Company no. 12318024

Fernando SSN plc

Annual report and financial statements

31 October 2023

Contents

DIRECTORS AND OFFICERS

DIRECTORS

S J Lake
G J Parcell

SECRETARY

Law Debenture Corporate Services Limited

REGISTERED OFFICE

8th Floor
100 Bishopsgate
London
EC2N 4AG

INDEPENDENT AUDITOR

Mazars LLP
30 Old Bailey
London
EC4M 7AU

Strategic Report

The directors submit their report and the financial statements for the year ended 31 October 2023. This Strategic report is prepared in accordance with The Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013.

Principal activities and business review

The company acts as a holding and financing company for the Fernando Parent Limited group's property-owning companies ("PropCos"). The company issued secured guaranteed floating rate notes ("SSNs") on 25 September 2020, and also acquired an equal amount of unsecured loan notes ("SD Notes") from the 13 subsidiary PropCos. The interest payable and receivable on both the SSNs and SD Notes is the same, such that interest received on the SD Notes is used to pay interest due on the SSNs. The company will depend on payments by way of dividends and/or pursuant to intra-group loan agreements from its direct and indirect subsidiaries to make repayments of principal (including any capitalised interest) in respect of the SSNs, together with any costs associated with maintaining the financing structure.

The company made a loss for the year before tax of £4,955,920 (*2022: £2,215*) which is mainly due to an impairment charge which has been recognised on the SD Notes, as well as the on-going costs associated with maintaining the listing of the SSNs. It is expected that the company will continue to make small losses as there will be continuing costs with no related income.

Future developments

There are no future developments that are expected to change the business operation or performance.

Principal risks and uncertainties

The company's activities expose it to a number of financial risks as described below:

Foreign Exchange Risk

The company's operations do not expose it to transactions other than in the functional and presentation currency of the entity.

Interest Rate Risk

The company operates in an environment where interest rates have been both low and stable, although during the year there has been a steady increase in rates. The company does not use interest rate swaps to hedge against the exposure to interest rate changes. Interest rate risk is covered by the interest rate on the receivable from the SD Notes being the same as the rate payable on the SSNs. Any risk therefore becomes a liquidity risk as noted below.

Credit Risk

The company's principal financial assets are bank balances and intercompany debtors. These debtors are amounts due from the PropCos, from which revenues and cash are generated from long-term, stable and contractually increasing rental income. The contractual nature of PropCos' receivables, and potential consequences to the leaseholder of non-payment, mean that these receivables are at very low risk of financial loss. The PropCos have monthly reporting and KPI's in place to ensure that the amount and age of outstanding debts is under constant review, and appropriate collection actions are taken in a timely manner.

At the year end, the fair value of the PropCos' investment properties on which their revenues are generated has been written down by £21.9m to £345.6m, which is less than the £350.6m value of the SD notes. As a result, there is a corresponding risk that the value that will be received on the SD notes has reduced by £5.0m, with the consequence that there may be a £5.0m shortfall in funds to repay the SSNs. An expected credit loss of £5.0m has therefore been recorded against the SD notes in the year, reducing their value to £345.6m, being the value of the investment properties against which they are secured.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Strategic Report *(continued)*

Principal risks and uncertainties *(continued)*

Liquidity Risk

As discussed in the Going Concern section below, the ability of the PropCos to upstream cash to the company will depend on their ability to generate cash in the future.

This is, to an extent, subject to general economic, financial, competitive, legislative, regulatory and other factors which are beyond the control of the company and the other members of the Fernando group.

There is a liquidity risk that if the PropCos do not distribute cash (directly or indirectly) to the company to make payments on the SSNs, or such payments are reduced, the company does not have any other source of funds that would allow it to make payments to the SSN holders.

Financial instruments

At the start of the financial year, the company had an aggregate amount of £348,197,513 of Secured Guaranteed Floating Rate Notes due 2026 (“SSNs”), listed on The International Stock Exchange in Jersey, and issued pursuant to the terms of a SSN Trust Deed entered into between the company as issuer, the group’s PropCos as SSN guarantors, and the SSN trustee.

The notes are secured and have guaranteed floating rates of interest with interest payable on a semi-annual basis in arrears. Interest is based on SONIA plus a margin as shown in note 13 of these financial statements. Net income from the PropCos is used to service this debt and any excess amounts after such servicing is used to repay the loan notes’ principal. To the extent that the company has insufficient funds to satisfy in full the amount of interest due, it may instead pay the amounts it can and accrue for all unpaid amounts. Such unpaid amounts accrue interest at the rate of SONIA plus a margin, as noted above, plus a further 2% pa, and are payable on the next semi-annual interest payment date. During the year the company repaid £1,052,945 of the SSNs and at the year-end had unpaid interest of £3,356,947, with an outstanding balance of £350,501,515.

