

Registered Number 112018

LINKS HEALTHCARE REIT LIMITED

Unaudited Consolidated Financial Statements

For the period from 1 January 2024 to 30 June 2024

LINKS HEALTHCARE REIT LIMITED

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LINKS HEALTHCARE REIT LIMITED

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Corporate information

DIRECTORS

Gary Wilder
Theresa Beard
Nick Bland

REGISTERED OFFICE

Ocorian Fund Services (Jersey) Limited
26 New Street,
St Helier
Jersey
JE2 3RA

COMPANY SECRETARY

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

INVESTMENT ADVISERS

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

LEGAL ADVISORS

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

Norton Rose LLP
3 More London Riverside,
London
SE1 2AQ

Report of the Directors**For the period from 1 January 2024 to 30 June 2024**

The Directors present their report and the unaudited interim consolidated financial statements of Links Healthcare REIT Limited (the "Company") and its subsidiaries (together the "Group") for the period ended 30 June 2024.

RESULTS

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

PRINCIPAL ACTIVITY AND BUSINESS REVIEW

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

With effect from 17 June 2022 the Company converted its regulatory status from being an unclassified investment fund under the Collective Investment Funds (Jersey) Law 1998 to an Unregulated Fund (as such term is defined in the Collective Investment Funds (Unregulated Funds) (Jersey) Order 2008).

The rental income for the period ended 30 June 2024 amounted to £35,298,003 (period ended 30 June 2023: £33,432,210).

As at 30 June 2024, the Group held investment properties valued at £1,277,665,000 (31 December 2023: £1,277,665,000).

Key risks

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

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

The risks and Group policies to address these are further described in note 2.

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

RESULTS AND DISTRIBUTIONS

The results for the period are set out in the consolidated statement of comprehensive income on page 5 of the consolidated Financial Statements.

During the period the directors declared dividends in the sum of £26,972,122, £492.97 per share in respect of the period ended 30 June 2024 (30 June 2023: £22,419,807, £409.76 per share). As at 30 June 2024 dividend payable amounts to £10,752,234 (31 December 2023: £16,064,172). See page 7.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG)

In accordance with the business model and operation of the assets for Links Healthcare REIT Limited, whilst the Group leases do not contain any specific obligations on the tenant to report on, or reduce emissions at the properties, the tenant is obliged to ensure the hospitals are compliant with all applicable legislation and regulatory standards. This covers any sustainability related legislation, including maintaining compliant energy performance certificates (EPC). The EPC ratings for all assets in the portfolio were re-assessed in early 2023. All assets achieved either a B or C rating (English equivalent for the Scottish asset) making them comfortably compliant with the Minimum Energy Efficiency Standards legislation (which define a minimum E rating to be held).

The tenant has a strong focus on sustainability and reducing emissions, led from the executive management level. They have an industry-leading target to achieve net zero carbon emissions by 2030 and continue to invest heavily in sustainability-linked initiatives across all of the hospitals in the portfolio. Examples include including installing energy-efficient LED lighting, replacing and upgrading windows, installing state-of-the-art air exchange and heating/chilling systems and upgrading clinical equipment to the latest, energy-efficient products.

Private hospital assets, whilst being inherently energy intensive, provide a valuable service to society, through the provision of healthcare. In December 2022, the UK government announced the formation of the Elective Recovery Taskforce, recognising the importance of the private healthcare sector as a key provider of assistance in helping to reduce the ever-growing National Health Service ("NHS") waiting list. A number of specific measures aimed at increasing utilisation of the private sector by the NHS were announced in August 2023.

Since this is an ongoing discussion, management is reviewing the situation and will perform the assessment once a final outcome is available.

Report of the Directors (continued)**For the period from 1 January 2024 to 30 June 2024****GOING CONCERN**

The Directors have made an assessment of the Group's ability to continue as a going concern and they expect that the Group will continue in its operational existence for a period of at least 12 months from the date of approval of the financial statements based on the fact that revenue is secured through property leases up to 2042.

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

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

The Group has met the loan covenants within the financial covenant of the loan to value of 85% and required interest cover ratio of 1.5:1. The Group had a positive cash inflow from operating activities during the period amounting to £35,131,140 (2023: £33,417,000) and has forecasted to continue generating positive cashflow from core business to enable it to meet its financial obligations for a period of at least twelve months from the date of signing of the financial statements. The Group will continue to use its existing assets to continue to meet its financial obligations in full as they become due.

