
Elite UK Commercial Holdings Limited

Annual Report and Financial Statements

For the Year Ended 31 December 2023

Elite UK Commercial Holdings Limited

Directors	Nicholas David Ashmore (appointed 1 August 2021) Jonathan Richard Edmunds (appointed 1 August 2021) Joshua Liaw (appointed 19 June 2023)
Company secretary	Cornhill Secretaries Limited 5 Market Yard Mews 194-204 Bermondsey Street London SE1 3TQ
Registered number	11561164
Registered office	16 Berkeley Street London United Kingdom W1J 8DZ
Independent auditor	KPMG LLP 15 Canada Square London E14 5GL

Elite UK Commercial Holdings Limited

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**Strategic Report
For the Year Ended 31 December 2023**

Introduction

The directors present their Strategic Report for Elite UK Commercial Holdings Limited (the "Company") for the year ended 2023 (the "Financial Year").

Business review

The principal activity of the Company, through its wholly owned subsidiaries, is to invest in a diversified portfolio of income-producing properties located primarily in the UK and used primarily for commercial purposes. The Company indirectly owns 100% equity shares of subsidiary Elite Gemstones Properties Limited (the "Group"), which has a portfolio of 95 investment properties. The Company also owns 100% equity shares of Elite Kist Limited. The investment in its wholly owned subsidiaries, which comprise of a portfolio of 37 investment properties in Elite Amphora Limited and 18 investment properties in Elite Cask Limited, is funded by both equity contributions from its parent company, Elite Commercial REIT, and the issuance of listed Eurobond for £201.1m. The Company has been successfully listed on the The International Stock Exchange "the TISE" with effect from 26 August 2021.

The Company provides sufficient funds to support strategic intra-group management to its subsidiary, assist and advise in general real estate asset management. This is supported by the ultimate parent company Elite Commercial REIT.

The ultimate parent company sees the UK specifically, as a location with a strengthening economic, outlook and a safe haven for investment when compared to other markets and geographies. Through the ultimate parent company, the Company gets access to equity through the Unitholder funds raised from the stock exchange where Elite Commercial REIT was listed on the 6th February 2020.

The Company, together with its subsidiaries (the 'Group'), hold 150 assets in total and are predominantly leased to the Secretary of State for Levelling, Housing and Communities, with DWP as the primary occupier. The DWP is a uniquely counter-cyclical occupier, with the assets in the portfolio used by the DWP to provide key front-of-house services, primarily Jobcentre Plus unemployment services. Claimant counts, job centre footfall and DWP benefit spending are all highly correlated to unemployment. An increase in unemployment has historically been linked to an increase in the number of UK benefits claimants requiring services provided by the UK Government in the Group's assets. Against the macroeconomic backdrop, our assets via DWP continue to be a crucial social infrastructure serving the UK society.

On 19 April 2023, the Group announced a positive outcome of its rent escalation review for its 137 out of 150 assets, all of which occupied by DWP except for one which is occupied by MOD. The revised rent per annum for all 136 assets amounted to £36.0m, taking effect from 1 April 2023, which attributed to a net annualized rent escalation of 13.1% compared to £31.8m as at 31 March 2023. In addition, the Group have entered into a Sustainability Contribution with the DWP, where it commits to invest £14.770m towards agreed asset enhancement works over the next three years. Tranche 1 amounting to £7.440m was paid in 2022 and Tranche 2 amounting to £3.665m was paid in 2023. Tranche 3 amounting to £3.665m is due to be paid in 2024.

In terms of rent collection, the Group has received 3-months of advance rent for the period 25 December 2023 to 24 March 2024 with 99.89% received within 7 days of the date due.

The Group expects to provide a stable income to its investors as over 99.0% of rental income is derived from full repairing and insuring (triple net) leases from the UK Government.

The Group remains well capitalised, with adequate working capital and debt headroom to meet its ongoing obligations.

**Strategic Report (continued)
For the Year Ended 31 December 2023**

Macro Environment

2023 presented a formidable set of challenges for the UK, echoing the turbulence of the previous year. The nation grappled with a complex interplay of global geopolitical events, which further intensified the already inflationary pressures. These external factors weighed heavily on the UK's economic fabric.

On an annual basis, UK's GDP is projected to experience subdued growth, with an estimated increase of just 0.6% throughout 2023. This cautious trajectory is influenced by factors such as persistently high energy prices and the delicate balance between monetary policy and consumer behavior.