At the start of the financial year, the company also had unsecured loan notes due from the 13 group PropCos (“SD Notes”). These notes totalled £348,248,751 were issued back-to-back with, and on similar terms to, the SSNs referred to above and mature in 2026, bearing interest at SONIA plus a margin as set out in Note 11 of the financial statements. Net income from the PropCos is used to service this debt and any excess amounts after such servicing is used to repay the loan notes’ principal. To the extent that the PropCos have insufficient funds to satisfy in full the amount of interest due, they may instead pay the amounts they can and accrue for all unpaid amounts. Such unpaid amounts accrue interest at the rate of SONIA plus a margin, as noted above, plus a further 2% pa, and are payable on the next semi-annual interest payment date. During the year the PropCos repaid £1,051,716 of SD Notes and at the year-end had unpaid SD Note interest of £3,358,586, with an outstanding balance of £350,555,620.

Going Concern

The company meets its day-to-day working capital requirements through cash generated by the PropCos, which have a continuous long-term and growing income stream. The PropCos’ settlement of interest due to the company on their SD Notes allows the company to meet its obligations to pay interest on its SSNs as it falls due, as both SD Notes and SSNs have the same payment dates and interest rates. In addition, the contractual terms of the notes state that the company is able to defer SSN interest, in the event that it has insufficient cash to settle this in full on any given semi-annual Interest Payment Date (“IPD”), to the following semi-annual IPD.

During the year Propcos’ ground rent incomes grew as a result of the application of contractual inflationary increases. Warden apartment rental income increased as a result of inflationary rental increases partly offset by a small number of properties dispensing with the warden residential services. Transfer and related fees increased in line with expectations.

Strategic Report *(continued)*

Going concern *(continued)*

In previous years, the levels of cash generated by the PropCos have allowed them to meet the interest due on the SD Notes in full, with a surplus being used to reduce the principal amount of the SD Notes. In turn, this has allowed the company to meet the SSN interest in full, with a surplus being used to reduce the SSN principal amount. However, in the current year the significant and sustained increases in interest rates, ending the year 300bps higher than at the start, meant that the PropCos were unable to pay all of the SD interest due in the year, meaning the company was unable to pay all of the SSN interest due in the year.

Given the significant and sustained increases in interest rates, and the uncertainty around future rates due to current world events, the PropCos will be unable to settle in full the interest due on their SD notes during the next year. The company will therefore need to defer some of its interest payable on the SSNs as described above. As this deferral is contractually allowed under the terms of the SSNs, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for at least one year from the date of signing the financial statements, and thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

The directors note the SSNs mature in 2026. The directors intend to continue to review strategic options in the run up to their maturity and note that these will depend on the general economic conditions and the outcome of any leasehold reform that the current Government has indicated. Such options may include the marketing of the portfolio and a refinancing of the SSNs.

Post balance sheet events

Leasehold reform

Subsequent to this financial year end, in November 2023, the Government made its position on leasehold reform clearer in two respects. Firstly, it published The Leasehold and Freehold Reform Bill for consideration by Parliament. The details of this Bill are under consideration and subject to consultation on its economic impact. If passed in its current form, the value of the group's portfolio would be negatively affected by the imposition of a limit to the level of ground rent to be included in enfranchisement calculations, *inter alia.* This would mean that over time, if enfranchisement became more prevalent, income from such events would be lower.

Secondly, the Government launched a consultation entitled "Modern leasehold: restricting ground rent for existing leases". This offers five options for leasehold reform and seeks consultation responses by January 17th 2024. The exact detail of some of these options (e.g. seeking to cap ground rents at a specific value) is unspecified. However, depending on the option selected and any exact values chosen, if enacted, these reforms are highly likely to have a material impact on the cashflows of the PropCos, used to pay SD interest, and its portfolio valuation on which the SSNs are secured. In response, any such changes are likely to attract legal challenge on the basis that it represents expropriation, and the directors have taken legal advice in this regard.

Strategic Report *(continued)*

Section 172 statement

Section 172(1) of Companies Act 2006 requires the directors to act in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so, have regard (amongst other matters) to:

a) the likely consequences of any decision in the long term,

b) the interests of the company's employees,

c) the need to foster the company's business relationships with suppliers, customers and others,

d) the impact of the company's operations on the community and the environment,

e) the desirability of the company maintaining a reputation for high standards of business conduct, and

f) the need to act fairly as between members of the company.

The governance structure of the company is predetermined within the various documents that govern the operations and management of the group of which the company is a part. The directors have had regards to the matters set out in section 172(1) of the Companies Act 2006 as follows:

With reference to the likely consequences of any decision in the long term, the documents which govern the company and the group have been formulated to achieve the company's purpose and business objectives, safeguard the assets and promote the success of the company with a long-term view and in accordance with relevant securitisation legislation.

The matters set out in sections (b) – (f) have limited or no relevance to the company for the following reasons:

- the company has no employees;
- the company has appointed various third-party professionals to perform certain roles governed by the various transaction documents;
- the company has no physical presence or operations and accordingly has a minimal impact on the community and the environment; and
- the company has a sole member.

