITED

Unaudited Consolidated Financial Statements

For the period from 1 January 2022 to 30 June 2022

LINKS HEALTHCARE REIT LIMITED

Contents

Corporate information

DIRECTORS
Gary Wilder
Nicholas James Terry (resigned on 23 June 2022)
Alan Booth
Nick Bland
Simon Burgess (resigned on 5 April 2022)

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Report of the Directors
For the period from 1 January 2022 to 30 June 2022

The Directors present their report and the unaudited interim consolidated financial statements of Links Healthcare REIT Limited (the "Company") and its subsidiaries (together the "Group") for the period ended 30 June 2022.

RESULTS
The results for the period are set out on page 5.

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

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

In May 2022 a regulatory application was submitted to the Jersey Financial Services Commission (the Commission) to change the regulation of the REIT from a fund regulated under the Collective Investment Funds (Jersey) Law 1988 (CIF Law) to an Unregulated Fund, as defined in the Collective Investment Funds (Unregulated Funds) (Jersey) Order 2008.

At the time that the REIT was first established in 2013, the Fund was regulated under the CIF Law and was required to comply with the requirements of The International Stock Exchange (formerly known as the Channel Islands Stock Exchange) (TISE) in order to qualify as a UK REIT.

The requirements of TISE have changed such that the listing requirement for the REIT to be a collective investment under the CIF Law has been removed and Unregulated Funds may be listed on TISE. Therefore, whilst the REIT was originally regulated as an unclassified collective investment fund under the CIF Law, there was scope to change the overall regulation of the REIT to that of an Unregulated Fund whilst retaining the listing of the shares in the REIT on TISE.

This change to an Unregulated Fund became effective 17 June 2022.

The Group undertook the following significant activities during the period ended 30 June 2022:

The rental income for the period ended 30 June 2022 amounted to £31,829,072 (period ended 30 June 2021: £30,472,000).

As at 30 June 2022, the Group held investment properties valued at £1,426,660,000 (31 December 2021: £1,426,660,000).

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 prior year, the Company entered into agreements with its lenders to amend the benchmark rate referenced in the lending 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, to SONIA + 11.93bps plus a fixed margin of 1.16%.

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, to 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 2.

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

GOING CONCERN

The Directors have considered the position and, in accordance with note 1 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 transitioned 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 of SONIA + 11.93bps.

The Group's loan to portfolio value was 56.1% (2021: 56.1%) 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 period amounting to £31,754,221 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.

There is no evidence to 30 June 2022 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.

DIRECTORS

The Directors who served throughout the period and subsequently were as follows:

Gary Wilder
Alan Booth
Nicholas Bland
Nicholas James Terry (resigned on 23 June 2022)
Simon Burgess (resigned on 5 April 2022)

COMPANY SECRETARY

The Company secretary, Ocorian Secretaries (Jersey) Limited, was appointed on 11 March 2021, replacing Vistra Secretaries Limited, and remained the company secretary for the rest of the period and subsequent to the period end.

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 period. 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 period.

International Accounting Standard 1 requires that consolidated financial statements present fairly for each financial period 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 period and subsequently.

BY ORDER OF THE BOARD

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Director

15/08/

Date: …..........2022

Consolidated statement of comprehensive income
For the period from 1 January 2022 to 30 June 2022

	Notes	Period from 1 January 2022 to 30 June 2022 £'000	Period from 1 January 2021 to 30 June 2021 £'000
Revenue	5	31,829	30,472
Other income		3	-
Administrative expenses	6	(415)	(624)
Depreciation on right of use assets		(23)	(23)
Operating profit		31,394	29,825
Net finance cost	8	(6,502)	(6,497)
Profit for the period before income tax		24,892	23,328
Withholding Tax		(5,268)	(4,937)
Profit for the period after income tax		19,624	18,391
Profit attributable to equity holders		19,624	18,391
Other comprehensive income	21	(33,165)	14,561
Total comprehensive income for the period		(13,541)	32,952
Attributable to equity holders		(13,541)	32,952

All items dealt with in arriving at the total comprehensive income for the period ended 30 June 2022 related to continuing operations.