Bank of England's Monetary Policy Committee (MPC) raised interest rates by 0.5 percentage points to 4% in February, aiming to address the 10.5% CPI inflation observed in the previous year. Despite this, the MPC anticipates a decline in inflation to around 4% by year-end, aligning with its target of 2% inflation while managing economic output. The 12-month UK inflation rate stands at 4.0%, a significant decrease from its peak of 11.1% in October 2022. Bank of England has maintained the bank rate at 5.25% and revised its projections for a market-implied path, indicating a decline to 3.9% by the first quarter of 2025.

Growth in employment has slowed over the year, and unemployment rate stood at 3.8% with a higher proportion of people economically inactive or long-term sick.

Claimant count for people claiming unemployment related benefits from DWP in the month of December 2023 stood at 1.57 million 0.76% higher than in December 2022. As the unemployment rate rises, the significance of DWP's services becomes increasingly essential to the social fabric of the UK.

Future developments

The directors continue to be committed to the following priorities to guide the business:

- Acquisition growth strategy
- Active asset management and enhancement strategy
- Maintaining and improving high occupancy rate and rental income rates
- Prudent capital management strategy
- Debt diversification and pro-active foreign exchange rate and currency risk management strategies
- Corporate social responsibilities and sustainability practices

Focusing on our priorities at this point in the market cycle places the Company in a strong position to grow revenue and profits, continue to look for growth opportunities despite challenging economic and market conditions.

Notwithstanding the macroeconomic situation, Elite Commercial REIT is well-positioned to continue providing resilient and recessionproof returns, with over 99% of its portfolio leased to the UK Government, where a majority of the leases are signed directly with the Secretary of State for Levelling Up, Housing and Communities (formerly known as the Secretary of State for Housing, Communities and Local Government).

Elite Commercial REIT is expected to continue providing a stable income to its unitholders as it continues to collect almost 100% of its rent three months in advance.

Strategic Report (continued)
For the Year Ended 31 December 2023

Principal risks and uncertainties

The directors are conscious of the prevailing conditions in the UK economy, and the risks and uncertainties faced by property companies in general. The directors consider the nature of the Company's business and the customers profile and are of the view that the significance of impact arising from such risks to be low. 99% of the gross rental income is derived from full repairing and insuring leases to the DWP providing stable cash flow. The long term leases secured with DWP and the immediate financial support committed by the ultimate controlling party will enable the company to manage the risks.

Property market risk

As an investor in property and land held for investment properties, via its wholly owned group subsidiaries Elite Gemstones Properties Limited, Elite Amphora Limited and Elite Cask Limited, the Company is exposed to potential reductions in the value of its properties and reduction in rental values. High debt cost and low real estate volume transactions have resulted in the decline of the fair value of properties this year and this also represents a risk for the coming year. However, the directors consider the risk of adverse changes in disposal values and rental incomes to be low as a significant proportion of the Group's income is derived from leases with the DWP. The majority of the rent paid by the DWP is for jobs centres and other government offices.

Taxation risk

The directors and senior management monitor compliance with the conditions of the REIT regime. The Company has appointed experienced third-party tax advisors to assist with tax compliance matters with appropriate relevant experience. The tax advisors also prepare a tax memorandum for consideration by the board.

Financial risks

The objective of the Company's financial risk management is to manage and control the risk exposures of its operations and borrowings. The Board of Directors has overall responsibility for overseeing the management of financial risks and has put in place documented procedures designed to identify, monitor and manage the financial risks to which the Company is exposed. This note presents information about the company's exposure to financial risks, its objectives, policies and processes for managing risk and the company's management of its financial resources.

Capital structure

The capital structure of the company consists of shareholders' equity and borrowings, including cash held on deposit. Capital is managed so as to optimise the long-term success of the Company and returns to shareholders. In order to maintain or adjust the capital structure, the company may issue new shares or raise medium/ long term third party debt. Any changes will be considered in the light of the impact they have on shareholders' return on equity. The company is not subject to externally imposed capital requirements.

Interest rate risk

The Company's financing requirement is mainly from the unsecured loans from its parent company with the interest rate fixed at 5% and risk is actively managed and monitored by the parent company.

Credit risk:

Credit risk is the risk that a counterparty of the company will be unable or unwilling to meet a commitment that it has entered into with the Company. The Company's principal financial assets are bank balances and trade and other debtors.