As at 30 June 2024, the Group had net current liabilities of £11,060,000 (31 December 2023: £5,864,000). The net current liabilities position is partially due to deferred revenue collected in advance, held as deferred revenue on the balance sheet. If deferred revenue is excluded, the Group will be in a net asset position.

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

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

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

There is no evidence to 30 June 2024 that the implications of the war in Ukraine, have adversely affected the Group's activities operations. The Directors will continue to monitor the developments and assess for any changes.

Based on the above and steps taken by the Company, the Board of Directors has reasonable expectation that the Company has adequate resources to continue its

DIRECTORS

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

Gary Wilder
Nicholas Bland
Theresa Beard

None of the directors hold any interest in the shares of the Group.

COMPANY SECRETARY

The Group Secretary of the Company during the period and, unless otherwise indicated, up to the date on which the consolidated financial statements were approved is Ocorian Secretaries (Jersey) Limited.

Report of the Directors (continued)
For the period from 1 January 2024 to 30 June 2024

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the consolidated financial statements in accordance with applicable law and regulations.

Pursuant to the Companies (Jersey) Law 1991, as amended (the "Law"), the Group is required to prepare consolidated financial statements for each financial period. The Directors have elected to prepare the consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB). The consolidated financial statements are required by Law to give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group for that period.

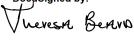
International Accounting Standard 1 requires that consolidated financial statements present fairly for each financial period the Group's consolidated financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and presentation of consolidated financial statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs. However, the Directors are also required to:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- make judgements and estimates that are reasonable and prudent;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's consolidated financial position and financial performance; and
- make an assessment of the Group's ability to continue as a going concern.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the consolidated financial position of the Group and enable them to ensure that the consolidated financial statements comply with the Law. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

BY ORDER OF THE BOARD

DocuSigned by:

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Director

Date: 25 September 2024

Consolidated statement of comprehensive income
For the period from 1 January 2024 to 30 June 2024

		Period from 1 January 2024 to 30 June 2024 £'000	Period from 1 January 2023 to 30 June 2023 £'000
	Notes		
Revenue	5	35,298	33,432
Other income	5	112	34
Administrative expenses	6	(436)	(415)
Depreciation on right of use assets	7	(30)	(30)
Operating profit		34,943	33,021
Net finance cost	8	(5,906)	(6,124)
Profit for the period before income tax		29,037	26,897
Tax		(5,938)	(5,563)
Profit for the period after income tax		23,100	21,334
Profit attributable to equity holders		23,100	21,334
Other comprehensive income	21	(9,103)	8,770
Total comprehensive income for the period		13,997	30,104
Attributable to equity holders		13,997	30,104

All items dealt with in arriving at the total comprehensive income for the period ended 30 June 2024 related to continuing operations.

		30 June 2024 £'000	31 December 2023 £'000
ASSETS			
Non-current assets			
Investment properties	12	1,277,665	1,277,665
Derivative financial instruments		44,289	53,392
Right of use assets	13	3,239	3,269
Total non-current assets		1,325,193	1,334,326
Current assets			
Trade and other receivables	15	2,952	8,138
Cash and cash equivalents	16	17,683	16,960
Total current assets		20,635	25,098
Total assets		1,345,827	1,359,424
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Group			
Share capital	21	1	1
Share premium	21	5,470	5,470
Cash flow hedging reserve	21	44,289	53,392
Retained earnings		465,309	469,182
Total equity attributable to equity holders of the Group		515,069	528,045
Non-current liabilities			
Lease liabilities	19	3,372	3,386
Borrowings	17	795,591	795,325
Intercompany payable		100	1,722
Total non-current liabilities		799,063	800,433
Current liabilities			
Lease liabilities	19	27	27
Other payables	18	31,668	30,919
Total current liabilities		31,695	30,946
Total equity and liabilities		1,345,827	1,359,424

Registered Number 112018

Director

Consolidated statement of changes in equity
For the period from 1 January 2024 to 30 June 2024

	Share capital * £'000	Share premium £'000	Cash flow hedging reserve £'000	Accumulated profit £'000	Total equity £'000
Balance at 1 January 2024	1	5,470	53,392	469,182	528,045
Net profit for the period	-	-	-	23,100	23,100
Swap fair value movement	-	-	(9,103)	-	(9,103)
Dividends paid **	-	-	-	(26,972)	(26,972)
Balance at 30 June 2024	1	5,470	44,289	465,309	515,069