In accordance with section 426B of Companies Act 2006, a copy of this statement is available at www.fernandogroup.co.uk

On behalf of the board

Graham Parcell (Apr 25, 2024 14:43 GMT+1)

GJ Parcell
Director

25 April 2024

Directors' Report

The directors present their report and the Financial Statements of Fernando SSN plc for the year ended 31 October 2023. The company has, in accordance with S.414C of the Companies Act, set out in the Strategic report information regarding the principal activities, business review, financial risks and future developments that would otherwise have been set out in the Directors' Report.

Proposed dividend

The directors do not recommend the payment of a dividend.

Directors

The directors who held office during the period were as follows:

G J Parcell

S J Lake

Insurance of company officers

The company maintains insurance for its directors and officers against the consequences of actions which may be brought against them in relation to their duties for the company, through the provision of a policy held by Fernando HoldCo Limited.

Employees

The company had no employees in the period.

Disclosure of information to auditor

The directors confirm that so far as they are aware, there is no relevant audit information of which the company's auditor is unaware. They have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Statement of directors' responsibilities

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. The directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including Financial Reporting Standard 101*: Reduced Disclosure Framework ("FRS 101").*

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of its profit and loss for that period.

Directors' Report *(continued)*

Statement of directors' responsibilities *(continued)*

In preparing the company financial statements, the directors are required to:

a. select suitable accounting policies and then apply them consistently;

b. make judgements and accounting estimates that are reasonable and prudent;

c. prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006. 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 other irregularities.

On behalf of the board

Graham Parcell (Apr 25, 2024 14:43 GMT+1)

GJ Parcell
Director

25 April 2024

Independent auditor’s report to the members of Fernando SSN Plc

Opinion

We have audited the financial statements of Fernando SSN Plc (the ‘company’) for the year ended 31 October 2023 which comprise the Statement of comprehensive income, the Statement of financial position, the Statement of changes in equity and notes to the financial statements, including a summary of Material accounting policy information.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 101 “Reduced Disclosure Framework” (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company’s affairs as at 31 October 2023 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the “Auditor’s responsibilities for the audit of the financial statements” section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC’s Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

We raised going concern as a KAM for this entity (see below) as there is a risk that the entity cannot pay the principal of the loan notes due at the redemption date. Fernando SSN PLC issued loan notes which have a value of £350,502k at the year end. The proceed were subsequently on-lent to subsidiaries in the group to invest in property. Fernando SSN PLC’s notes are due for repayment in 2026.

We confirmed that the company had the right to “roll up” the loan interest into the capital if it were not able to pay in cash the amounts at each payment date. As this is the only obligation we can conclude that the entity is a going concern for at least 12 months from the date of signing the financial statements.

Independent auditor’s report to the members of Fernando SSN Plc *(continued)*

In addition we critically assessed the budget and forecasts of the wider group and challenged management on their plan to repay the principal of the loan notes. This involved consulting with our internal property valuations team to ensure the property investments that the loan went towards would hold their value in the long term thereby providing an asset base to help match the debt amount.

On review of the financial statements, we are satisfied that the disclosures made by the directors in the Strategic Report on page 2 and in note 1.2 of the financial statements accurately reflect the situation and the resources available to the directors to clear the debt in the future.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company’s ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue. We are content that the disclosures fairly represent the entity’s ability to use the going concern assumption.

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We summarise below the key audit matters in forming our opinion above, together with an overview of the principal audit procedures performed to address each matter and our key observations arising from those procedures. The matters set out below are in addition to going concern which, as set out in the “Conclusions relating to going concern” section above, was also identified as a key audit matter.

Independent auditor’s report to the members of Fernando SSN Plc *(continued)*

Key Audit Matter	How our scope addressed this matter
Valuation of intercompany loans receivable The entity’s accounting policy for expected credit losses can be found in Note 1.6 and Note 2 of the financial statements. The company has intercompany loan receivables of £345,600k as at 31 October 2023 which is net after recognizing expected credit losses of £4,596k. There is a risk that the subsidiaries involved in the debtor balance are unable to repay the amounts as they fall due which consequently means Fernando SSN Plc will be unable to repay the loan balance in 2026. Given the inherent judgement and complexity in assessing the expected credit loss of intercompany receivables, this was identified as a key audit matter.	We performed the following; 1) We obtained and critically assessed management’s consideration of the impairment including a challenge of the assumptions used. 2) We cross referred back to our work on going concern (as detailed above) in which we utilised our property valuations team to ensure the findings presented to us are consistent across both assessments. 3) We met with our property valuations team to better understand the long term impact of the impairment of the property investments relating to Fernando SSN plc. 4) We assessed the accounting policy for financial assets and the disclosures made with regards to significant management judgements and estimates and ensured that they were compliant with FRS 101 “Reduced Disclosure Framework”. We have no issues to report in respect of this work.