Strategic Report (continued)
For the Year Ended 31 December 2023

Financial risks (continued)

Bank balances

The Company's bank balances are deposited at banks with high long-term credit ratings assigned by international credit rating agencies. As such, the credit risk on liquid funds is considered low.

Other receivables

The credit risk of other receivables is considered low given that these consist of amounts owed by group undertakings which are backed by the ultimate parent company.

Liquidity risk

- The Company operates within the borrowing guidelines and budgets established by parent company.
- The Company's cash position is fully backed and underwritten by the Parent Company.

Other key performance indicators

The key performance indicators of the Company are set out below:

- To grow investment property value through active asset management and enhancement strategy;
- To create sustainable returns for the shareholder through delivering efficiencies and improving working capital management; and
- To promote responsibility to achieve the highest practicable standards of health and safety and minimise the impact of our activities on the environment;
- Monitoring and managing portfolio.

This report was approved by the board on 31 May 2024 and signed on its behalf.



Joshua Liaw
Director

**Directors' Report
For the Year Ended 31 December 2023**

The directors present their report and the financial statements for the year 31 December 2023.

Directors' responsibilities statement

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. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 Reduced Disclosure Framework.

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 the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Results and dividends

The profit for the year, after taxation, amounted to £(44,822,000) (2022: loss of £30,664,000).

The Company declared a dividend of £19,601,000 in the year (2022: £17,358,000).

Directors

The directors who served during the year were:

Shaldine Wang (resigned 19 June 2023)

Dye & Durham Directors Limited (formerly 7Side Nominees Limited) (resigned 26 May 2023)

Jonathan Richard Edmunds (appointed 1 August 2021)

Joshua Liaw (appointed 19 June 2023)

Nicholas David Ashmore (appointed 1 August 2021)

Directors' Report (continued)
For the Year Ended 31 December 2023

Disclosure of information to auditor

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

The auditor, KPMG LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 31 May 2024 and signed on its behalf.



Joshua Liaw
Director

Independent Auditor's Report to the Members of Elite UK Commercial Holdings Limited

Opinion

We have audited the financial statements of Elite UK Commercial Holdings Limited (the "Company") for the year ended 31 December 2023 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2023 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the Company's business model and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Company will continue in operation.

Independent Auditor's Report to the Members of Elite UK Commercial Holdings Limited

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors as to the Company's high-level policies and procedures to prevent and detect fraud, including the channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading board minutes.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates and judgements such as investment property valuations. On this audit we do not believe there is a fraud risk related to revenue recognition because the Company's income primarily arises from dividend received from subsidiaries.

We did not identify any additional fraud risks.

We performed procedures including:

- identifying and selecting certain journal entries made at the end of the reporting period and post-closing entries for testing and comparing the identified entries to supporting documentation.
- assessing whether the judgements made in making accounting estimates are indicative of a potential bias.
- evaluating the business purpose of significant unusual transactions, if any.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors (as required by auditing standards) and discussed with the directors the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Independent Auditor's Report to the Members of Elite UK Commercial Holdings Limited

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations (continued)

The Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies' legislation), distributable profits legislation, and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

This company is not subject to other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements.

Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws or regulation.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Independent Auditor's Report to the Members of Elite UK Commercial Holdings Limited

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 5, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

Independent Auditor's Report to the Members of Elite UK Commercial Holdings Limited

The purpose of our audit work and to whom we owe our responsibilities

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.



Clason Low (Senior statutory auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

15 Canada Square

London

E14 5GL

Date: 31 May 2024

Elite UK Commercial Holdings Limited

Statement of Comprehensive Income
For the Year Ended 31 December 2023

	Note	2023 £000	2022 £000
Turnover	4	96	72
Income from shares in group undertakings	11	19,602	104,526
Gross profit		19,698	104,598
Administrative expenses		(222)	(155)
Operating profit		19,476	104,443
Impairment of investment in subsidiaries	13	(34,262)	(132,840)
Impairment of intercompany receivable	14	(30,044)	(4,077)
Intercompany balance write off	16	8	-
Interest receivable and similar income	8	10,057	11,867
Interest payable and similar expenses	9	(10,057)	(10,057)
Loss before tax		(44,822)	(30,664)
Tax on loss	10	-	-
Loss for the financial year		(44,822)	(30,664)
Other comprehensive income for the year		-	-
Total comprehensive loss for the year		(44,822)	(30,664)

The notes on pages 15 to 28 form part of these financial statements.