Consolidated statement of financial position
As at 30 June 2022

	Notes	**30 June 2022 £'000**	**31 December 2021 £'000**
ASSETS			
Non-current assets			
Investment properties	12	1,426,660	1,426,660
Derivative financial instruments		60,511	27,346
Right of use assets	13	2,775	2,798
Total non-current assets		1,489,946	1,456,804
Current assets			
Trade and other receivables	15	3,711	4,919
Cash and cash equivalents	16	15,579	15,494
Total current assets		19,290	20,413
Total assets		1,509,236	1,477,217
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Group			
Share capital	21	1	1
Share premium	21	5,470	5,470
Cash flow hedging reserve	21	60,511	27,346
Retained earnings		620,909	622,437
Total equity attributable to equity holders of the Group		686,891	655,254
Non-current liabilities			
Lease liabilities	19	2,815	2,827
Borrowings	17	793,787	792,882
Intercompany payable		-	1
Total non-current liabilities		796,602	795,710
Current liabilities			
Lease liabilities	19	25	24
Other payables	18	25,718	26,229
Total current liabilities		25,743	26,253
Total equity and liabilities		1,509,236	1,477,217

The consolidated financial statements were approved by the Board of Directors and authorised for issue on 15/08/2022.

Registered Number 112018

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Director

Consolidated statement of changes in equity
For the period from 1 January 2022 to 30 June 2022

	Share capital * £'000	Share premium £'000	Legal reserve £'000	Cash flow hedging reserve £'000	Accumulated profit £'000	Total equity £'000
Balance at 1 January 2022	1	5,470	-	27,346	622,437	655,254
Net profit for the period	-	-	-	-	19,624	19,624
Swap fair value movement	-	-	-	33,165	-	33,165
Dividends paid **	-	-	-	-	(21,152)	(21,152)
Balance at 30 June 2022	1	5,470	-	60,511	620,909	686,891

	Share capital * £'000	Share premium £'000	Legal reserve £'000	Cash flow hedging reserve £'000	Accumulated profit £'000	Total equity £'000
Balance at 1 January 2021	1	5,470	-	(5,228)	557,930	558,173
Net profit for the period	-	-	-	-	18,391	18,391
Swap fair value movement	-	-	-	14,561	-	14,561
Dividends paid **	-	-	-	-	(19,748)	(19,748)
Balance at 30 June 2021	1	5,470	-	9,333	556,574	571,378

* The share capital amounts to £547.14 (2021: £547.14) (note 21).
** The total dividend paid per share for the period ended 30 June 2022 is £386.59 (30 June 2021: £360.93).

Consolidated statement of cash flows
For the period from 1 January 2022 to 30 June 2022

	Notes	Period from 1 January 2022 to 30 June 2022 £'000	Period from 1 January 2021 to 30 June 2021 £'000
Cash flow from operating activities			
Cash generated from operations	23	31,754	29,814
Income tax paid		(5,210)	(6)
Net cash flows from operating activities		26,544	29,808
Cash flows from financing activities			
Increase in intercompany payable		261	377
Interest paid		(5,568)	(2,769)
Dividend paid		(21,152)	(9,886)
Net cash flows used in financing activities		(26,459)	(12,278)
Net increase in cash and cash equivalents		85	17,530
Cash and cash equivalents at beginning of the period		15,494	4,079
Cash and cash equivalents at the end of the period	16	15,579	21,609

1. Accounting policies

General information

Links Healthcare REIT Limited (the "Company") was incorporated on 6 December 2012 as a public company under the Companies (Jersey) Law 1991, with registered number 112018. The registered office is 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 S.à.r.l., which holds an indirect interest in a property portfolio.

Basis of preparation

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

These 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 period the assumptions changed. The Directors believe that the underlying assumptions are appropriate. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the unaudited consolidated financial statements, are disclosed in note 4.

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 period 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 policy and disclosures

(a) New standards, amendments and interpretations issued and effective for the financial year beginning 1 January 2022

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 2022. The new standards issued during the period are not deemed to have any material impact on the Group.

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.

1. Accounting policies (continued)

Basis of preparation (continued)

Changes in accounting policy and disclosures (continued)

(a) New standards, amendments and interpretations issued and effective for the financial year beginning 1 January 2022 (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.

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.

