

**THE LONDON CENTRAL RESIDENTIAL RECOVERY FUND LIMITED  
ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2022**

**THE LONDON CENTRAL RESIDENTIAL RECOVERY FUND LIMITED**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2022**

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# THE LONDON CENTRAL RESIDENTIAL RECOVERY FUND LIMITED

## DIRECTORY

### Registered Office

44 Esplanade  
St Helier  
Jersey, JE4 9WG

### Auditor

Grant Thornton Limited  
PO Box 313, Lefebvre House  
Lefebvre Street, St Peter Port  
Guernsey, GY1 3TF

### Property Manager

London Central Portfolio Limited  
LCP House, Ogle Street  
London, W1W 6HU

### Administrator, Transfer Agent, Registrar and Listing Sponsor

Intertrust Fund Services (Guernsey) Limited  
PO Box 119, Martello Court  
Admiral Park  
St Peter Port  
Guernsey, GY1 3HB

### Bankers in Guernsey

Butterfield Bank (Guernsey) Limited  
PO Box 253  
Martello Court  
Admiral Park  
St Peter Port  
Guernsey, GY1 3QJ

### Legal Advisors to the Fund in Jersey

Carey Olsen  
47 Esplanade  
St Helier  
Jersey, JE1 0BD

### Property Lawyers

William Sturges LLP  
Burfood House, 14-16 Caxton Street  
London, SW1H 0QY

### Independent Valuers

Adelaide Jones & Co. Ltd  
116 Seymour Place  
London, W1H 1NW

### Investment Advisors

LCP Capital Investments Limited  
LCP House, Ogle Street  
London, W1W 6HU

# THE LONDON CENTRAL RESIDENTIAL RECOVERY FUND LIMITED

## REPORT OF THE DIRECTORS

The Directors present their annual report and audited financial statements of The London Central Residential Recovery Fund Limited (the "Company") for the year ended 31 March 2022.

### Status and activities

The Company is a closed ended limited liability public company which is an Unregulated Exchange Traded Fund and was incorporated in Jersey on 10 March 2009 under the Companies (Jersey) Law 1991 (as amended) with registration number 102781 and admitted to trading on The International Stock Exchange on 22 January 2010. On 17 March 2010, 13,697.50 ordinary shares were issued to shareholders. A further 54,603.55 ordinary shares were issued on 16 April 2010.

The Company's objective is to deliver a consistently good market performance from an individually selected and diversified portfolio of prime residential property in Central London and to optimise the total return through a combination of rental yield and capital appreciation.

### Going Concern

The Company's net rental income, access to loan facilities with Butterfield Bank (Guernsey) Limited ("the Bank") and property disposals currently finance the Company's operations. The loan facility with the Bank is due to expire on 31 January 2024. Further details of the loan facility are provided in note 14.

As previously reported, the Company has passed the end of the defined 8-year Investment Period detailed in the Private Placement Memorandum dated March 2009 ("PPM"). At each Annual General Meeting ("AGM") since the expiry of the Investment Period, the Directors were required to put forward a Special Resolution ("SR") to initiate a solvent summary winding-up of the Company. The SR will therefore be voted for again at the next AGM scheduled for December 2022.

At the date of signing these financial statements, the Board note that there is a material uncertainty as to how shareholders will vote at the next AGM. The Board however, believe it is highly likely that they will make a recommendation to shareholders to vote against the Special Resolution to wind up the Company as market conditions have not changed materially from when the process was undertaken in 2020. If the Directors decide to recommend to the shareholders to vote against the Special Resolution, the Board is of the opinion that there is every likelihood that the shareholders will vote against this based on previous votes. The Shareholders voted against the Special Resolution to windup the Company at the Annual General Meeting held on 9 December 2021.

The Directors have carefully assessed the impact of the market uncertainties arising from the outbreak of the COVID-19 pandemic on the Company's net assets and ability to continue as a going concern for the foreseeable future. In light of this review, the Directors are satisfied that the Company has access to adequate resources to continue in operational existence for a period of at least 12 months from the date of signing these financial statements. The Directors believe that it is therefore appropriate to prepare the financial statements on a going concern basis.

### Directors' responsibilities

The Directors are responsible for preparing the annual report and financial statements for each financial year which give a true and fair view of the state of affairs of the Company and the profit or loss of the Company for that period and are in accordance with United Kingdom Accounting Standards including Financial Reporting Standard 102 ("FRS 102") 'The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland' and with applicable laws. In preparing those financial statements the Directors are required to:

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

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

# THE LONDON CENTRAL RESIDENTIAL RECOVERY FUND LIMITED

## REPORT OF THE DIRECTORS (continued)

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements have been properly prepared in accordance with the Companies (Jersey) Law, 1991 (as amended). They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and irregularities.

So far as each Director is aware, there is no relevant audit information of which the Company's auditor is unaware and the Directors have taken all the steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

### Results and dividends

The results for the year are shown in the Statement of Comprehensive Income on page 10. The Company did not pay a dividend and the Directors do not recommend a dividend for the year.

### Directors and their interests

The Directors of the Company who served during the year ended 31 March 2022 and to date are:

Peter Francis Griffin (Chairman)

Naomi Claire Helen Heaton

Martin Shires

The Directors' interest in the Ordinary Shares of the Company were as follows:

	31 March 2022	31 March 2021
	Ordinary shares	Ordinary shares
Peter Francis Griffin	nil	nil
Naomi Claire Helen Heaton	250	250
Martin Shires	nil	nil
Denton & Co Trustees Limited	600	600

Denton & Co Trustees Limited is a company holding shares in which Naomi Claire Helen Heaton has an interest as a Beneficiary and Settlor.