Our application of materiality and an overview of the scope of our audit

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and on the financial statements as a whole. Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Independent auditor's report to the members of Fernando SSN Plc *(continued)*

Overall materiality	£3,516k
How we determined it & rationale for benchmark applied	Our benchmark was 1% of total assets. We believe that total assets are an appropriate benchmark as the loan note is the key area for consideration by the board in this entity. Thus a balance sheet materiality was more relevant. Entity has listed debt leading us to adopt a materiality at the lower end of the benchmark.
Performance materiality	Performance materiality is set to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements in the financial statements exceeds materiality for the financial statements as a whole. We set performance materiality at £2,636k, which represents 75% of overall materiality.
Reporting threshold	We agreed with the directors that we would report to them misstatements identified during our audit above £105k as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

As part of designing our audit, we assessed the risk of material misstatement in the financial statements, whether due to fraud or error, and then designed and performed audit procedures responsive to those risks. In particular, we looked at where the directors made subjective judgements, such as assumptions on significant accounting estimates.

We tailored the scope of our audit to ensure that we performed sufficient work to be able to give an opinion on the financial statements as a whole. We used the outputs of our risk assessment, our understanding of the company, its environment, controls, and critical business processes, to consider qualitative factors to ensure that we obtained sufficient coverage across all financial statement line items.

Other information

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

Independent auditor's report to the members of Fernando SSN Plc *(continued)*

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- the company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the directors' responsibilities statement set out on pages 4 and 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the 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.

Independent auditor's report to the members of Fernando SSN Plc *(continued)*

Auditor's responsibilities for the audit of the financial statements

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

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

Based on our understanding of the company and its industry, we considered that non-compliance with the following laws and regulations might have a material effect on the financial statements: requirements of the loan note – Article 761 of Companies Act of 2006.

To help us identify instances of non-compliance with these laws and regulations, and in identifying and assessing the risks of material misstatement in respect to non-compliance, our procedures included, but were not limited to:

- Gaining an understanding of the legal and regulatory framework applicable to the company and the industry in which it operates, and considering the risk of acts by the company which were contrary to the applicable laws and regulations, including fraud;
- Inquiring of the directors, management and, where appropriate, those charged with governance, as to whether the company is in compliance with laws and regulations, and discussing their policies and procedures regarding compliance with laws and regulations;
- Reviewing minutes of directors' meetings in the year; and
- Discussing amongst the engagement team the laws and regulations listed above, and remaining alert to any indications of non-compliance.

We also considered those laws and regulations that have a direct effect on the preparation of the financial statements, such as tax legislation and the Companies Act 2006.

In addition, we evaluated the directors' and management's incentives and opportunities for fraudulent manipulation of the financial statements, including the risk of management override of controls, and determined that the principal risks related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in the significant accounting estimate surrounding expected credit losses, and significant one-off or unusual transactions.

Independent auditor's report to the members of Fernando SSN Plc *(continued)*

Our procedures in relation to fraud included but were not limited to:

- Making enquiries of the directors and management on whether they had knowledge of any actual, suspected or alleged fraud;
- Gaining an understanding of the internal controls established to mitigate risks related to fraud;
- Discussing amongst the engagement team the risks of fraud; and
- Addressing the risks of fraud through management override of controls by performing journal entry testing.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

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

Use of the audit report

This report is made solely to the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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.

Stephen Brown (Apr 25, 2024 14:45 GMT+1)

Stephen Brown (Senior Statutory Auditor) for and on behalf of Mazars LLP
Chartered Accountants and Statutory Auditor
The Pinnacle
160 Midsummer Boulevard
Milton Keynes
MK9 IFF

25 April 2024

Statement of Comprehensive Income for the year ended 31 October 2023

	Notes	2023 £	2022 £
Continuing Operations			
Administrative expenses		(3,254)	*(3,303)*
Impairment losses on financial assets	11	(4,955,620)	-
Operating loss		(4,958,874)	*(3,303)*
Interest receivable and similar income	6	19,723,165	*7,598,628*
Interest payable and similar expenses	7	(19,720,211)	*(7,597,540)*
Loss before taxation		(4,955,920)	*(2,215)*
Taxation	8	-	-
Loss for the year		(4,955,920)	*(2,215)*
Other comprehensive income		-	-
Total comprehensive loss		(4,955,920)	*(2,215)*

The notes on pages 17 to 28 form part of these financial statements.

Statement of Financial Position as at 31 October 2023

(Company number 12318024)

	Notes	2023	*2022*
		£	*£*
Fixed assets			
Investments	9	2,764	*2,764*
Current assets			
Debtors: amounts due in less than one year	10	1,001,124	*476,034*
Debtors: amounts due after more than one year	11	345,600,000	*348,248,751*
		346,601,124	*348,724,785*
Cash at bank and in hand		-	*-*
Creditors: amounts falling due in less than one year	12	(1,012,256)	*(483,999)*
Net current assets		345,588,868	*348,240,786*
Total assets less current liabilities		345,591,632	*348,243,550*
Creditors: Amounts falling due after more than one year	13	(350,501,515)	*(348,197,513)*
Net (liabilities) / assets		(4,909,883)	*46,037*
Capital and reserves			
Called up share capital	14	52,764	*52,764*
Share Premium	14	276,266,452	*276,266,452*
Other Reserves	14	(276,266,452)	*(276,266,452)*
Capital Contribution Reserve	14	15,526	*15,526*
Profit and loss account	14	(4,978,173)	*(22,253)*
Total deficit		(4,909,883)	*46,037*

The notes on pages 17 to 28 form part of these financial statements.