1. Accounting policies (continued)

Basis of preparation (continued)

Changes in accounting policy and disclosures (continued)

(a) New standards, amendments and interpretations issued and effective for the financial year beginning 1 January 2022 (continued)

IFRS 17 – Insurance Contracts (continued)
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.

- 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.

1. Accounting policies (continued)

Basis of preparation (continued)

Changes in accounting policy and disclosures (continued)

(a) New standards, amendments and interpretations issued and effective for the financial year beginning 1 January 2022 (continued)

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.

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 prior year, the Group 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 of SONIA + 11.93bps plus a fixed margin of 1.16%.

Notes to the consolidated financial statements
For the period from 1 January 2022 to 30 June 2022

1. Accounting policies (continued)

Basis of preparation (continued)

Changes in accounting policy and disclosures (continued)

(a) New standards, amendments and interpretations issued and effective for the financial year beginning 1 January 2022 (continued)

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 of SONIA + 11.93bps.

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

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below, if they are expected to have an impact on the Group's consolidated financial statements. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

Standard / interpretation	**Content**	**Applicable for financial years on/after**
Amendments to IAS 1	Classification of Liabilities as current or non-current	1 January 2023
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to IAS 8	Definition of Accounting Estimates	1 January 2023
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture	Deferred

Basis of consolidation

The unaudited consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 30 June 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)
• 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.

1. Accounting policies (continued)

Basis of consolidation (continued)

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 period 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 IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

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

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

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

Going concern

The Directors have considered the position and, in accordance with note 1 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 transitioned 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 of SONIA + 11.93bps.

The Group's loan to portfolio value was 56.1% (2021: 56.1%) 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 period amounting to £31,754,221 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.

Notes to the consolidated financial statements
For the period from 1 January 2022 to 30 June 2022

1. Accounting policies (continued)

Going concern (continued)

There is no evidence to 30 June 2022 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.

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

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.

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

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.

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.

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

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

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

Expenses
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.

1. Accounting policies (continued)

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.

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.

Financial instruments

i. Recognition and initial measurement

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

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

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.

1. Accounting policies (continued)

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

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

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

Financial liabilities - Classification and subsequent measurement
Financial liabilities are classified as either financial liabilities "at FVTPL" or "other financial liabilities".

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

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

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

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

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

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

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

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

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

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

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

1. Accounting policies (continued)

Financial instruments (continued)

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:
- 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 2021, the Group 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 were mandatory for annual reporting periods beginning on or after 1 January 2021. The adoption of these amendments has resulted in the group adopting 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. 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 takes to manage the risks relating to the financial instruments, including the impact on hedge accounting relationships, appear in Note 2 Financial Risk Management.

Share capital

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

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 period comprises current tax. Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the period end date.

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.

1. Accounting policies (continued)

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.

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.

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.

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.

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.

1. Accounting policies (continued)

Leases (continued)
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.

2. 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

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:-

	30 June 2022 £'000	31 December 2021 £'000
Trade and other receivables	3,711	4,485
Cash and cash equivalents	15,579	15,494
	19,290	19,979

2. Financial risk management (continued)

Credit risk (continued)
The Group has £nil (31 December 2021: £nil) receivable from its tenants. The Group has policies in place to ensure that rental contracts are entered into only with lessees with an appropriate credit history.

The fair value of cash and cash equivalents at 30 June 2022 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 30 June 2022, cash balances were held with Standard Chartered Bank and RBS International. Refer to note 16 for credit ratings of these banking institutions.

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

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

The maturity analysis of financial instruments at 30 June 2022 and 31 December 2021 are as follows:

2022	Within one year £'000	From one to two years £'000	From two to five years £'000	Later than 5 years £'000	Total £'000
Assets					
Trade and other receivables	3,711	-	-	-	3,711
Cash and cash equivalents	15,579	-	-	-	15,579
	19,290	-	-	-	19,290

2022	Within one year £'000	From one to two years £'000	From two to five years £'000	Later than 5 years £'000	Total £'000
Liabilities					
Lease liabilities				2,840	2,840
Borrowings	-	-	793,787	-	793,787
Other payables	12,394	-	-	-	12,394
	12,394	-	793,787	2,840	809,021

2021	Within one year £'000	From one to two years £'000	From two to five years £'000	Later than 5 years £'000	Total £'000
Assets					
Trade and other receivables	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

2. Financial risk management (continued)

Liquidity risk (continued)

The Group's bank borrowings are secured by a charge over the Company's investment properties which are disclosed in note 12. 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. From 31 March 2022, the rate transitioned to SONIA + 11.93bps plus a fixed margin of 1.16%.