### Directors' remuneration

The emoluments of the individual Directors for the period were as follows:

	Year ended 31 March 2022	Year ended 31 March 2021
Peter Francis Griffin	12,500	12,500
Naomi Claire Helen Heaton	nil	nil
Martin Shires	12,500	12500

Naomi Heaton is the Chair of London Central Portfolio Limited and LCP Capital Investments Limited. London Central Portfolio Limited are engaged by the Company as Property Managers pursuant to the terms of the Search & Purchase Management Agreement, Letting & Rental Management Agreement and Refurbishment & Furnishing Agreement. LCP Capital Investments Limited are engaged by the Company as Investment Advisors pursuant to an agreement concerning provision of investment advice.

Intertrust Fund Services (Guernsey) Limited are engaged as Administrator to the Company pursuant to the terms of an Administration Agreement and is part of the Intertrust Group.

# THE LONDON CENTRAL RESIDENTIAL RECOVERY FUND LIMITED

## REPORT OF THE DIRECTORS (continued)

### Substantial shareholdings

At 31 March 2022 the issued share capital of the Company was 68,301.05 (2021: 68,301.05) ordinary shares of £0.01 each. At 31 March 2022 the following shareholders had interest of 3% or more in the issued Ordinary Shares of the Company.

	Number of Ordinary Shares	% of issued ordinary share capital
Gately Custodian and Nominee Services Limited	27,064	39.62

### Financial instruments and risk management

Information on the use of financial instruments by the Company and its management of financial risk is disclosed in note 22 to the financial statements.

### Auditor

Grant Thornton Limited have indicated their willingness to continue in their capacity as auditors and a resolution to re-appoint them will be proposed at the next Annual General Meeting.

## APPROVED BY THE BOARD OF DIRECTORS

### Peter Griffin

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Peter Griffin

Director

Date: 30 September 2022

## **Independent auditor's report**

### **To the members of The London Central Residential Recovery Fund Limited**

## **INDEPENDENT AUDITOR'S REPORT**

### **To the members of The London Central Residential Recovery Fund Limited**

#### **Opinion**

We have audited the financial statements of London Central Residential Recovery Fund Limited (the "Company"), which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows for the year then ended, and Notes to the financial statements, including a summary of significant accounting policies. The financial statements framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' ("FRS 102").

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2022 and of the Company's loss for the year then ended;
- are in accordance with FRS 102; and
- comply with the Companies (Jersey) Law 1991.

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), together with the ethical requirements that are relevant to our audit of the financial statements in Guernsey, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Material uncertainty related to going concern**

We draw attention to note 4 in the financial statements which states that there is a material uncertainty as to how shareholders will vote at the next Annual General Meeting scheduled for December 2022 which casts significant doubt over the ability of the Company to continue as a Going Concern. The financial statements do not include adjustments that would result if the Company was unable to continue as a going concern.

We describe below how our audit responded to the risk relating to going concern:

1. The audit engagement leader increased time spent directing and supervising the audit procedures on going concern;
2. We assessed the determination, made by the Board of Directors of the Company, that the Company is a going concern and the appropriateness of the financial statements to be prepared on a going concern basis;
3. We challenged the appropriateness of management's assessment of the likely outcome of the vote by considering the soft sounding performed with the investors and the uncertainty of the outcome of the shareholders' vote in the upcoming annual general meeting;
4. We assessed the disclosures in the financial statements relating to going concern, including the material uncertainty, to ensure they give a true and fair view of the state of the Company's affairs and are in compliance with FRS102; and
5. We obtained verbal and written representations from management and those charged with governance detailing the basis of their decision to continue adopting the going concern assumption.

## Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter	How the matter was addressed in our audit
<p><b>Valuation of investment properties £22.25 million as at year end (2021: £23.39 million)</b></p> <p>The Company's accounting policy and other disclosures on investment properties are included in notes 5, 6 and 11 to the financial statements.</p> <p>As at 31 March 2022 investment properties made up 99% (2021: 99%) of the Company's gross asset value.</p> <p>The Company's investment property portfolio comprises of prime residential property in central London.</p> <p>The Company holds its investment properties at fair value. Given the nature of these assets, the valuation process is inherently subjective due to, among other factors, the individual nature of each property, its location and the expected future rental income for that particular property.</p> <p>The Company used the latest valuation performed in September 2021 as their best assessment of the valuation of investment properties as at 31 March 2022.</p> <p>The valuation was carried out by Third Party Valuers (the "Valuers"). The Valuers were engaged by the Company's bank as a requirement for the Company's finance facility which is secured by the Company's investment properties. The valuers determined the fair value of the properties in accordance with the Royal Institute of Chartered Surveyors Professional Standards (the "Red Book").</p> <p>The valuation of the investment properties is therefore an area of significant judgement and a risk that requires special audit attention.</p>	<p>In responding to the key audit matter, we performed the following audit procedures:</p> <ul style="list-style-type: none"> <li>• Updating our understanding of the processes, policies and methodologies, and controls in relation to the valuation and measurement of properties and performing walkthrough tests to assess the design and implementation of key controls;</li> <li>• Evaluating the competence, capability and objectivity of the independent valuers engaged to perform the valuation;</li> <li>• Obtaining property valuation reports from the independent valuers and <ul style="list-style-type: none"> <li>○ inspecting the valuation models and supporting data to assess whether the data used is appropriate and relevant;</li> <li>○ discussing key assumptions made and corroborating these against external information available to evaluate whether the fair value of investment properties is reasonably stated;</li> <li>○ challenging the assumptions made by management and significant inputs used in the comparable market data (i.e. value per square foot);</li> <li>○ challenging and testing managements assessment over the use of the 10 September 2021 valuation reports for the purposes of the year end assessment; and</li> <li>○ testing the arithmetical accuracy of management's calculations.</li> </ul> </li> </ul> <p><b>Our result</b></p> <p>We have not identified any matters to report to those charged with governance in relation to the fair value measurement of investment properties.</p>



## **Other information in the Annual Report**

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report and Audited financial statements but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters in relation to which the Companies (Jersey) Law, 1991 requires us to report to you if, in our opinion:

- proper accounting records have not been kept by the Company; or
- the Company's Financial Statements are not in agreement with the accounting records; or
- we have not obtained all the information and explanations, which to the best of our knowledge and belief, are necessary for the purposes of our audit.