	Share capital * £'000	Share premium £'000	Cash flow hedging reserve £'000	Accumulated profit £'000	Total equity £'000
Balance at 1 January 2023	1	5,470	85,625	533,980	625,076
Net profit for the period	-	-	-	21,334	21,334
Swap fair value movement	-	-	8,770	-	8,770
Dividends paid **	-	-	-	(22,420)	(22,420)
Balance at 30 June 2023	1	5,470	60,511	620,909	632,759

* The share capital amounts to £547.14 (2023: £547.14) (note 21).

** The total dividend paid per share for the period ended 30 June 2024 is £492.97 (30 June 2023: £409.76).

Consolidated statement of cash flows
For the period from 1 January 2024 to 30 June 2024

		Period from 1 January 2024 to 30 June 2024 £'000	Period from 1 January 2023 to 30 June 2023 £'000
	Notes		
Cash flow from operating activities			
Cash generated from operations	23	35,131	33,400
Income tax paid		(5,277)	(5,300)
Net cash flows from operating activities		<u>29,854</u>	<u>28,100</u>
Cash flows from financing activities			
Increase in intercompany payable		3,193	124
Interest paid		(5,599)	(5,599)
Dividend paid		(26,726)	(22,155)
Net cash flows used in financing activities		<u>(29,132)</u>	<u>(27,629)</u>
Net increase in cash and cash equivalents		723	470
Cash and cash equivalents at beginning of the period		16,960	15,928
Cash and cash equivalents at the end of the period	16	<u><u>17,683</u></u>	<u><u>16,398</u></u>

The notes on pages 9 to 28 form an integral part of these unaudited consolidated financial statements

Notes to the consolidated financial statements
For the period from 1 January 2024 to 30 June 2024

1. Accounting policies

General information

Links Healthcare REIT Limited (the "Company") was incorporated on 6 December 2012 as a public company under the Companies (Jersey) Law 1991, with registered number 112018. The registered office is 26 New Street, St Helier, Jersey, JE2 3RA, Channel Islands.

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

With effect from 17 June 2022, the Company converted its regulatory status from being an unclassified investment fund under the Collective Investment Funds (Jersey) Law 1998 to an Unregulated Fund (as such term is defined in the Collective Investment Funds (Unregulated Funds) (Jersey) Order 2008).

Basis of preparation

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

These consolidated financial statements have been prepared under the historic cost convention as modified by the revaluation of investment properties and derivatives.

Under Article 105(11) of the Companies (Jersey) Law 1991, the Directors of a holding Company need not prepare separate financial statements (i.e. company only financial statements) if consolidated financial statements for the Company are prepared, unless required to do so by the members of the Company by ordinary resolution. The members of the Company have not passed a resolution requiring separate financial statements and, in the Directors' opinion, the Company meets the definition of a holding company. As permitted by the law, the Directors have elected not to prepare separate accounts.

The preparation of consolidated financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. Changes in assumptions may have a significant impact on the consolidated financial statements in the period the assumptions changed. The Directors believe that the underlying assumptions are appropriate. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the unaudited consolidated financial statements, are disclosed in note 4.

Consolidated statement of comprehensive income and consolidated statement of cash flows

The Group has elected to present all items of income and expense recognised in a period in a single consolidated statement of comprehensive income and presents its expenses by function.

The Group reports cash flows from operating activities using the indirect method. Interest paid is presented within financing cashflows. The acquisitions of investment properties are disclosed as cash flows under investing activities because this most appropriately reflects the Group's business activities.

Changes in accounting policy and disclosures

(a) New Standards and amendments applicable 1 January 2024

In the current period, the Group has applied a number of amendments to IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting year that begins on or after 1 January 2024. The new standards issued during the period do not have a material impact on the Group.

Amendments to IFRS 16: Lease Liability in a Sale and Leaseback

In September 2022, the IASB issued amendments to IFRS 16 to specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and must be applied retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16. Earlier application is permitted and that fact must be disclosed.

The amendments are not expected to have a material impact on the Group's financial statements.