Elite UK Commercial Holdings Limited
Registered number: 11561164

Statement of Financial Position
As at 31 December 2023

	Note	2023 £000	2022 £000
Fixed assets			
Investments	13	10,698	44,960
Debtors: amounts falling due after more than one year	14	167,012	197,056
		<u>177,710</u>	<u>242,016</u>
Current assets			
Debtors: amounts falling due within one year	14	26,976	7,056
Cash at bank and in hand	15	69	558
		<u>27,045</u>	<u>7,614</u>
Current liabilities			
Creditors: amounts falling due within one year	16	(27,156)	(119,359)
Net current liabilities		<u>(111)</u>	<u>(111,745)</u>
Total assets less current liabilities		<u>177,599</u>	<u>130,271</u>
Non-current liabilities			
Creditors: amounts falling due after more than one year	17	(201,133)	(89,382)
Net (liabilities)/assets		<u>(23,534)</u>	<u>40,889</u>
Capital and reserves			
Share capital	19	88,900	88,900
Profit and loss account		(112,434)	(48,011)
Total equity		<u>(23,534)</u>	<u>40,889</u>

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

31 May 2024



Joshua Liaw
Director

The notes on pages 15 to 28 form part of these financial statements.

Elite UK Commercial Holdings Limited

**Statement of Changes in Equity
For the Year Ended 31 December 2023**

	Called up share capital £000	Profit and loss account £000	Total equity £000
At 1 January 2023	88,900	(48,011)	40,889
Comprehensive income for the year			
Loss for the year	-	(44,822)	(44,822)
Total comprehensive income for the year	-	(44,822)	(44,822)
Transactions with owners			
Dividends paid	-	(19,601)	(19,601)
Total transactions with owners	-	(19,601)	(19,601)
At 31 December 2023	88,900	(112,434)	(23,534)

**Statement of Changes in Equity
For the Year Ended 31 December 2022**

	Called up share capital £000	Profit and loss account £000	Total equity £000
At 1 January 2022	88,900	11	88,911
Comprehensive loss for the year			
Loss for the year	-	(30,664)	(30,664)
Total comprehensive loss for the year	-	(30,664)	(30,664)
Transactions with owners			
Dividends paid	-	(17,358)	(17,358)
Total transactions with owners	-	(17,358)	(17,358)
At 31 December 2022	88,900	(48,011)	40,889

The notes on pages 15 to 28 form part of these financial statements.

**Notes to the Financial Statements
For the Year Ended 31 December 2023**

1. General information

Elite UK Commercial Holdings Limited ("the Company") is a limited company domiciled and incorporated in England and Wales. The Company's registered office is provided on the Company information page.

2. Accounting policies

2.1 Basis of preparation of financial statements

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

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of international accounting standards in conformity with the requirements of the Companies Act 2006 ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (note 3).

The following principal accounting policies have been applied:

2.2 Financial reporting standard 101 - reduced disclosure exemptions

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of IFRS 7 Financial Instruments: Disclosures
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements
- the requirements of IAS 7 Statement of Cash Flows
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member
- the requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

2.3 Exemption from preparing consolidated financial statements

The Company is a parent company that is also a subsidiary included in the consolidated financial statements of its ultimate parent undertaking established under the law of a non-EEA state and is therefore exempt from the requirement to prepare consolidated financial statements under section 401 of the Companies Act 2006 (note 21).

**Notes to the Financial Statements
For the Year Ended 31 December 2023**

2. Accounting policies (continued)

2.4 Going concern

The Company is a member of the Elite Commercial REIT group ('the Group') and is reliant on other members of the Group to perform certain operational and administrative functions on behalf of the Company. Further, the Company has interest bearing borrowings from other companies in the Group. The Company expects to meet its obligations on these loans from interest income and dividends received from its subsidiary. Therefore, in assessing the going concern assumption for the Company the Director has also considered the financial prospects of the wider Group.

The Group's principal activity is to invest, directly or indirectly, in commercial assets and real estate-related assets in the United Kingdom. The Group's current portfolio, which is held entirely by the Company's subsidiaries, comprises 150 quality commercial buildings located across the UK with over 99.0% of the Company's revenue is derived from the current leases with the UK Government via The Secretary of State for Levelling Up, Housing and Communities. The Group has prepared cash flow forecasts for at least the next 12 months from the date of approval of these financial statements which show income from these leases is sufficient to enable the Group to meet its liabilities when they fall due.