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

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

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

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

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

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
30 June 2022	1,497,993	1,355,327	1,510,191	1,351,889

c) Cash flow risk
The Group is exposed to cash flow risk in relation to interest payable on the bank loan amounting to £793,787,345 (2021: £791,060,000) with Standard Chartered Bank. The loan is due for repayment on 30 September 2025 and carries a floating interest rate as described in note 14. The following table details notional principal amounts and remaining terms of interest rate swaps contracts outstanding at the end of reporting period:

Cash flow hedges

Outstanding receive float pay fixed contracts	**Average contracted fixed rate**		**Notional principal value**		**Fair value of derivatives under cash flow hedge**	
	2022	**2021**	**2022**	**2021**	**2022**	**2021**
	%	%	£	£	£	£
Less than 1 year	100%	100%	800,000,000	800,000,000	60,511,168	27,346,000

The fair values of the interest rate swaps are disclosed in note 14.

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 (2021: £800,000,000) split between Standard Chartered Bank (Hong Kong) Limited for £421,000,000 (2021: £421,000,000), DBS Bank Ltd Labuan branch for £119,000,000 (2021: £119,000,000), United Overseas Bank Limited London branch for £140,000,000 (2021: £140,000,000) and Oversea-Chinese Banking Corporation Limited London branch for £120,000,000 (2021: £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% (2021: 0.2435%) for years up until 30 September 2025 and receives floating interest at 3 months GBP Libor. From 31 March 2022, the rate transitioned to SONIA + 11.93bps plus a fixed margin of 1.16%.

2. Financial risk management (continued)

Cash flow hedges (continued)

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.

Impact of Inter Bank Offered Rates Reform
During 2022 the group transitioned to Serling Overnight Index Average rate (SONIA) from GBP LIBOR. The Group's risk exposure that is directly affected by this reform is its floating-rate debt. The Group has hedged this debt with an interest rate swap in which the Group pays a fixed rate and receives floating.

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

As listed in note 1, the Group has cash flow hedge relationships affected by the interest rate benchmark reform for the period beginning 31 March 2022. Hedged items in these hedges include issued GBP floating rate debt. Hedging instruments include IBOR based interest rate swaps.

The Group closely monitored the market and the output from the various industry working groups managing the transition to new benchmark interest rates. This included 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). As part of the Company's IBOR reform programme, the swaps hedging the GBP LIBOR interest rate risk were 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.

Risks arising from the interest rate benchmark reform

The group successfully managed the key risks during the interest rate transition which comprised of the Interest rate basis risks, Liquidity risk, Accounting, Litigation risk and Operation risk. Negotiations with counterparties resulted in a smooth transition to SONIA. With the Swaps that are in place, the Group has continued to pay a fixed rate of 0.2435% all in. The Group's risk management committee continues to monitor these risks and put in place an appropriate risk management framework.

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.

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. With effect from 31 March 2022 the reference rate changed from fixed to GBP LIBOR interest rate swap contract to fixed to GBP SONIA interest rate swap contract. 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.

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

For loan accounting, the reliefs had the effect that the Company could 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 had the effect that IBOR reform could not generally cause hedge accounting to cease and updates to hedge documentation relating to IBOR reform would not result in a de-designation event for existing hedge relationships. However, any hedge ineffectiveness should continue to be recorded in the income statement. The Company qualified for the reliefs as the new risk-free rate plus credit adjustment spread were economically equivalent to the previous LIBOR basis.

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 therefore also updated its hedge documentation with no discontinuation of hedge accounting or immediate release from the cash flow hedge reserve.

2. Financial risk management (continued)

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.

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 SONIA +11.93bps 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 30 June 2022, the following table contains summary of the derivatives (i.e. interest rate swaps) and bank borrowings that are related to the Group's cash flow hedges. Details of the terms of the derivatives and bank borrowings are discussed in note 14 and 17, respectively.