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

In January 2020 and October 2022, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

In addition, a requirement has been introduced to require disclosure when a liability arising from a loan agreement is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

Notes to the consolidated financial statements
For the period from 1 January 2024 to 30 June 2024

1. Accounting policies (continued)

Basis of preparation (continued)

Changes in accounting policy and disclosures (continued)

(a) New standards, amendments and interpretations issued and effective for the financial year beginning 1 January 2024 (continued)

Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7

In May 2023, the IASB issued amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures to clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk.

The amendments will be effective for annual reporting periods beginning on or after 1 January 2024. Early adoption is permitted, but will need to be disclosed.

The amendments are not expected to have a material impact on the Group's financial statements.

Amendments to IAS 1: Classification of debt with covenants

The new amendments aim to improve the information an entity provides when its right to defer settlement of a liability is subject to compliance with covenants within twelve months after the reporting period.

The amendments will be effective for annual reporting periods beginning on or after 1 January 2024. Early adoption is permitted, but will need to be disclosed.

The amendments are not expected to have a material impact on the Group's financial statements.

(b) New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2027 and not early adopted

The following new and amended standards and interpretations have been issued and are mandatory for the Group's accounting periods beginning on or after 1 January 2025 or later periods and are expected to be relevant to the Group.

The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

Standard	Effective date
- IFRS 18 Presentation and disclosure in Financial Statements	1 January 2027

Notes to the consolidated financial statements
For the period from 1 January 2024 to 30 June 2024

1. Accounting policies (continued)

Basis of consolidation

The Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date the Company gains control until the date the Group ceases to control the subsidiary.

For acquisitions meeting the definition of a business, the acquisition method of accounting is used. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

Acquisition-related costs in relation to business combination are expensed as incurred. If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss. Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IFRS 9 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

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

The consolidated financial statements incorporate the results of the Company's subsidiaries. The accounting policies of subsidiaries has been aligned with the policies adopted by the Group. All the Group companies have 31 December as their year end. All intra-group transactions, balances, income, expenses and cash flows relating to transactions between the members of the group are eliminated on consolidation.

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

Going concern

The Directors have made an assessment of the Group's ability to continue as a going concern and they expect that the Group will continue in its operational existence for a period of at least 12 months from the date of approval of the financial statements based on the fact that revenue is secured through property leases up to 2042.

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

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

The Group has met the loan covenants within the financial covenant of the loan to value of 85% and required interest cover ratio of 1.5:1. The Group had a positive cash inflow from operating activities during the period amounting to £35,131,140 (2023: £33,417,000) and has forecasted to continue generating positive cashflow from core business to enable it to meet its financial obligations for a period of at least twelve months from the date of signing of the financial statements. The Group will continue to use its existing assets to continue to meet its financial obligations in full as they become due.

As at 30 June 2024, the Group had net current liabilities of £11,060,000 (31 December 2023: £5,864,000). The net current liabilities position is partially due to deferred revenue collected in advance, held as deferred revenue on the balance sheet. If deferred revenue is excluded, the Group will be in a net asset position.

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

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

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

There is no evidence to 30 June 2024 that the implications of the war in Ukraine, have adversely affected the Group's activities operations. The Directors will continue to monitor the developments and assess for any changes.

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

Notes to the consolidated financial statements
For the period from 1 January 2024 to 30 June 2024

1. Accounting policies (continued)

Foreign currency translation

(a) Functional and presentation currency

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

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

(b) Transactions and balances

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

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented net in the consolidated statement of comprehensive income within finance costs and finance income respectively.

Revenue recognition

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

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

Dividends

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

Finance income and expenses

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

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

Expenses

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

Investment properties

Investment properties comprise land and buildings which are held for long term rental yields or for capital appreciation or both in accordance with IAS 40 'Investment Property.' Land and buildings are shown at their fair value at year end with fair value movement posted through the consolidated statement of comprehensive income.

Subsequent costs are included in the investment property's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the consolidated statement of comprehensive income during the financial year in which they are incurred.

The investment properties are not depreciated.

Land held under operating leases is classified and accounted for by the Group as investment property when the rest of the definition of investment property is met.