At the date of approval of these financial statements the only external loans held by the Group is that held by the Company's indirect subsidiaries. These loans are secured on the subsidiaries investment properties and includes financial covenants of Loan-to-Value with a maximum of 60% and Interest Cover with a minimum of 1.75 and 2.50. The subsidiaries have complied with these covenants throughout 2023 and to the date of approval of these financial statements and the Group forecasts that compliance will continue for at least the next 12 months given the secure nature of the Group's income.

At the year end, the Company's net current liability was £111k and net liability position was £23.5m, and the loss for the year was £44.8m. Elite Commercial REIT has indicated its intention to continue to make available such funds as are needed by the company, and that it does not intend to seek repayment of the amounts currently due to the group, which at 31 December 2023 amounted to £228.2m, during the going concern assessment period. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

In March 2024, the Group secured £135.0m in credit facilities from various financial institutions for loan refinancing, specifically for Elite Gemstones Limited. A total of £30.2m was prepaid on loans from Lloyds and DB banks. Additionally, Elite Amphora Limited and Elite Cask Limited has received term sheet from existing lenders for extension (to April 2025) of Lloyds/CIMB loans, for the portfolios of Elite Amphora Limited and Elite Cask Limited, with a potential value of up to £64.0m. Elite Amphora Limited and Elite Cask Limited are also in discussion with other lenders to refinance Lloyds/CIMB loan and has received a indicative term sheet from one of the lenders for a £65m loan facility with term of 36 months. In the event the maturity date for loan is not extended, the Group considers its existing multicurrency debt issuance programme of S\$300m (equivalent to £178.6 million) a viable alternative for additional fund raising. The Company is not a party to this external loan agreement between Elite Amphora Limited, Elite Cask Limited and Lloyds/CIMB. Also, Lloyds/CIMB does not have recourse to the Company's net assets in event of default by Elite Amphora Limited/Elite Cask Limited.

Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

**Notes to the Financial Statements
For the Year Ended 31 December 2023**

2. Accounting policies (continued)

2.5 Impact of new international reporting standards, amendments and interpretations

The following new accounting amendments have been applied in preparing these financial statements:

- IFRS 17 Insurance Contracts (effective 1 January 2023)
- IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 (Amendment – Disclosure of Accounting Policies) (effective 1 January 2023)
- IAS 8 Accounting policies, Changes in Accounting Estimates and Errors (Amendment - Definition of Accounting Estimates) (effective 1 January 2023)
- IAS 12 Income Taxes (Amendment – Deferred Tax related to Assets and Liabilities arising from a Single Transaction) (effective 1 January 2023)

There are no other new standards which are expected to materially affect the Company's financial statements. Adoption of the above standards had no impact on the Financial Statements.

New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2023 reporting periods and have not been early adopted by the Company. These standards, which are listed below, are not expected to have a material impact on the Company in the current or future reporting periods and on foreseeable future transactions.

- IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures (Amendment – Supplier Finance Arrangements) (effective 1 January 2024)
- IFRS 16 Leases (Amendment - Liability in a Sale and Leaseback) (effective 1 January 2024)
- IAS 21 - The Effects of Changes in Foreign Exchange Rates (Amendment - Lack of Exchangeability) (Effective 1 January 2025)
- IAS 1 Presentation of Financial Statements (Amendment — Classification of Liabilities as Current or Non-Current) (effective 1 January 2024)

2.6 Foreign currency translation

Functional and presentation currency

The Company's financial statements are presented in pounds sterling, the Company's functional currency, and are rounded to the nearest thousand.

Transactions and balances

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

**Notes to the Financial Statements
For the Year Ended 31 December 2023**

2. Accounting policies (continued)

2.6 Foreign currency translation (continued)

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

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of Comprehensive Income within 'Other finance income or costs'. All other foreign exchange gains and losses are presented in the Statement of Comprehensive Income within 'other operating income'.

2.7 Interest income

Interest income is recognised in the Statement of Comprehensive Income using the effective interest method.

2.8 Finance costs

Finance costs are charged to the Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.9 Borrowing costs

All borrowing costs are recognised in the Statement of Comprehensive Income in the year in which they are incurred.

2.10 Taxation

Tax is recognised in profit or loss except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company operates and generates income.