Balance sheet line items	**Note**	**Notional amounts**	**Carrying Amount**	**Changes in fair value for the period**
		£	**£**	**£**
Derivatives (in asset position) - Hedging instruments	14	(800,000,000)	60,511,168	33,165,649
Bank Borrowings - Hedge items	17	800,000,000	(793,787,345)	-

Capital management

The Group considers its capital to comprise its ordinary share capital, share premium and its accumulated retained earnings. Refer to note 21.

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

3. Segmental analysis

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

4. Critical accounting judgements and key sources of estimation uncertainty

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

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 2019 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% (2021: 2.03%).
- The headlease payments currently paid by the tenant remain fixed.

(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 12.

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 14.

5. Revenue

	Period from 1 January 2022 to 30 June 2022	Period from 1 January 2021 to 30 June 2021
	£'000	£'000
Rental income	31,829	30,472

6. Administrative expenses

	Period from 1 January 2022 to 30 June 2022	Period from 1 January 2021 to 30 June 2021
	£'000	£'000
Direct operating expenses arising from investment property that generated rental income during the period:		
Investment advisor fee	(100)	(100)
Other operating expenses:		
Administrative fees	(31)	(32)
Tax compliance fee	(63)	(57)
Valuation fees	(58)	(86)
Legal and professional fees	(52)	(207)
Trustee fees	(75)	(104)
Audit fees	(35)	(35)
Bank charges	(1)	(3)
	(415)	(624)

7. Depreciation on right of use assets

	30 June 2022 £'000	30 June 2021 £'000
Depreciation on right of use assets	(23)	(23)

Depreciation has been calculated over the remaining life of head lease term on Links Bidco S.A.R.L. Propco 4, 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.

8. Net finance cost

	Period from 1 January 2022 to 30 June 2022 £'000	Period from 1 January 2021 to 30 June 2021 '£000
Interest on bank loan	(7,042)	(4,828)
Interest rate swap	1,474	(740)
Interest on right of use assets	(29)	(29)
Loan arrangement fee amortisation	(905)	(900)
	(6,502)	(6,497)

9. 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 period under Jersey law is £nil (2021: £nil). The directors believe that there is no relationship that exists between tax expenses/income and the tax is nil in the current period and therefore, no tax reconciliation is disclosed in the financial statements.

Analysis of tax charge in the period	Period from 1 January 2022 to 30 June 2022 £'000	Period from 1 January 2021 to 30 June 2021 £'000
Current income tax		
Current tax	-	-
Tax refund*	-	-
Total tax charge for the period	-	-
Profit on ordinary activities before taxation	24,892	23,328

Factors affecting the tax charge for the period

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.

10. Directors and employees

The Company has no employees. Refer to related party note (note 20) for details of corporate services fees paid to Vistra Secretaries Limited and Ocorian Fund Services (Jersey) Limited.

11. Investment in subsidiaries

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

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

12. Investment properties

2022	Cost £'000	Fair Value Gains £'000	Fair Value £'000
Balance as at 30 June 2022	719,526	707,134	1,426,660

2021	Cost £'000	Fair Value Gains £'000	Fair Value £'000
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

Fair value of investment property
On an annual basis, the Group engages external, independent and qualified valuers to determine the fair value of the investment properties. As at 31 December 2021, fair value of the investment properties have been determined by CBRE using Royal International Chartered Surveyors (“RICS”) valuation. No valuation has been conducted for these interim financial statements.

12. Investment properties (continued)

Fair value of investment property (continued)
The different levels have been defined as follows:

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

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

Details of the Group's investment properties and information about the fair value hierarchy (assuming 6.79% cost of acquisition) as at 30 June 2022 and 31 December 2021 are as follow:

Subsidiary	Hospital	% of ownership	Level 1 £'000	Level 2 £'000	Level 3 £'000	Fair value at 30 June 2022/ 31 December 2021 £'000
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	Tunbridge Wells	100%	-	-	8,240	8,240
Links Bidco Propco 13 Limited	Wirral	100%	-	-	25,885	25,885
			-	-	1,426,660	1,426,660

There were no transfers between levels during the period.

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. A second re-alignment of rents under the lease was due to be effective from 17 January 2022, however, in light of the Covid-19 pandemic, the Landlord and Tenant have agreed to defer this right, such that the second effective date is now 17 January 2024.