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

Notes to the consolidated financial statements
For the period from 1 January 2024 to 30 June 2024

1. Accounting policies (continued)

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

Restricted cash

Restricted cash comprise of cash and cash equivalents whose withdrawal or usage is legally restricted for certain purposes and for which the Group is not able to legally access without the prior consent of a third party. This includes legally restricted deposits held as collateral under derivative contracts, interest reserve deposits held with lending banks and cash balances held in bank accounts that are collateralised with the lenders in order to fulfil the requirements under derivative contracts and borrowing facility agreements. Restricted cash is not available for general use by the Group until after the related contract has been settled or settlement of interest payments. Such restricted cash is disclosed on statement of financial position as other receivables and classified as current unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

Financial instruments

i. Recognition and initial measurement

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

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

ii. Classification and subsequent measurement

Financial assets

a. Classification

The Group classifies its financial assets in the following measurement category:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

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

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

Notes to the consolidated financial statements
For the period from 1 January 2024 to 30 June 2024

1. Accounting policies (continued)

b. Subsequent measurement

Debt instruments

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

Financial liabilities

Financial liabilities are classified as either financial liabilities "at FVTPL" or "other financial liabilities".

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

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

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

iii. Derecognition

Financial assets

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

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

Financial liability

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

iv. Impairment

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Derivative financial instruments and hedge accounting

The Group uses interest rate swaps to hedge its risks associated with interest rates. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are recognised as financial assets when the fair value is positive and as liabilities when the fair value is negative. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements.

A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months.

For the purpose of hedge accounting, the Group designates derivatives as hedges of a particular risk associated with the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges).

Notes to the consolidated financial statements
For the period from 1 January 2024 to 30 June 2024

1. Accounting policies (continued)

Financial instruments (continued)

Derivative financial instruments and hedge (continued)

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

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

Cash flow hedges

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

Share capital

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

Current tax

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

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

Revenues, expenses and assets are recognised net of the amount of sales tax, except for receivables and payables that are stated with the amount of sales tax included. The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the consolidated statement of financial position. Stamp duty payable on the direct acquisition of investment property is capitalised as part of the property's acquisition costs.

Deferred tax

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

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

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

Fair value

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price). The fair value of financial instruments is always determined on the basis of the listed price on an active market (mark to market) or, if this is not possible, on the basis of industry standard valuation models (mark to matrix or mark to model).

Financial instruments valued using observable market prices

If a quoted market price in an active market is available for an instrument, the fair value is calculated based on the market price.

Financial instruments valued using a valuation technique

In the absence of a quoted market price in an active market, management uses industry standard models to make its best estimate of the price that the market would set for that financial instrument. In order to make these estimations, various techniques are employed, including extrapolation from observable market data and observation of similar financial instruments with similar characteristics. Wherever possible, valuation parameters for each product are based on prices directly observable in active markets or that can be derived from directly observable market prices.

Notes to the consolidated financial statements
For the period from 1 January 2024 to 30 June 2024

1. Accounting policies (continued)

Fair value (continued)

Fair value hierarchy

The Company applies the following fair value hierarchy that prioritises the inputs to valuation techniques used in measuring fair value. The hierarchy establishes three categories for valuing financial instruments, giving the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs.

Level 1 - Unadjusted quoted prices for identical assets or liabilities in an active market that the Company has the ability to access at the measurement date.

Level 2 - Quoted prices in markets that are not active, quoted prices for similar assets or liabilities, recent market transactions, inputs other than quoted market prices for the asset or liability that are observable either directly or indirectly for substantially the full term, and inputs to valuation techniques that are derived principally from or corroborated by observable market data through correlation or other statistical means for substantially the full term of the asset or liability.

Level 3 - Inputs to the pricing or valuation techniques that are significant to the overall fair value measurement of the asset or liability are unobservable.

Contingent liabilities

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

Leases

The Group as a lessee

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

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

Measurement and recognition of leases as a lessee

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

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

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

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

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

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

The Group as a lessor

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

As a lessor, the Group classifies its leases as operating leases.

2. Financial risk management

Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

The Directors of the Group review and agree policies for managing its risk exposure. The primary objectives of the financial risk management function are to establish appropriate risk limits, and then ensure that exposure to risks stays within these limits.

Notes to the consolidated financial statements
For the period from 1 January 2024 to 30 June 2024

2. Financial risk management (continued)

Principal financial instruments

The principal financial instruments used by the Group, from which financial instrument risk arises, are as follows:

- Derivative financial instruments
- Trade and other receivables
- Cash and cash equivalents
- Lease liabilities
- Intercompany payable
- Other payables
- Bank Borrowings

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from tenants and cash and cash equivalents held at banks. Credit risk associated with the derivative financial instrument is considered to be low as the counterparties are reputable financial organisations.