2.11 Impairment of investments

Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets that have been previously impaired are reviewed at each reporting date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

Notes to the Financial Statements
For the Year Ended 31 December 2023

2. Accounting policies (continued)

2.12 Investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.13 Financial instruments

The Company recognises financial instruments when it becomes a party to the contractual arrangements of the instrument. Financial instruments are de-recognised when they are discharged or when the contractual terms expire. The Company's accounting policies in respect of financial instruments transactions are explained below:

Financial assets and financial liabilities are initially measured at fair value.

Financial assets

All recognised financial assets are subsequently measured in their entirety at either fair value or amortised cost, depending on the classification of the financial assets.

The Company's financial assets measured at amortised cost in the Statement of Financial Position comprise loans due from group companies and cash at bank and in hand.

These assets arise where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest method, less provision for impairment. Interest income is recognised in the Statement of Comprehensive Income using the effective interest method.

Financial liabilities

The Company's accounting policy for financial liabilities is outlined below.

Financial liabilities include the following items:

- Loans due to group companies, which are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest-bearing liabilities are subsequently measured at amortised cost using the effective interest method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the Statement of Financial Position. For the purposes of each financial liability, interest expense includes initial transaction costs and any premium payable on redemption, as well as any interest or coupon payable while the liability is outstanding.
- Trade payables, loans due from group companies and other short-term monetary liabilities, which are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

**Notes to the Financial Statements
For the Year Ended 31 December 2023**

2. Accounting policies (continued)

2.13 Financial instruments (continued)

Derecognition of financial assets and financial liabilities

Financial assets

The Company derecognises a financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) when:

- the rights to receive cash flows from the asset have expired; or
- the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'passthrough' arrangement where either:
 - the Company has transferred substantially all the risks and rewards of the asset; or
 - the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Financial liabilities

The Company derecognises a financial liability (or, where applicable a part of a financial liability or part of a group of similar financial liabilities) when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of the existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Comprehensive Income.

2.14 Income from shares in group undertakings

Dividend income is recognised when the right to receive it is established and is reflected in the Statement of Comprehensive Income as Income from shares in group undertakings in the revenue column.

Special dividends and distributions described as capital contributions are assessed on their individual merits and may be credited to capital reserve if considered to be closely linked to reconstructions of the investee company or other capital transactions.

2.15 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

**Notes to the Financial Statements
For the Year Ended 31 December 2023**

3. Judgements in applying accounting policies and key sources of estimation uncertainty

The preparation of financial statements requires the use of critical judgement, estimates and assumptions that affect the application of policies and reported amount of assets and liabilities, income and expenses.

Estimates and assumptions concerning the future, and the accounting results of those estimates will, by definition, rarely equal the related actual results.

In preparing these financial statements, the directors have not had to make any significant estimate.

Impairment of investments

The Company assesses at each reporting date whether investments may be impaired. If any such indication exists, the Company estimates the recoverable amount of investments. If the recoverable amount is less than its carrying amount, the carrying amount of the investment is impaired and it is reduced to its recoverable amount through impairment in the Statement of Comprehensive Income.

4. Turnover

An analysis of turnover by class of business is as follows:

	2023 £000	2022 £000
Other income	96	72

All turnover arose within the United Kingdom.

5. Auditor's remuneration

	2023 £000	2022 £000
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	14	26

6. Employees

The Company has no employees (2022: none) other than the directors, who received £887 in remuneration (2022: £nil).

7. Directors' remuneration

In the year to 31 December 2023, the directors received remuneration of £887 (2022: £nil) in respect of services as directors of the Company.

Elite UK Commercial Holdings Limited

**Notes to the Financial Statements
For the Year Ended 31 December 2023**

8. Interest receivable and similar income

	2023 £000	2022 £000
Interest receivable from group companies	10,057	11,867

9. Interest payable and similar expenses

	2023 £000	2022 £000
Interest payable on shareholders' loan	10,057	10,057

10. Taxation

	2023 £000	2022 £000
Current tax on profits/(losses) for the year	-	-
Total current tax	-	-

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2022: higher than) the standard rate of corporation tax in the UK of 19% up to 31 March 2023 and 25% from 1 April 2023 onwards (2022: 19%). The differences are explained below:

	2023 £000	2022 £000
Profit/(loss) before tax	(44,822)	(30,664)
Profit/(loss) before tax multiplied by standard rate of corporation tax in the UK of 19% and 25% (2022: 19%)	(10,533)	(5,826)
Effects of:		
Effects of tax-exempt items under REIT regime	10,533	5,826
Total tax charge for the year	-	-

Notes to the Financial Statements
For the Year Ended 31 December 2023

10. Taxation (continued)

Factors that may affect future tax charges

As a result of the Group's conversion to a REIT on 27 August 2021, the Group is no longer required to pay UK corporation tax in respect of property rental income and capital gains relating to its property rental business.