## **Responsibilities of the directors for the financial statements**

As explained more fully in the Statement of Directors' Responsibilities set out on pages 3 and 4, the Directors are responsible for the preparation of the financial statements which give a true and fair view in accordance with FRS 102, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

## **Auditor's responsibilities for the audit of the financial statements**

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Michael Carpenter.

### **Use of our report**

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

**MICHAEL CARPENTER**

**Michael Carpenter**  
**For and on behalf of Grant Thornton Limited**  
 Chartered Accountants  
 St Peter Port  
 Guernsey

Date: 30 September 2022

# THE LONDON CENTRAL RESIDENTIAL RECOVERY FUND LIMITED

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2022

	Notes	31 March 2022 £	31 March 2021 £
<b>REVENUE</b>			
Rental income		635,073	714,049
Gross profit		635,073	714,049
Administrative expenses	9	(209,925)	(180,150)
Property expenses	10	(285,185)	(308,794)
		(495,110)	(488,944)
<b>OPERATING PROFIT</b>		139,963	225,105
Loss on disposal of investment properties		(28,568)	(272,004)
Fair value loss on investment properties	11	-	(2,049,547)
Interest expense	14	(462,562)	(498,903)
<b>TOTAL COMPREHENSIVE LOSS FOR THE YEAR</b>		(351,167)	(2,595,349)
Loss per share (pounds per share)	18	(5.14)	(38.00)

The Company has no other comprehensive income other than that shown above and therefore no additional disclosure has been made in respect of other comprehensive income.

The results are all derived from continuing operations.

# THE LONDON CENTRAL RESIDENTIAL RECOVERY FUND LIMITED

## STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2022

	Notes	31 March 2022		31 March 2021	
		£	£	£	£
<b>FIXED ASSETS</b>					
Investment properties	11		22,254,811		23,390,000
Furniture and fittings	12		-		-
			<u>22,254,811</u>		<u>23,390,000</u>
<b>CURRENT ASSETS</b>					
Debtors and prepayments	13	63,298		143,445	
Cash at bank		<u>78,750</u>		<u>78,750</u>	
		142,048		222,195	
<b>CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR</b>					
Other creditors and accruals	15	931,382		822,985	
Loan payable	14	<u>-</u>		<u>16,336,596</u>	
		931,382		17,159,581	
<b>NET CURRENT LIABILITIES</b>			<u>(789,334)</u>		<u>(16,937,386)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			21,465,477		6,452,614
<b>CREDITORS - AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR</b>					
Loan payable	14		<u>15,364,030</u>		<u>-</u>
<b>NET ASSETS</b>			<u>6,101,447</u>		<u>6,452,614</u>
<b>CAPITAL AND RESERVES</b>					
Share capital	16		685		685
Share premium	17		6,265,737		6,265,737
Retained earnings			<u>(164,975)</u>		<u>186,192</u>
<b>SHAREHOLDERS' FUNDS</b>			<u>6,101,447</u>		<u>6,452,614</u>
Net asset value per share (pounds per share)	19		89.33		94.47

The financial statements were approved and authorised for issue by the board on the 30 September 2022 and signed on its behalf by:

**Peter Griffin**

Peter Griffin

Director

# THE LONDON CENTRAL RESIDENTIAL RECOVERY FUND LIMITED

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2022

	Share Capital £	Share Premium £	Retained Earnings £	Total £
Balance as at 1 April 2020	685	6,265,737	2,781,541	9,047,963
Loss for the year	-	-	(2,595,349)	(2,595,349)
Balance as at 31 March 2021	685	6,265,737	186,192	6,452,614
Loss for the year	-	-	(351,167)	(351,167)
Balance as at 31 March 2022	685	6,265,737	(164,975)	6,101,447

# THE LONDON CENTRAL RESIDENTIAL RECOVERY FUND LIMITED

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2022

	Notes	Year ended 31 March 2022 £	Year ended 31 March 2021 £
<b>Cash flows from operating activities</b>			
Operating profit for the year		139,963	225,105
Add back depreciation charge	12	-	2,405
Decrease/(increase) in operating debtors		80,147	(42,917)
Increase/(decrease) in operating creditors		108,397	(78,444)
Interest paid		(462,562)	(498,903)
<b>Net cash used in operating activities</b>		<b>(134,055)</b>	<b>(392,754)</b>
<b>Cash flows from investing activities</b>			
Sale of investment property		1,121,432	4,432,996
Refurbishment of investment properties	11	(14,811)	(44,438)
<b>Net cash generated from investing activities</b>		<b>1,106,621</b>	<b>4,388,558</b>
<b>Cash flows from financing activities</b>			
Loans repaid		(972,566)	(3,995,804)
<b>Net cash used in from financing activities</b>		<b>(972,566)</b>	<b>(3,995,804)</b>
<b>Net cash outflow for the year</b>		<b>-</b>	<b>-</b>
Cash at beginning of year		78,750	78,750
<b>Cash at end of year</b>		<b>78,750</b>	<b>78,750</b>

# THE LONDON CENTRAL RESIDENTIAL RECOVERY FUND LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

### 1. COMPANY INFORMATION

The London Central Residential Recovery Fund Limited (the "Company") is a closed ended limited liability public company which is an Unregulated Exchange Traded Fund and was incorporated in Jersey on 10 March 2009 under the Companies (Jersey) Law 1991 (as amended) and admitted to trading on The International Stock Exchange on 22 January 2010.