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

	30 June 2024 £'000	31 December 2023 £'000
Trade and other receivables	2,952	7,707
Cash and cash equivalents	17,683	16,960
	<u>20,635</u>	<u>24,667</u>

The Group has £nil (31 December 2023: £nil) receivable from its tenants. The Group has policies in place to ensure that rental contracts are entered into only with lessees with an appropriate credit history. The Group has not encountered issues with collection of rentals in line with the lease agreements and following an expected credit loss ("ECL") assessment the results are not considered to be material.

The fair value of cash and cash equivalents at 30 June 2024 approximates the carrying value. Further details regarding cash and cash equivalents can be found in note 16. In the period cash risk was mitigated by holding cash and cash equivalents with several different reputable financial institutions. As at 30 June 2024, cash balances were held with Standard Chartered Bank and RBS International. Refer to note 16 for credit ratings of these banking institutions.

Liquidity risk

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

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

The maturity analysis of financial instruments at 30 June 2024 and 31 December 2023 are as follows:

2024	Within one year £'000	From one to two years £'000	From two to five years £'000	Later than 5 years £'000	Total £'000
Assets					
Trade and other receivables	2,952	-	-	-	2,952
Cash and cash equivalents	17,683	-	-	-	17,683
Derivative financial instruments	40,767	10,387	-	-	51,154
	<u>61,402</u>	<u>10,387</u>	<u>-</u>	<u>-</u>	<u>71,789</u>
Liabilities					
Lease liabilities	110	110	330	5,775	6,325
Borrowings	-	795,591	-	-	795,591
Other payables	31,668	-	-	-	31,668
	<u>31,778</u>	<u>795,701</u>	<u>330</u>	<u>5,775</u>	<u>833,584</u>

2023	Within one year £'000	From one to two years £'000	From two to five years £'000	Later than 5 years £'000	Total £'000
Assets					
Trade and other receivables	7,707	-	-	-	7,707
Cash and cash equivalents	16,960	-	-	-	16,960
Derivative financial instruments	40,767	30,408	-	-	71,175
	<u>65,434</u>	<u>30,408</u>	<u>-</u>	<u>-</u>	<u>95,842</u>
Liabilities					
Lease liabilities	110	110	330	5,803	6,353
Bank borrowings	52,423	838,890	-	-	891,313
Accruals and other payables	16,556	-	-	-	16,556
	<u>69,089</u>	<u>839,000</u>	<u>330</u>	<u>5,803</u>	<u>914,222</u>

Notes to the consolidated financial statements
For the period from 1 January 2024 to 30 June 2024

2. Financial risk management (continued)

Liquidity risk (continued)

The Group's bank borrowings are secured by a charge over the Company's investment properties which are disclosed in note 12. The Board of Directors expects that upon maturity of the bank loans, further finance will be negotiated until the properties are sold.

The Group's loan with the lenders were repaid in full on 30 September 2020 by way of a refinancing from SCB. The New Loan has a maturity date of 30 September 2025 and bears interest of a margin of 1.16% per annum and 3 month LIBOR. From 31 March 2022, the rate transitioned to SONIA + 11.93bps plus a fixed margin of 1.16%.

Market risk

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

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

c) Interest rate risk

The Group is exposed to cash flow risk in relation to interest payable on the bank loan amounting to £795,591,095 (2022: £794,054,000) with Standard Chartered Bank. The loan is due for repayment on 30 September 2025 and carries a floating interest rate as described in note 14. The following table details notional principal amounts and remaining terms of interest rate swaps contracts outstanding at the end of reporting period:

Cash flow hedges

Outstanding receive float pay fixed contracts	Contracted coverage		Notional principal value		Fair value of derivatives under cash flow hedge	
	2024	2023	2024	2023	2024	2023
	%	%	£	£	£	£
Less than 1 year	100%	100%	800,000,000	800,000,000	44,288,840	53,392,000

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

The Group uses interest rate swaps to manage its exposure to interest rate movements on its bank borrowings by swapping all of those borrowings from floating rates to fixed rates. Currently, the Group has contracts with an aggregate nominal value of £800,000,000 (2023: £800,000,000) split between Standard Chartered Bank and four other banking institutions.

The Group pays fixed interest at a rate of 0.2435% (2023: 0.2435%) for years up until 30 September 2025 and receives floating interest at 3 months GBP LIBOR. From 31 March 2022, the rate transitioned to SONIA + 11.93bps plus fixed margin of 1.16%.