The financial statements on pages 14 to 28 were approved by the board of directors and authorised for issue on 25 April 2024 and are signed on its behalf by:

Graham Parcell (Apr 25, 2024 14:43 GMT+1)

GJ Parcell
Director

Statement of Changes in Equity

	Called up Share capital £	Share Premium account £	Other reserves £	Capital Contribution Reserve £	Profit and loss account £	Total equity £
Balance at 31 October 2021	52,764	276,266,452	(276,266,452)	15,526	(20,038)	48,252
Total comprehensive loss for the year						
Loss	-	-	-	-	(2,215)	(2,215)
Loss and total comprehensive loss for the year	-	-	-	-	(2,215)	(2,215)
Balance at 31 October 2022	**52,764**	**276,266,452**	**(276,266,452)**	**15,526**	**(22,253)**	**46,037**
Total comprehensive loss for the year						
Loss	-	-	-	-	(4,955,920)	(4,955,920)
Loss and total comprehensive loss for the year	-	-	-	-	(4,955,920)	(4,955,920)
Balance at 31 October 2023	**52,764**	**276,266,452**	**(276,266,452)**	**15,526**	**(4,978,173)**	**(4,909,883)**

The notes on pages 17 to 28 form part of these financial statements.

Notes *(forming part of the financial statements)*

1 Accounting policies

Fernando SSN plc (the "company") is a public company, limited by shares, incorporated, domiciled and registered in England in the UK. The registered number is 12318024 and the registered address is 8th Floor, 100 Bishopsgate, London, EC2N 4AG. The company acts as a holding and financing company for the group's property-owning companies ("PropCos").

1.1 Basis of Preparation

These financial statements were prepared in accordance with Financial Reporting Standard 101: Reduced Disclosure Framework ("FRS 101").

The financial statements present information about the company as an individual undertaking. The company has not presented consolidated financial statements as it is a wholly-owned subsidiary undertaking. The ultimate parent undertaking, Fernando Parent Limited includes the company in its consolidated financial statements. The consolidated financial statements of Fernando Parent Limited are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from Companies House, Crown Way, Cardiff, CF14 3UZ.

In preparing these financial statements the company has taken advantage of certain disclosure exemptions conferred by FRS 101 and has not provided:

- a cash flow statement for the period and related notes;
- a statement of compliance with IFRS (a statement of compliance with FRS 101 is provided instead);
- disclosures in relation to the objectives, policies and process for managing capital;
- disclosure of the effect of future accounting standards not yet adopted;
- related-party transactions with other wholly-owned members of the group.
- related-party disclosures in respect of compensation to key management personnel.

In addition, and in accordance with FRS 101, further disclosure exemptions have been applied because equivalent disclosures are included in the consolidated financial statements of Fernando Parent Limited. These financial statements do not include certain disclosures in respect of:

- financial instrument disclosures as required by IFRS 7 Financial Instruments: Disclosures.

Historical cost convention

The financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 2006.

Presentation and rounding

All amounts in this report are stated net of VAT unless the VAT incurred on a particular transaction is not recoverable in which case the transaction is recognised inclusive of VAT.

Amounts in this report have been rounded to the nearest pound.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

Notes *(continued)*

1 Accounting policies *(continued)*

1.2 Going Concern

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

The Strategic Report sets out the company's business activities, together with the factors likely to affect its future development and performance, and details of its financial instruments and its exposure to foreign exchange risk, interest rate risk, credit risk and liquidity risk.

The company meets its day-to-day working capital requirements through cash generated by the PropCos, which have a continuous long-term and growing income stream. The PropCos' settlement of interest due to the company on their SD Notes allows the company to meet its obligations to pay interest on its SSNs as it falls due, as both SD Notes and SSNs have the same payment dates and interest rates. In addition, the contractual terms of the notes state that the company is able to defer SSN interest, in the event that it has insufficient cash to settle this in full on any given semi-annual Interest Payment Date ("IPD"), to the following semi-annual IPD.

During the year Propcos' ground rent incomes grew as a result of the application of contractual inflationary increases. Warden apartment rental income increased as a result of inflationary rental increases partly offset by a small number of properties dispensing with the warden residential services. Transfer and related fees increased in line with expectations.

In previous years, the levels of cash generated by the PropCos have allowed them to meet the interest due on the SD Notes in full, with a surplus being used to reduce the principal amount of the SD Notes. In turn, this has allowed the company to meet the SSN interest in full, with a surplus being used to reduce the SSN principal amount. The significant and sustained increases in interest rates during the year, ending the year 300bps higher than at the start, meant that the PropCos were unable to pay all of the SD interest due in the year, meaning the company was unable to pay all of the SSN interest due in the year.