The objective of the Company as a whole is to carry on business as an investment company specialising in property.

### 2. STATEMENT OF COMPLIANCE

The financial statements have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102 ("FRS 102") 'The Financial Reporting Standards applicable in the United Kingdom and Republic of Ireland'.

### 3. BASIS OF PREPARATION

These financial statements have been prepared in accordance with the applicable United Kingdom accounting standards, including FRS102, and with the Companies (Jersey) Law 1991 (as amended). The financial statements have been prepared on the historical cost basis except for the modification to a fair value basis for investment properties as specified in the accounting policies below.

The Company's functional and presentation currency is Sterling (£).

### 4. GOING CONCERN

During the year the Company made a net operating profit of £139,963 (2021: £225,105). The Company's net rental income, access to loan facilities with Butterfield Bank (Guernsey) Limited ("the Bank") and property disposals currently finance the Company's operations. The loan facility with the Bank is currently due to expire on 31 January 2024. Further details of the loan facility are provided in note 14.

As previously reported, the Company has passed the end of the defined 8-year Investment Period detailed in the Private Placement Memorandum dated March 2009 ("PPM"). At each Annual General Meeting ("AGM") since the expiry of the Investment Period, the Directors were required to put forward a Special Resolution ("SR") to initiate a solvent summary winding-up of the Company. The SR will therefore be voted for again at the next AGM scheduled for 7 December 2022.

At the date of signing these financial statements, the Board note that there is a material uncertainty as to how shareholders will vote at the next AGM. The Board however, believe it is highly likely that they will make a recommendation to shareholders to vote against the Special Resolution to wind up the Company as market conditions have not changed materially from when the process was undertaken in 2020. If the Directors decide to recommend to the shareholders to vote against the Special Resolution, the Board is of the opinion that there is every likelihood that the shareholders will vote against this based on previous votes. The Shareholders voted against the Special Resolution to windup the Company at the Annual General Meeting held on 9 December 2021.

The Directors have carefully assessed the impact of the market uncertainties arising from the outbreak of the COVID-19 pandemic on the Company's net assets and ability to continue as a going concern for the foreseeable future. In light of this review, the Directors are satisfied that the Company has access to adequate resources to continue in operational existence for a period of at least 12 months from the date of signing these financial statements. The Directors believe that it is therefore appropriate to prepare the financial statements on a going concern basis.

# THE LONDON CENTRAL RESIDENTIAL RECOVERY FUND LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 MARCH 2022

### 5. SIGNIFICANT JUDGEMENTS AND ESTIMATES

Preparation of the financial statements requires management to make significant judgements and estimates. The items in the financial statements where these judgements and estimates have been made include:

#### **Fair value of investment properties**

The Directors have relied on the valuations prepared by Adelaide Jones & Co Limited ("the valuers") for financing purposes as at 10 September 2021 which provide the Market Value. The Directors do not consider that there have been any significant changes in factors affecting valuations since 10 September 2021 and have therefore relied on the valuations carried out by Adelaide Jones & Co Limited as at that date.

Sales will be realised in an organised manner, either as a whole or individually, whichever achieves the highest amount. Given the assumption that the properties would be sold as a whole, or individually, the valuers have not considered it appropriate to adjust the overall value for a block discount in the event that the portfolio was sold as a whole. Equally, the valuers have ascribed no additional value to the possibility that there may be a premium achievable on the sale of the entire portfolio.

It has been assumed that where tenanted, properties will be disposed of in a condition suitable for marketing with the tenant having complied with repairing and dilapidations covenants.

The Market Value is the estimated amount for which an asset or liability should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing.

The valuations have been based upon physical inspection of the premises and research of the market for sales evidence of similar properties in the immediate area. In some cases, this is based on knowledge of properties recently valued or surveyed by Adelaide Jones & Co Limited and in others, the opinions and evidence of local estate agents have been obtained.

### 6. ACCOUNTING POLICIES

#### **(6.1) INVESTMENT PROPERTY**

Initial recognition:

Investment property is property held by the Company to earn rentals, rather than for:

- i. Use in the production or supply of goods or services or for administrative purposes; or
- ii. Sale in the ordinary course of business.

At initial recognition, investment property is measured at its cost. The cost of a purchased investment property comprises its purchase price and any directly attributable expenditure such as legal and brokerage fees, property transfer taxes and other transaction costs.

Derecognition of investment property:

A property is transferred from investment property only when the property ceases to meet the definition of investment property.

In accordance with FRS102, Section 16, Measurement After Recognition, Investment Property whose fair value can be measured reliably without undue cost or effort shall be measured at fair value at each reporting date.



# THE LONDON CENTRAL RESIDENTIAL RECOVERY FUND LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 MARCH 2022

### 6. ACCOUNTING POLICIES (continued)

#### (6.2) OPERATING LEASE

Operating leases relate to the investment properties owned by the Company with lease terms of between 1 to 3 years, with an option to extend as may be agreed. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.

#### (6.3) RENTAL INCOME

All properties are rented out under operating leases with rental income being accounted for on a straight line basis over the term of the lease.

#### (6.4) EXPENSES

Expenses are accounted for on an accrual basis.

#### (6.5) FURNITURE AND FITTINGS

Initial recognition:

The Company measures furniture and fittings at initial recognition at their cost. Cost includes the purchase price, any directly attributable costs of bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Measurement after initial recognition:

The Company measures all fixtures and fittings after initial recognition using the cost model and furniture and fittings are measured at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation of furniture and fittings is calculated on cost at a rate estimated to write off the cost of those assets by equal amounts each year over the expected useful life of those assets. The annual rate used for furniture and fittings is 20%.