The initial yields used for the period ended 30 June 2022 is in a range of 4.15%-4.5% (31 December 2021: 4.15%-4.5%).

12. Investment properties (continued)

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

Description	Fair value as at 30 June 2022 '£000	Unobservable inputs	Type/Category	Relationship of unobservable inputs to fair value
Bristol, Glen	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	68,695	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

Investment properties with a carrying amount of £1,426,660,000 (2021: £1,426,660,000) have been pledged to secure borrowings of the Group (note 17). 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.

13. Right of use assets

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

	30 June 2022 £'000	31 December 2021 £'000
Right of use assets	2,938	2,938
Depreciation of right of use assets	(163)	(140)
	2,775	2,798

13. Right of use assets (continued)

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.

14. Derivative financial instruments

	30 June 2022 £'000	31 December 2021 £'000
Derivatives designated and effective as hedging instrument carried at fair value		
Interest rate swap valuation	60,511	27,346
	60,511	27,346
Movement in derivative designated as hedging instruments		
Opening balance	27,346	(5,228)
Movement for the period	33,165	32,574
Closing balance	60,511	27,346
Movement in cash flow hedging reserve		
Opening balance	27,346	(5,228)
Movement for the period	33,165	32,574
Closing balance	60,511	27,346

The Group is not netting off financial instruments in accordance with IFRS 39 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 (2021: £800,000,000) split between Standard Chartered Bank (Hong Kong) Limited for £421,000,000 (2021: £421,000,000), DBS Bank Ltd Labuan branch for £119,000,000 (2021: £119,000,000), United Overseas Bank Limited London branch for £140,000,000 (2021: £140,000,000) and Oversea-Chinese Banking Corporation Limited London branch for £120,000,000 (2021: £120,000,000).

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 using the SONIA OIS yield curve. These valuation techniques maximise the use of observable market data. 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 30 June 2022 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 30 June 2022, this derivative instrument is classified as non-current asset (31 December 2021: non-current asset).

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 prior year, the Company entered into agreements with its lenders to amend the benchmark rate referenced in the lending 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, to SONIA + 11.93bps plus a fixed margin of 1.16%.

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, to SONIA + 11.93bps plus a fixed margin of 1.16%.

15. Trade and other receivables

	30 June 2022 £'000	31 December 2021 £'000
Amounts falling due within one year:		
Receivables due to Links Healthcare REIT Limited	415	42
Intercompany receivable	3,296	4,877
	3,711	4,919

16. Cash and cash equivalents

	30 June 2022 £'000	31 December 2021 £'000
Standard Chartered Bank	15,502	15,455
RBS International	77	39
	15,579	15,494

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

Banking institution		
Standard Chartered Bank	A1	A1
RBS International	A3	A3

17. Borrowings

	30 June 2022 £'000	31 December 2021 £'000
Bank borrowings	793,787	792,882
The bank loans are split as follows:		
Current	-	-
Long term	793,787	792,882
	793,787	792,882

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. From 31 March 2022, the rate transitioned to SONIA + 11.93bps plus a fixed margin of 1.16%. Accrued interest that remains unpaid as at the interest payment date are capitalised. There have been no breaches in borrowing covenants during the period.

The New Loan is secured against the investment properties and shall be repaid on maturity which is 30 September 2025. During the period, interest of £7,946,878 (31 December 2021: £11,656,300) accrued while the amount of £7,041,896 (31 December 2021: £9,827,726) 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 prior year, the Company entered into agreements with its lenders to amend the benchmark rate referenced in the lending 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, to SONIA + 11.93bps plus a fixed margin of 1.16%.

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, to SONIA + 11.93bps.