Due to the Group's status as a REIT and the intention to continue meeting the conditions required to retain approval as a REIT in the foreseeable future, the Group has not provided deferred tax on any capital gains and losses arising on the revaluation of the investment property.

11. Income from shares in group undertakings

	2023 £000	2022 £000
Dividends received	19,602	104,526
	<u>19,602</u>	<u>104,526</u>

During the year, the Company received dividends of £19.6m (2022: £98.9m) from its subsidiary Elite UK Commercial Limited.

During the year, the Company received dividends of £nil (2022: £5.6m) from its subsidiary Elite Kist Limited.

12. Dividends

	2023 £000	2022 £000
Dividends declared	19,601	17,358
	<u>19,601</u>	<u>17,358</u>

During March 2023, the Company declared dividends of £10.1m (2022: £6.9m in February) to its parent company, Elite Commercial REIT. Later in the year, further dividends of £9.5m (2022: £10.5m) were declared.

Elite UK Commercial Holdings Limited

**Notes to the Financial Statements
For the Year Ended 31 December 2023**

13. Investments

	Investments in subsidiary companies £000
Cost	
At 1 January 2023	177,800
At 31 December 2023	<u>177,800</u>
Impairment	
At 1 January 2023	132,840
Charge for the year	34,262
At 31 December 2023	<u>167,102</u>
Net book value	
At 31 December 2023	<u>10,698</u>
At 31 December 2022	<u>44,960</u>

On 19 October 2023, Elite UK Commercial Investments Limited was dissolved and the investment of £1 in the company was written off.

At the end of the year, the Company's investment in its subsidiary, Elite UK Commercial Limited was impaired by £34,262,096.

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Registered office	Class of shares	Holding
Elite Kist Limited	16 Berkeley Street, London, United Kingdom, W1J 8DZ	Ordinary	100%
Elite UK Commercial Limited	16 Berkeley Street, London, United Kingdom, W1J 8DZ	Ordinary	100%

Elite UK Commercial Holdings Limited

**Notes to the Financial Statements
For the Year Ended 31 December 2023**

14. Debtors

	2023	2022
	£000	£000
Due after more than one year		
Amounts owed by subsidiary undertakings	167,012	197,056
	167,012	197,056

Amounts owed by subsidiary undertakings include a loan of £55.3m (2022: £85.3m) provided to Elite Kist Limited, a subsidiary company. The original loan is for £89.4m however, during the year an impairment of £30m (2022: £4.1m) has been provided due to the loan being partly irrecoverable. The loan is unsecured, bears interest of 5% per annum and is repayable in January 2025.

In the prior year, as part of restructuring, the Company provided a loan of £111.7m to its subsidiary Elite Commercial UK Limited. The loan is unsecured, bears interest of 5% per annum. The loan is repayable by 25 October 2025.

The interest received during the year amounted to £10.1m (2022: £11.9m) (note 8) with £4.2m (2022: £4.2m) (see below) outstanding as at year end.

	2023	2022
	£000	£000
Due within one year		
Interest on amounts owed by subsidiary undertakings	4,212	4,216
Amounts owed by group undertakings	22,754	2,771
Other debtors	-	65
VAT repayable	5	-
Prepayments and accrued income	5	4
	26,976	7,056

Included with amounts owed by group undertakings is an amount of £18.5m (2022: £1.9) which relates to dividend declared not yet received.

Amounts owed by group undertakings are unsecured, interest free and repayable on demand.

15. Cash and cash equivalents

	2023	2022
	£000	£000
Cash at bank and in hand	69	558
	69	558

Notes to the Financial Statements
For the Year Ended 31 December 2023

16. Creditors: amounts falling due within one year

	2023 £000	2022 £000
Shareholders' loan	-	111,751
Amounts owed to parent undertaking	17,621	2,761
Interest on amounts owed on shareholder loans	4,216	4,216
Amount owed to group undertakings	5,264	597
Accruals and deferred income	55	34
	27,156	119,359

In the prior year, shareholders' loans included an amount of £111.8m relating to Eurobond 'Series 1', which is listed on The International Stock Exchange (TISE), issued to Perpetual (Asia) Limited in its capacity as trustee of Elite Commercial REIT, the ultimate controlling party of the Company. The loan was repayable in November 2023. During the year, the Company repaid the Eurobond 'Series 1' Loan Notes fully following the issue of new Loan Notes as detailed in Note 17 below.