Given the significant and sustained increases in interest rates, and the uncertainty around future rates due to current world events, the PropCos will be unable to settle in full the interest due on their SD notes during the next year. The company will therefore need to defer some of its interest payable on the SSNs as described above. As this deferral is contractually allowed under the terms of the SSNs, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for at least one year from the date of signing the financial statements, and thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

The directors note the SSNs mature in 2026. The directors intend to continue to review strategic options in the run up to their maturity and note that these will depend on the general economic conditions and the outcome of any leasehold reform that the current Government has indicated. Such options may include the marketing of the portfolio and a refinancing of the SSNs.

1.3 Foreign currency translation

The financial statements are presented in pounds sterling, which is Fernando SSN plc's functional and presentation currency. There were no foreign currency transactions in the period.

1.4 Investments in subsidiaries

Investments in subsidiaries are measured at cost less accumulated impairment.

1.5 Financial assets (Loan notes and other receivables)

Financial assets are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the company has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, its carrying value is written off.

Notes *(continued)*

1 Accounting policies *(continued)*

1.6 Impairment and expected credit losses

The company recognises loss allowances for expected credit losses (ECLs) on financial assets measured at amortised cost. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms. ECLs are recognised as follows:

- For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL).
- For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the company's historical experience and informed credit assessment, that includes forward-looking information. The company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the company may also consider a financial asset to be in default when internal or external information indicates that the company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the company.

At each reporting date, the company assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data: significant financial difficulty of the debtor or a breach of contract such as a default or being more than 90 days past due.

The maximum period considered when estimating ECLs is the maximum contractual period over which the company is exposed to credit risk.

ECL allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

The gross carrying amount of a financial asset is written off when the company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

1.7 Financial Liabilities (Loan notes and payables)

Financial liabilities are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

1.8 Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

1.9 Provisions

A provision is recognised in the balance sheet when the company has a present legal or constructive obligation as a result of a past event, that can be reliably measured, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

Notes *(continued)*

1 Accounting policies *(continued)*

1.10 Interest receivable and interest payable

Interest receivable and interest payable is recognised in profit or loss as it accrues, using the effective interest method.

Dividend income is recognised in the profit and loss account on the date the entity's right to receive payments is established.

1.11 Taxation

Tax on the profit or loss for the period comprises current and deferred tax. Tax is recognised in the profit and loss for the period except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous periods.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

2 Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Allowance for expected credit losses

The allowance for expected credit losses requires a degree of estimation and judgement. Management record an expected credit loss when the value of the outstanding Group loan notes is greater than the value of the investment properties in the subsidiary PropCos, as the value of the properties will be used to settle the loan notes. Any shortfall may directly impact the company's SD notes receivable, The allowance for expected credit losses, as disclosed in note 11, is calculated based on the information available at the time of preparation. The actual credit losses in future years may be higher or lower.

Notes *(continued)*

2 Critical accounting judgements, estimates and assumptions *(continued)*

Leasehold reform

In January 2022 the Government updated its intent regarding further leasehold legislation. Certain aspects of this intended legislation may impact the PropCos' revenue streams. In particular, the intent to reduce the costs to lessees through restricting the level of ground rents in the cost calculation in enfranchisement events, and the abolition of marriage value in such calculations may have negative impact on the PropCos' future income flows.

There continues to be a lack of clarity and detail from Government, meaning that is not possible to make a more detailed impact assessment. The directors have made an assessment of the likely impact of such legislation, but if the Government were to enact the most stringent form of leasehold reform, then, notwithstanding any challenge to the legality of this, the PropCos' future income streams could be further affected.

3 Loss before taxation

Loss before taxation is stated after charging:

	2023	*2022*
	£	*£*
Auditor's remuneration	-	-
	-	-

The auditor's remuneration of £25,725 *(2022: £ 24,500)* has been borne by Fernando HoldCo Limited, another group undertaking.

4 Number of employees

The entity did not have any employees in the year *(2022: Nil).*

5 Directors' remuneration

The directors, who are considered key management personnel, did not receive any remuneration during the year *(2022: £ Nil)*. The directors are remunerated by Fernando HoldCo Limited, another group undertaking.

6 Interest receivable

	2023	*2022*
	£	*£*
Interest income under the effective interest method on:		
Loan notes issued by other group undertakings held at amortised cost	19,723,165	*7,598,628*

Notes *(continued)*

7 Interest payable

Interest expense under the effective interest method on:	**2023** **£**	*2022* *£*
Loan notes held at amortised cost	19,720,211	*7,597,540*

8 Taxation

Recognised in the income statement

	2023 **£**	*2022* *£*
UK corporation tax		
Current tax on income for the year	-	-
Total current tax	-	-
Deferred tax		
Origination and reversal of temporary differences-	-	-
Total deferred tax	-	-
Tax expense in the income statement	-	-

Reconciliation of tax expense

The tax assessed for the period is higher than the effective rate of corporation tax in the UK 22.52% (*2022: 19%)*. The differences are explained below:

	2023 **£**	*2022* *£*
Loss for the year excluding taxation	(4,955,920)	*(2,215)*
Tax using the UK corporation tax rate of 22.52% *(2022: 19%)*	(1,115,965)	*(421)*
Expenses not deductible for tax purposes	1,115,897	-
Group relief surrendered	68	*421*
Adjustments in respect of previous periods	-	-
Impact of rate change	-	-
Movement in deferred tax not recognised	-	-
Total tax expense	-	-

At 31 October 2023, deferred tax assets have not been recognised on income tax losses of £16,876 *(2022: £16,876).*

Notes *(continued)*

9 Fixed asset investments

	Shares in group undertakings £
Cost	
At 1 November 2022	2,764
At 31 October 2023	2,764
Net book value	
At 1 November 2022	2,764
At 31 October 2023	2,764

The Company has the following investments in ordinary shares in the following subsidiaries. All subsidiaries are 100% owned and incorporated in England and Wales.

Subsidiary	Registered Office	Ownership
Fernando PropCo Holdings Limited	8th Floor, 100 Bishopsgate, London, EC2N 4AG	Direct
Fairhold Homes Limited	304 Regent's Park Road, London, N3 2JX	Indirect
Fairhold Homes (No.2) Limited	304 Regent's Park Road, London, N3 2JX	Indirect
Fairhold Homes (No.3) Limited	304 Regent's Park Road, London, N3 2JX	Indirect
Fairhold Homes (No.4) Limited	304 Regent's Park Road, London, N3 2JX	Indirect
Fairhold Homes (No.6) Limited	304 Regent's Park Road, London, N3 2JX	Indirect
Fairhold Homes (No.7) Limited	304 Regent's Park Road, London, N3 2JX	Indirect
Fairhold Homes (No.9) Limited	304 Regent's Park Road, London, N3 2JX	Indirect
Fairhold Homes (No.11) Limited	304 Regent's Park Road, London, N3 2JX	Indirect
Fairhold Homes (No.13) Limited	304 Regent's Park Road, London, N3 2JX	Indirect
Fairhold Homes (No.14) Limited	304 Regent's Park Road, London, N3 2JX	Indirect
Fairhold Homes (No.15) Limited	304 Regent's Park Road, London, N3 2JX	Indirect
Littonace HMF Limited	304 Regent's Park Road, London, N3 2JX	Indirect
Littonace HMF No. 2 Limited	304 Regent's Park Road, London, N3 2JX	Indirect
Littonace (No.3) Limited^	8th Floor, 100 Bishopsgate, London, EC2N 4AG	Indirect
Littonace (No.4) Limited^	8th Floor, 100 Bishopsgate, London, EC2N 4AG	Indirect
Littonace (No.5) Limited^	8th Floor, 100 Bishopsgate, London, EC2N 4AG	Indirect
Littonace (No.6) Limited^	8th Floor, 100 Bishopsgate, London, EC2N 4AG	Indirect
Fairhold Homes (No.5) Limited^	8th Floor, 100 Bishopsgate, London, EC2N 4AG	Indirect

The principal activity of Fernando PropCo Holdings Limited is that of a holding company.

The principal activity of all other subsidiaries is that of property investment, specifically sheltered housing accommodation.

Companies denoted with ^ are considered to be dormant within the meaning of section 1169 of the Companies Act 2006.

Notes *(continued)*

10 Debtors: amounts due in less than one year

	2023	*2022*
	£	*£*
Accrued interest receivable from group undertakings (see note 11)	1,001,124	*476,034*

11 Debtors: amounts due after more than one year

	2023	*2022*
	£	*£*
Loan notes issued to other group undertakings SD Notes	350,555,620	*348,248,751*
Less: Allowance for expected credit losses	(4,955,620)	-
	345,600,000	*348,248,751*

At the balance sheet date, the loan notes are not overdue. However, as a result of the events described in the credit risk paragraph of the Strategic Report on page 1, the directors consider that there has been a significant increase in the credit risk associated with the SD Notes. The directors believe it is appropriate to recognise a provision for lifetime expected credit losses of £4,955,620 *(2022: £nil)* in accordance with stage 2 of the general impairment model set out in IFRS 9 and an amount of £4,955,620 has been expensed to profit and loss in the year *(2022: £nil)*

Terms and debt repayment schedule

	Currency	**Year of maturity**	**Face Value 2023 £**	**Carrying amount 2023 £**
Unsecured loan notes	GBP	2026	350,555,620	345,600,000

The terms of the loan notes allow early repayment of principal in advance of the maturity date. During the year £1,051,712 *(2022: £6,601,438)* was repaid, and £3,358,586 *(2022: £nil)* of interest was unpaid.