As at 30 June 2022, the amount of the outstanding bank loan with SCB is allocated to each of the Links Bidco Limited subsidiaries as follows:

	Balance at 1 January 2022 £'000	Movement during the period £'000	Balance at 30 June 2022 £'000
Links Bidco Propco 1 Limited	106,011	121	106,132
Links Bidco Propco 2 Limited	130,256	148	130,404
Links Bidco Propco 3 Limited	80,984	93	81,077
Links Bidco Propco 4 Limited	50,552	58	50,610
Links Bidco Propco 5 Limited	83,207	94	83,301
Links Bidco Propco 6 Limited	64,714	74	64,788
Links Bidco Propco 7 Limited	62,851	72	62,923
Links Bidco Propco 9 Limited	66,881	77	66,958
Links Bidco Propco 10 Limited	38,181	44	38,225
Links Bidco Propco 11 Limited	90,280	102	90,382
Links Bidco Propco 12 Limited	4,579	5	4,584
Links Bidco Propco 13 Limited	14,386	17	14,403
	792,882	905	793,787

18. Other payables

	30 June 2022 £'000	31 December 2021 £'000
Current liabilities:		
Rent received in advance	13,324	12,854
Other payables	12,394	13,375
	25,718	26,229

Rent received in advance include £13,323,869 (2021: £12,853,905) of quarterly rents received in advance. The fair value of other payables approximates their carrying value above.

19. Lease liabilities

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

	30 June 2022 £'000	31 December 2021 £'000
Lease liabilities	2,938	2,938
Lease liabilities - interest	191	161
Lease liabilities - head lease rent payable	(289)	(248)
	2,840	2,851

	30 June 2022 £'000	31 December 2021 £'000
The lease liabilities are split as follows:		
Current	25	24
Non-current	2,815	2,827
	2,840	2,851

Refer to note 13 on the IFRS 16 details.

20. Related party transactions

Transactions during the period 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. Total administrative fees charged by OCSJL during the period amounted to £52,634 (30 June 2021: £nil). During the period to 30 June 2021, £23,927 was paid to Vistra Secretaries Limited and £103,508 was paid to Vistra (Luxembourg) Sàrl in respect of corporate services provided to the Group, including the provision of directors.

At period end, fees were payable to OCSJL in the sum of £Nil (31 December 2021: £54,366.)

During the period dividends of £21,151,985 (30 June 2021: £19,747,797) were paid to Links Holdings LP as disclosed in the Statement of Changes in Equity.

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

At 30 June 2022, the intercompany receivable from Links Holdings LP by the Group amounted to £3,296,469 (31 December 2021: £4,484,987) as disclosed in the consolidated statement of financial position. The amount due to Links Holdings LP is interest free and repayable on demand.

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

21. Share capital, share premium, legal reserve and cash flow hedging reserve

(a) Share capital

Summary:

	30 June 2022 £'000	31 December 2021 £'000
Opening share capital	1	1
Share capital issued	-	-
Closing share capital	1	1

The authorised share capital consists of 100,000 shares of £0.01 each. As at 30 June 2022, 54,714 (2021: 54,714) shares were issued amounting to £547.14 (2021: £547.14).

(b) Share premium

Summary:

	30 June 2022 £'000	31 December 2021 £'000
Opening share capital premium	5,470	5,470
Closing share capital premium	5,470	5,470

(c) Cash flow hedging reserve

Summary:

	30 June 2022 £'000	31 December 2021 £'000
Opening cash flow hedging reserve	27,346	(5,228)
Swap fair value movement	33,165	32,574
Closing cash flow hedging reserve	60,511	27,346

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.

22. Operating leases

The Group as lessee

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

	30 June 2022 £'000	31 December 2021 £'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	4,475,625	4,516,875
Total	4,888,125	4,929,375

The Group as lessor

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

	2022 £'000	2021 £'000
Not later than one year	64,516	64,516
Later than one year but not later than five years	258,062	258,026
Later than five years	999,373	1,031,365
Total	1,321,951	1,353,907

23. Cash generated from operations

	Period from 1 January 2022 to 30 June 2022 £'000	Period from 1 January 2021 to 30 June 2021 £'000
Profit before income tax	24,892	23,328
Adjustments for:		
Finance costs	6,502	6,497
Depreciation on right of use assets	23	23
Changes in working capital		
Increase in other receivables	18	8
Decrease/(increase) in other payables	319	(42)
Net cash generated from operations	31,754	29,814

24. Directors' remuneration

No emoluments were granted to the Directors during the period ended 30 June 2022 (30 June 2021: £nil).

25. Contingent liabilities

There were no contingent liabilities for the Group and its operations as at 30 June 2022. Refer to note 12 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 30 June 2022 and 31 December 2021 as all the subsidiaries are 100% owned.

27. Controlling party

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