Interest was incurred on the bond at a fixed rate of 5% per annum and was paid bi-annually in February and August. The accrued interest outstanding at year end is £1.6m (2022: £2.3m). Interest charged for the year amounted to £4.9m (2022: £5.6m) (note 9).

Amount owed to parent undertaking includes an amount of £17.6m (2022: £2.7m) which relates to dividends declared but not yet paid at the year end. During March and April 2024, £6.2m of the £17.6m dividend declared was paid.

Included in amounts owed to group undertakings was £8k (2022: £8k) owed to a subsidiary, Elite UK Commercial Investments Limited. This amount was waived during the year following the dissolution of the company in October 2023.

Amounts owed to group undertakings are unsecured, interest free and repayable on demand.

17. Creditors: amounts falling due after more than one year

	2023 £000	2022 £000
Shareholders' loans	201,133	89,382
	201,133	89,382

Included in shareholders' loans at the start of the year is a £89.4m (2022: £89.4m) Eurobond 'Series 2' Loan Notes which is listed on The International Stock Exchange (TISE), and issued to Perpetual (Asia) Limited in its capacity as trustee of Elite Commercial REIT, the ultimate controlling party of the Company.

During the year the Company issued an additional Eurobond 'Series 2' amounting to £111.8m in order to redeem the Eurobond 'Series 1' Loan Notes (note 16). The new Eurobond is listed on The International Stock Exchange (TISE), and issued to Perpetual (Asia) Limited in its capacity as trustee of Elite Commercial REIT, the ultimate controlling party of the Company.

Notes to the Financial Statements
For the Year Ended 31 December 2023

17. Creditors: amounts falling due after more than one year (continued)

Both Eurobond 'Series 2' loan amounts totalling £201.1m are still outstanding at the year end and are repayable in October 2025.

Interest is incurred on the bonds at a fixed rate of 5% per annum and is paid bi-annually in February and August, with the accrued interest outstanding at year end being £2.6m (2022: £1.9m) (note 16). Interest charged for the year amounted to £5.2m (2022: £4.5m) (note 9).

18. Financial instruments

	2023 £000	2022 £000
Financial assets		
Cash and cash equivalents	69	558
Financial assets measured at amortised cost	224,022	208,189
	<u>224,091</u>	<u>208,747</u>
Financial liabilities		
Financial liabilities measured at amortised cost	<u>(228,289)</u>	<u>(208,741)</u>

Financial assets measured at amortised cost comprise amounts due from group companies, other debtors and cash and cash equivalents.

Financial liabilities measured at amortised cost comprise trade creditors, accruals, other creditors and amounts due to group companies.

19. Share capital

	2023 £000	2022 £000
Alloted, called up and fully paid		
88,900,000 (2022: 88,900,000) Ordinary shares of £1 each	88,900	88,900
	<u>88,900</u>	<u>88,900</u>

At the start and the end of the year, the Company had 88.9m (2022: £88.9m) issued and fully paid Ordinary shares of £1 each.

**Notes to the Financial Statements
For the Year Ended 31 December 2023**

20. Post balance sheet events

Following the reporting period, the Group secured £135.0m in committed credit facilities from financial institutions. Additionally, an indicative term sheet was received from existing lenders (Lloyds/CIMB) for a 12-month extension (until January 2026) for up to £64.0m for subsidiaries within the Group, originally due in January 2025. Post-reporting period, £30.2m was prepaid against existing loans for both Lloyds and DB banks.

21. Controlling party

As at the year end date and at the date of this Annual Report, Elite UK Commercial Holdings Limited is a wholly owned subsidiary of Elite Commercial REIT, a trust constituted in Singapore.

The ultimate parent is Elite Commercial REIT. Perpetual (Asia) Limited, in its capacity as trustee of Elite Commercial REIT is the ultimate controlling party. Its address is 16 Collyer Quay, #07-01, Singapore 049318.

Publicly available consolidated financial statements are produced by Elite Commercial REIT and are available on the company's website, <https://www.elitecreit.com/>.

The entity has extended parental guarantees to its subsidiaries, Elite Kist Limited and Elite UK Commercial Limited.