The interest rate on the unsecured loan notes increases over time, as follows:

Period	**Rate**
15 October 2021 to 14 October 2023	SONIA* + 1.15%
15 October 2023 to 14 October 2025	SONIA* + 1.45%
Thereafter	SONIA* + 1.65%

Notes *(continued)*

12 Creditors: amounts falling due in less than one year

	2023 £	*2022* £
Accrued interest (see note 13)	1,000,968	*475,964*
Other amounts due to group undertakings	11,288	*8,035*
	1,012,256	*483,999*

13 Creditors: amounts falling due after more than one year

	2023 £	*2022* £
Secured loan notes	350,501,515	*348,197,513*

The secured loan notes represent interest-bearing loans and borrowings held at amortised cost and repayable between one and five years other than by instalments.

Terms and debt repayment schedule

	Currency	**Year of maturity**	**Face Value 2023 £**	**Carrying amount 2023 £**
Secured loan notes	GBP	2026	350,501,515	350,501,515

The interest rate on the secured loan notes increases over time, as follows:

Period	**Rate**
15 October 2021 to 14 October 2023	SONIA* + 1.15%
15 October 2023 to 14 October 2025	SONIA* + 1.45%
Thereafter	SONIA* + 1.65%

Surplus cash after payment of interest on each semi-annual interest payment date will be used to repay principal in advance of the maturity date. During the year £1,052,945 *(2022: £6,602,487)* was repaid and £3,356,947 *(2022: £nil)* of interest was unpaid.

Notes *(continued)*

14 Capital and reserves

Share capital

No. of shares	No. of £1 ordinary shares	No. of £0.0001 ordinary shares	Total no. of ordinary shares
At 31 October 2021	50,001	276,269,215	276,319,216
At 31 October 2022 and 31 October 2023	50,001	276,269,215	276,319,216

Allotted, called up and fully paid	£1 ordinary shares £	£0.0001 ordinary shares £	Total ordinary shares £
At 31 October 2021	50,001	2,763	52,764
At 31 October 2022 and 31 October 2023	50,001	2,763	52,764

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the company.

Share Capital
This represents the nominal value received on issue of share capital.

Share Premium Account
This represents any premiums received on issue of share capital.

Capital Contribution Reserve
This represents contributions made to the equity capital of the business to which no entitlement to repayment or other consideration is attached.

Profit and Loss Account
This represents cumulative profit and loss net of distributions to owners.

Other Reserve
The other reserve has arisen as a result of the decision of the directors to recognise the investment in its subsidiary, Fernando PropCo Holdings Limited, at the nominal value of the shares issued to acquire it.

Notes *(continued)*

15 Related parties

As set out in note 1.1, in preparing these financial statements the company has taken advantage of certain disclosure exemptions conferred by FRS 101 and has not disclosed related-party transactions with other wholly-owned members of the group.

The holders of the Senior Secured Notes (see note 13) are also shareholders in Fernando Parent Limited, the ultimate parent company of the group. Interest paid to related parties in the year on these loan notes totalled £19,195,207 *(2022: £7,342,816)* with a further amount of £1,000,968 *(2022: £475,964)* accrued but not yet due at the balance sheet date.

Amounts payable to related parties

At the reporting date, the following balances were payable to related parties:

	Creditors 2023 £000	*non-current amount 2023* £000	Creditors 2022 £000	*non-current amount 2022 £000*
Shareholders in Fernando Parent Limited	351,502	350,502	348,673	*348,198*

16 Contingent liabilities

The company is part of a wider group, ultimately headed by Fernando Parent Limited. As part of the financing arrangements of the group, the company has given a fixed and floating charge against all of its assets to cover the liabilities due by the group as a whole in respect of secured loan notes issued by the group.

17 Ultimate parent company and parent company of larger group

The company is a subsidiary undertaking of Fernando JSN plc, a company incorporated in the United Kingdom. The ultimate parent company is Fernando Parent Limited, a company incorporated in the United Kingdom. There is no ultimate controlling party.

The largest and smallest group in which the results of the company are consolidated is that headed by Fernando Parent Limited, 8th Floor, 100 Bishopsgate, London, EC2N 4AG. The consolidated financial statements of the group are available to the public and may be obtained from Companies House, Crown Way, Cardiff CF14 3UZ.

18 Post balance sheet events

Leasehold reform

Subsequent to this financial year end, in November 2023, the Government made its position on leasehold reform clearer in two respects. Firstly, it published The Leasehold and Freehold Reform Bill for consideration by Parliament. The details of this Bill are under consideration and subject to consultation on its economic impact. If passed in its current form, the value of the group's portfolio would be negatively affected by the imposition of a limit to the level of ground rent to be included in enfranchisement calculations, *inter alia.* This would mean that over time, if enfranchisement became more prevalent, income from such events would be lower.

Secondly, the Government launched a consultation entitled “Modern leasehold: restricting ground rent for existing leases”. This offers five options for leasehold reform and seeks consultation responses by 17 January 2024. The exact detail of some of these options (e.g. seeking to cap ground rents at a specific value) is unspecified. However, depending on the option selected and any exact values chosen, if enacted, these reforms are highly likely to have a material impact on the cashflows of the PropCos, used to pay SD interest, and its portfolio valuation on which the SSNs are secured. In response, any such changes are likely to attract legal challenge on the basis that it represents expropriation, and the directors have taken legal advice in this regard.