Derecognition of fixtures and fittings:

The Company derecognises fixtures and fittings:

- i. On disposal; or
- ii. When no future economic benefits are expected from their use or disposal.

The Company recognises the gain or loss on the derecognition of fixtures and fittings in profit or loss when the items are derecognised.

#### (6.6) FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised on the Company's Statement of Financial Position when the Company becomes a party to the contractual provisions of the instruments. The Company shall off-set financial assets and financial liabilities if the Company has a legally enforceable right to off-set the recognised amounts and interest and intends to settle on a net basis.

# THE LONDON CENTRAL RESIDENTIAL RECOVERY FUND LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 MARCH 2022

### (6.6) FINANCIAL INSTRUMENTS (continued)

#### Financial Assets

The Company's financial assets fall into the categories discussed below, with the allocation depending to an extent on the purpose for which the asset was acquired. The Company classifies its financial assets as basic and non basic. Unless otherwise indicated, the carrying amounts of the Company's financial assets are a reasonable approximation of their fair values.

#### Financial Assets (continued)

##### *Loans and receivables*

These assets are non-derivative basic financial assets with fixed or determinable payments that are not quoted in an active market. These arise principally through cash and cash equivalents, but also incorporate other types of contractual monetary assets. They are initially recognised at fair value plus transactions costs that are directly attributable to the acquisition on issue and subsequently carried at amortised cost using the effective interest rate method, less provision for impairment. The effect of discounting on these financial statements is not considered to be material.

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Company will be unable to collect all of the amounts due. The amount of such a provision being the difference between the net carrying amount and present value of the future expected cash flows associated with the impaired receivable.

Cash and cash equivalents are carried at cost and consist of cash in hand and short term deposits in banks with maturity of three months or less from date of acquisition.

##### *De-recognition of financial assets*

A financial asset (in whole or in part) is derecognised either:

- when the Company has transferred substantially all the risk and rewards of ownership; or
- when it has transferred nor retained substantially all the risk and rewards and when it no longer has control over the asset or a portion of the asset; or
- when the contractual right to receive cash flow has expired or settled.

Any gain or loss on de-recognition is taken to the Statement of Comprehensive Income.

#### Financial Liabilities

The Company's financial liabilities comprise other creditors and accruals and loans payable which are classified as financial liabilities measured at amortised cost. Unless otherwise indicated, the carrying amounts of the Company's financial liabilities are a reasonable approximation of their fair values.

##### *Financial liabilities measured at amortised cost*

Other creditors and accruals and loans payable are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

##### *De-recognition of financial liabilities*

A financial liability (in whole or in part) is derecognised when the Company has extinguished its contractual obligations, it expires or is cancelled. Any gain or loss on de-recognition is taken to the Statement of Comprehensive Income.

# THE LONDON CENTRAL RESIDENTIAL RECOVERY FUND LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 MARCH 2022

### (6.6) FINANCIAL INSTRUMENTS (continued)

#### *Share capital*

Financial instruments issued by the Company are treated as equity if they represent the residual interest in the net assets of the Company. The Company's ordinary shares are classified as equity instruments. The Company is not subject to any externally imposed capital requirement.

#### *Effective interest method*

The effective interest method is a method of calculating the amortised cost of a financial asset or liability and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees on points paid or received that form an integral part of the effective interest rate, transaction cost and other premiums or discounts) through the expected life of the financial asset or liability, or, where appropriate, a shorter period.

## 7. REVENUE AND OPERATING PROFIT

### **Operating lease commitments**

The Company's future minimum operating lease receipts are as follows:

	31 March 2022	31 March 2021
	£	£
Within 1 year	1,211,600	1,064,935
From 1 year to 3 years	83,974	167,507

## 8. TAXATION

### **Guernsey Tax**

The Company resides in Jersey but tax resident in Guernsey by virtue of management and control being effected in Guernsey. The Company is therefore liable to Guernsey income tax at the standard rate of 0%.

### **UK Tax on rental income**

With effect from 6 April 2020, the Company is subject to UK Corporation Tax (19%) on its taxable rental profits.

### **Annual Tax on Enveloped Dwellings (ATED)**

ATED was introduced with effect from 1 April 2013 such that non-UK companies holding UK residential property may be subject to an annual charge based on the value of each single dwelling interest. However, relief from ATED applies where properties are let at arm's length commercial terms and this is the case in respect of this Company. The Company files annual Relief Declaration Returns to claim the relief.

# THE LONDON CENTRAL RESIDENTIAL RECOVERY FUND LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 MARCH 2022

### 8. TAXATION (continued)

#### UK Capital Gains Tax (CGT)

With effect from 6 April 2015 the UK Capital Gains Tax (CGT) regime was extended to non-resident companies on certain UK property disposals. Relief from CGT applied for diversely held companies up to 5 April 2019 when the regime was again extended. With effect from 6 April 2019 the CGT regime was extended to include Collective Investments Vehicles (CIV) unless it met certain requirements and made an exemption election. The fund has made an exemption election such that no CGT or Corporation Tax (CT) are chargeable on the disposal of UK property.

In order to maintain its exempt status the Company is required to send an annual report to HMRC detailing share disposals in the fund during the reporting period. Investors should seek their own tax advice when making disposals of their shareholdings in the fund.

#### Inheritance Tax (IHT)

With effect from 6 April 2017, the UK government introduced an extension to the scope of IHT for non-UK domiciled individuals to include all UK residential property, whether or not it is held through a company or directly by a non-UK domiciled individual. This measure does not apply to widely held companies and therefore should not impact the Group. Investors should seek their own tax advice when considering their domicile position and exposure to IHT.

### 9. ADMINISTRATIVE EXPENSES

	Year ended 31 March 2022	Year ended 31 March 2021
	£	£
Administration fees (Note 20)	37,750	45,000
Audit fees	17,150	17,455
Legal and professional fees	119,820	85,087
Directors fees	25,000	25,000
Insurance	9,616	7,167
Sundry expenses	489	441
Bank charges	100	-
	<u>209,925</u>	<u>180,150</u>

### 10. PROPERTY EXPENSES

	Year ended 31 March 2022	Year ended 31 March 2021
	£	£
Rates and insurance	23,058	20,784
Repairs and maintenance	70,193	94,111
Property management fees (Note 20)	126,566	139,981
Depreciation on furniture and fittings (Note 12)	-	2,405
Cleaning and service charges	65,368	51,513
	<u>285,185</u>	<u>308,794</u>

# THE LONDON CENTRAL RESIDENTIAL RECOVERY FUND LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 MARCH 2022

### 11. INVESTMENT PROPERTIES

	31 March 2022			31 March 2021		
	Freehold investment properties £	Leasehold investment properties £	Total £	Freehold investment properties £	Leasehold investment properties £	Total £
Opening balance	11,250,977	12,139,023	23,390,000	14,074,781	16,025,328	30,100,109
Sale of properties	-	(1,150,000)	(1,150,000)	(1,300,000)	(3,405,000)	(4,705,000)
Refurbishment expenditure	14,811	-	14,811	44,438	-	44,438
Revaluation	-	-	-	(1,568,242)	(481,305)	(2,049,547)
Closing balance	<u>11,265,788</u>	<u>10,989,023</u>	<u>22,254,811</u>	<u>11,250,977</u>	<u>12,139,023</u>	<u>23,390,000</u>

At 31 March 2022 there was a legal charge registered over all of the Company's 17 investment properties as security for its bank borrowings (see Note 14). In accordance with FRS102, Section 16, Measurement after Recognition, a RICS Red Book valuation was undertaken by Adelaide Jones & Co Limited for financing purposes as at 10 September 2021. The Directors do not consider that there have been any significant changes in factors affecting valuations since 10 September 2021 and have therefore relied on the valuations undertaken at this date. 12 of the investment properties are leasehold all with remaining terms in excess of 20 years. Of the 5 freehold properties, 4 are long leaseholds where the Company also holds a share in the freehold owning company. Accordingly these have been classified by the Directors as freehold. The combined historical cost of the properties is £19,562,602 (2021: £20,697,791).

### 12. FURNITURE AND FITTINGS

	31 March 2022 £	31 March 2021 £
<b>COST</b>		
Brought forward	585,021	585,021
Carried forward	<u>585,021</u>	<u>585,021</u>
<b>ACCUMULATED DEPRECIATION</b>		
Brought forward	(585,021)	(582,616)
Charge for the year	-	(2,405)
Carried forward	<u>(585,021)</u>	<u>(585,021)</u>
<b>CLOSING NET BOOK VALUE</b>	<u>-</u>	<u>-</u>

# THE LONDON CENTRAL RESIDENTIAL RECOVERY FUND LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 MARCH 2022

13. DEBTORS AND PREPAYMENTS	31 March 2022	31 March 2021
	£	£
Prepayments	11,746	82,277
Rent receivable from Property Manager	16,380	13,960
Cash floats held by Property Manager*	19,482	31,518
Service charge deposits	15,690	15,690
	<u>63,298</u>	<u>143,445</u>

\* This represents cash-floats retained by the Property Manager to cover sundry costs for each property as they arise. In addition to these cash balances the Property Manager holds in escrow as at 31 March 2022, tenant rent deposits amounting to £76,526 (2021: £70,802). These deposits are held as security for the tenants' performance under the tenancy agreements and have not been included in these financials statements as the Company has no right to these funds unless and until there is any default by any tenant under their tenancy agreement. There have been no defaults during the year (2021: nil).

14. LOANS PAYABLE	31 March 2022	31 March 2021
	£	£
Butterfield Bank (Guernsey) Limited	<u>15,364,030</u>	<u>16,336,596</u>

Existing loan facilities (detailed below) from Butterfield Bank (Guernsey) Limited (the "Bank") were consolidated and extended under a facility letter dated 7 December 2021. The current facility offered by the Bank to the Company is a maximum loan amount of £15,568,000 (exclusive of fees) for a period of 2 years. The facility is secured by a first charge over the Company's property portfolio.

The above facility replaces the loan facility dated 12 March 2009 for the loan amount of £12,600,000, the loan facility dated 11 August 2014 for the loan amount of £4,500,000, loan facility dated 7 July 2016 for the loan amount of £4,600,000 and loan facility dated 21 January 2019 for the loan amount of £20,366,000, all of which were extended to 31 January 2024.

Interest expense for the current year was £462,562 (2021: £498,903).

15. OTHER CREDITORS AND ACCRUALS	31 March 2022	31 March 2021
	£	£
<b>Amounts falling due within one year:</b>		
Provision for audit fee	17,150	16,330
Administration fees (Note 20)	9,375	9,375
Other creditors	7,530	15,907
Legal and professional fees	190,094	102,594
Deferred income	60,628	46,986
Refurbishment 3 Spring Street	646,605	631,793
	<u>931,382</u>	<u>822,985</u>

# THE LONDON CENTRAL RESIDENTIAL RECOVERY FUND LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 MARCH 2022

### 16. SHARE CAPITAL

	31 March 2022	31 March 2021
	£	£
<b>Authorised</b>		
4,990,000 Ordinary Shares of £0.01 each	49,900	49,900
100 Founder Shares of £1 each	100	100
	<u>50,000</u>	<u>50,000</u>
<b>Issued and fully paid</b>		
68,301.05 Ordinary Shares of £0.01 each	683	683
2 Founder Shares of £1 each	2	2
	<u>685</u>	<u>685</u>

#### Founder Shares

Holders of Founders Shares are not entitled to any dividends and do not have the right to receive notice of, attend, speak and vote at general meetings unless and until no Ordinary Shares are in issue. The Founder Shares may not be redeemed by the Company.

#### Ordinary Shares

Holders of Ordinary Shares are entitled pari-passu to such dividends as the Directors may in their absolute discretion lawfully determine and declare and have the right to receive notice of, attend, speak and vote at general meetings of the Company. Subject to the provisions of the Companies (Jersey) Law, 1991 and the Company's Memorandum and Articles of Association, holders of Ordinary Shares may be redeemed by the Company. The Ordinary Shares may not be redeemed at the option of the holder.

### 17. SHARE PREMIUM

	31 March 2022	31 March 2021
	£	£
68,301.05 Ordinary Shares issued at a premium of £99.99 each	6,829,422	6,829,422
Less: Introducers commission and share issue costs	<u>(563,685)</u>	<u>(563,685)</u>
As at 31 March 2022/2021	<u>6,265,737</u>	<u>6,265,737</u>

### 18. LOSS PER SHARE

The calculation of loss per share is based on the loss for the year of £351,167 (2021: £2,595,349) divided by the weighted average number of ordinary shares in issue during the year of 68,301.05 (2021: 68,301.05).

### 19. NET ASSET VALUE PER SHARE

The calculation of net asset value per share is based on the net assets of £6,101,447 (2021: £6,452,614) and on the ordinary shares in issue of 68,301.05 (2021: 68,301.05) at the statement of financial position date.

# THE LONDON CENTRAL RESIDENTIAL RECOVERY FUND LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 MARCH 2022

### 20. RELATED PARTY TRANSACTIONS

Intertrust Fund Services (Guernsey) Limited are engaged by the Company as administrator pursuant to an Administration Agreement. The Agreement provides that Intertrust Fund Services (Guernsey) Limited will receive an annual fixed fee of £37,500 per annum, with respect to administration services, along with an additional fee of £1,500 per property acquisition/disposal. The administrator will also charge an annual fixed fee of £1,000 per annum to act as Sponsor for The International Stock Exchange. A total of £37,750 (2021: £45,000) has been included in these accounts in respect of the fees charged in accordance with this Agreement and £9,375 (2021: £9,375) was outstanding at the Statement of Financial Position date. Martin Shires acts as a consultant to Intertrust Services Limited who are associated with Intertrust Fund Services (Guernsey) Limited.

The Company has appointed LCP Capital Investments Limited ("LCPCI") and London Central Portfolio Limited ("LCP") as Investment Advisors and Property Managers. Naomi Heaton is the Chair of LCPCI and LCP. A brief summary of the relevant contracts are as follows. All fees are subject to UK VAT.

#### **Performance fees**

The Performance Benchmark Objective is 15% IRR (i.e. 15% per annum compound growth on the investors' initial subscription). This takes into account all up-front fees, establishment and purchase costs, but is net of disposal expenditure.

In the event that the Performance Benchmark Objective is achieved at the end of the Investment Period, LCP will be awarded a performance fee up to a ceiling of 25% of the Company's profits, subject to the investors receiving a profit in the first instance equivalent to the Performance Benchmark Objective.

No provision has been made in these accounts, in respect of the performance fee as the Directors do not consider that the Performance Benchmark Objective will be achieved.

#### **Property Search and Acquisition**

LCP receives an acquisition fee of 2% of the price paid for each property acquired by the Company.

During the year property acquisition fees amounted to £nil (inclusive of VAT) (2021: £nil).

#### **Investment Advisors**

LCPCI receive a fee of £12,500 per annum for the provision of investment advice and related services.

#### **Property Refurbishment and Furnishing**

LCP receive a fee of 10% of the refurbishment expenditure in respect of design specification and sourcing of contractor together and a fee of 15% of the furnishing and refurbishment expenditure for the project management of the works and interior design.

During the year property refurbishment and furnishing expenditure amounted to £14,811 (inclusive of VAT) (2021: £44,438) with £646,605 (2021: £631,793) outstanding at the year end.



# THE LONDON CENTRAL RESIDENTIAL RECOVERY FUND LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 MARCH 2022

### 20. RELATED PARTY TRANSACTIONS (continued)

#### Property Management

LCP receives a fee of 15% of gross rent received for each property. LCP also receives sundry additional fees for administration services on a 10% of cost basis. £126,566 (inclusive of VAT) (2021: £139,981) has been included in these accounts in relation to these fees. LCP also receives annual fees in relation to ongoing running cost of the fund. During the year £75,000 (inclusive of VAT) (2021: £75,000) was charged in relation to these costs with the total amount outstanding at the year end. A more detailed summary of these terms and charges is included in the Company's prospectus.

### 21. CONTROLLING PARTY

The issued share capital of the Company is owned by numerous parties and, therefore, to the best knowledge of the Directors, there is no ultimate controlling party of the Company as defined by FRS102.

### 22. FINANCIAL RISK MANAGEMENT

The Company is exposed to risks that arise from its use of financial instruments. This note describes the Company's objectives, policies and processes for managing those risks and the methods used to measure them. The Company's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk.

#### Categories of financial instruments and fair values

The following table details the categories of financial assets and financial liabilities held by the Company at the reporting date:

	31 March 2022 Carrying amount	31 March 2021 Carrying amount
	£	£
<b>Loans and receivables</b>		
Cash at bank	78,750	78,750
Debtors	51,552	61,168
	<u>130,302</u>	<u>139,918</u>
<b>Financial liabilities at amortised cost</b>		
Creditors and accruals	870,754	775,999
Loans payable	15,364,030	16,336,596
	<u>16,234,784</u>	<u>17,112,595</u>

#### (a) 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. Whilst the Company's principal market risk is exposure to London residential property prices, market risk comprises of three types of risk: market prices (price risk), foreign exchange (currency risk) and market interest rates (interest rate risk).

The Company operates in the UK and its investments are denominated in pounds sterling therefore the Directors are satisfied that the Company's exposure to foreign exchange risk is relatively low.

The Company is exposed to interest rate risk however it is not exposed to price risk as all of its investments are in non-financial assets. The Company's interest bearing financial assets and liabilities expose it to risk associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The table below summarises the Company's exposure to interest rate risks.

# THE LONDON CENTRAL RESIDENTIAL RECOVERY FUND LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 MARCH 2022

### 22. FINANCIAL RISK MANAGEMENT (continued)

#### (a) Market risk (continued)

	Not subject to finance receivable/ payable £	Variable finance receivable/ payable £	Fixed finance receivable/ payable £	Total £
<b>As at 31 March 2022</b>				
<b>Assets</b>				
Cash at bank	78,750	-	-	78,750
Debtors	51,552	-	-	51,552
<b>Total financial assets</b>	<b>130,302</b>	<b>-</b>	<b>-</b>	<b>130,302</b>
<b>Liabilities</b>				
Finance payable	-	15,364,030	-	15,364,030
Creditors and accruals	870,754	-	-	870,754
<b>Total financial liabilities</b>	<b>870,754</b>	<b>15,364,030</b>	<b>-</b>	<b>16,234,784</b>
<b>As at 31 March 2021</b>				
<b>Assets</b>				
Cash at bank	78,750	-	-	78,750
Debtors	61,168	-	-	61,168
<b>Total financial assets</b>	<b>139,918</b>	<b>-</b>	<b>-</b>	<b>139,918</b>
<b>Liabilities</b>				
Finance payable	-	16,336,596	-	16,336,596
Other creditors and accruals	775,999	-	-	775,999
<b>Total financial liabilities</b>	<b>775,999</b>	<b>16,336,596</b>	<b>-</b>	<b>17,112,595</b>

Total interest expense on financial liabilities not at fair value through profit and loss.

	Year ended 31 March 2022 £	Year ended 31 March 2021 £
Loan interest expense <sup>(1)</sup>	462,562	498,903
	<u>462,562</u>	<u>498,903</u>

<sup>(1)</sup> The above finance cost arises on financial liabilities measured at amortised cost using the effective interest rate method.

For the Company, an increase in 100 basis points in interest rates, with all other variables remaining constant, would result in a loss of £152,853 (2021: £162,578). A decrease in 100 basis points in interest rates, with all other variables remaining constant, would have an equal but opposite effect.

# THE LONDON CENTRAL RESIDENTIAL RECOVERY FUND LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 MARCH 2022

### 22. FINANCIAL RISK MANAGEMENT (continued)

#### (b) Liquidity risk (continued)

The sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated - for example, change in interest rate and change in market values.

Prudent liquidity risk management implies maintaining sufficient cash and other liquid assets and ensuring the availability of funding through an adequate amount of committed credit facilities.

The Company's current policy concerning the payment of creditors is to:

- (a) agree the terms of payment with those suppliers when negotiating the terms of each transaction;
- (b) ensure that those suppliers are made aware of the terms of payment by inclusion of the relevant terms in contracts; and
- (c) pay in accordance with the Company's contractual and other legal obligations.

The table below details the contractual, undiscounted cash flows of the Company's financial liabilities.

<b>As at 31 March 2022</b>	<b>Less than 3 month £</b>	<b>3 months to 1 year £</b>	<b>2 years to 5 years £</b>
Loan payable	141,631	424,892	15,836,132
Creditors and accruals	870,754	-	-
<b>Total</b>	<b>1,012,385</b>	<b>424,892</b>	<b>15,836,132</b>

  

<b>As at 31 March 2021</b>	<b>Less than 3 month £</b>	<b>3 months to 1 year £</b>	<b>2 years to 5 years £</b>
Loan payable	117,248	16,610,175	-
Creditors and accruals	775,999	-	-
<b>Total</b>	<b>893,247</b>	<b>16,610,175</b>	<b>0</b>

As at the statement of financial position date, the Company had undrawn committed borrowings available of £88,928 (2021: £72,654).

The Board of Directors manages the risk of breaches in debt covenants by regularly reviewing the level of debt in conjunction with property values. The review is carried out on a quarterly basis.

#### (c) Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Company. The carrying amounts of financial assets best represents the maximum credit risk exposure at the balance sheet date.

Principal counterparties are LCP as Property Manager and Butterfield Bank (Guernsey) Limited as Bankers. The financial position of LCP and the credit rating of Butterfield Bank (Guernsey) Limited are considered by the Board annually or sooner in the event of any cause for concern.

Butterfield Bank (Guernsey) Limited is a reputable financial institution and has a short term credit rating of A-1 according to S&P.

# THE LONDON CENTRAL RESIDENTIAL RECOVERY FUND LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 MARCH 2022

### 22. FINANCIAL RISK MANAGEMENT (continued)

#### (c) Credit risk (continued)

At the reporting date, the Company's financial assets exposed to credit risk amounted to the following:

	31 March 2022	31 March 2021
	£	£
Cash and cash equivalents	78,750	78,750
Rent receivable from Property Manager (Note 13)	16,380	13,960
Cash floats held by Property Manager (Note 13)	19,482	31,518
Service charge deposits (Note 13)	15,690	15,690
<b>Total</b>	<b>130,302</b>	<b>139,918</b>

### 23. CAPITAL RISK MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

### 24. SUBSEQUENT EVENTS

There are no other material events to be disclosed in these financial statements.