The interest rate swaps settle on a quarterly basis for floating and fixed rate interest. The Group will settle the difference between the fixed and floating interest rate on a net basis. All interest rate swap contracts exchanging floating rate interest amounts for fixed rate interest amounts are designated as cash flow hedges.

Notes to the consolidated financial statements
For the period from 1 January 2024 to 30 June 2024

2. Financial risk management (continued)

Cash flow hedges (continued)

As at 30 June 2024, the following table contains summary of the derivatives (i.e. interest rate swaps) and bank borrowings that are related to the Group's cash flow hedges. Details of the terms of the derivatives and bank borrowings are discussed in note 14 and 17, respectively.

Balance sheet line items	Note	Notional amounts £	Carrying Amount £	Changes in fair value for the period £
2024				
Derivatives (in asset position) - Hedging instruments	14	<u>(800,000,000)</u>	<u>44,288,840</u>	<u>9,103,181</u>
Bank Borrowings - Hedge items	17	<u>800,000,000</u>	<u>(795,591,095)</u>	<u>-</u>
	Note	Notional amounts £	Carrying Amount £	Changes in fair value for the period £
2023				
Derivatives (in asset position) - Hedging instruments	14	<u>(800,000,000)</u>	<u>94,394,564</u>	<u>8,770,053</u>
Bank Borrowings - Hedge items	17	<u>800,000,000</u>	<u>(795,053,847)</u>	<u>-</u>

Capital management

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

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

3. Segmental analysis

The Directors view the operations of the Group as one operating segment, being its investment in commercial investments properties situated in United Kingdom. All significant operating decisions are based upon analysis of the Subsidiaries' investments as a single segment.

4. Critical accounting judgements and key sources of estimation uncertainty

Estimates and judgements are continually evaluated and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates, assumptions and management judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

Fair value of investment properties

In determining the fair value of investment properties under IAS 40 there is a degree of uncertainty and judgement involved. The Group uses external professional valuers to determine relevant amounts. The Directors have reviewed the valuations and assumptions applied by the independent external valuer and have concluded that they are reasonable.

The Directors believe that the chosen valuation techniques and assumptions used are appropriate in determining the residual value and useful lives of investment properties. The details of the valuation and sensitivity are disclosed in note 12.

Notes to the consolidated financial statements (Continued)
For the period from 1 January 2024 to 30 June 2024

4. Critical accounting judgements and key sources of estimation uncertainty (continued)

Fair value of derivative instruments

The Group determines the fair value of financial instruments that are not quoted, using valuation techniques. Those techniques are significantly affected by the assumptions used, including discount rates and estimates of future cash flows. In that regard, the derived fair value estimates cannot always be substantiated by comparison with independent markets and, in many cases, may not be capable of being realised immediately.

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. The Group engages third party qualified valuers to perform the valuation of interest rate swaps.

The methods and assumptions applied to the fair value of the derivative financial instruments are disclosed in note 19. The Directors believe that the chosen valuation techniques and assumptions used are appropriate in determining the fair value of the derivative financial instruments. Further information on the carrying amounts of these assets and the sensitivity of those amounts to changes in unobservable inputs are provided in note 14.

5. Revenue

	Period from 1 January 2024 to 30 June 2024 £'000	Period from 1 January 2023 to 30 June 2023 £'000
Rental income	35,298	33,432
Other income	112	34
	35,410	33,466

6. Administrative expenses

	Period from 1 January 2024 to 30 June 2024 £'000	Period from 1 January 2023 to 30 June 2023 £'000
<i>Direct operating expenses arising from investment property that generated rental income during the period:</i>		
Investment advisor fee	(100)	(100)
<i>Other operating expenses:</i>		
Administrative fees	(30)	(32)
Tax compliance fee	(48)	(55)
Valuation fees	(59)	(45)
Legal and professional fees	(43)	(48)
Trustee fees	(94)	(83)
Audit fees	(61)	(50)
Bank charges	(1)	(2)
	(436)	(415)

7. Depreciation on right of use assets

	30 June 2024 £'000	30 June 2023 £'000
Depreciation on right of use assets	(30)	(30)

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

8. Net finance cost

	Period from 1 January 2024 to 30 June 2024 £'000	Period from 1 January 2023 to 30 June 2023 £'000
Interest on bank loan	(25,950)	(21,150)
Interest rate swap	20,352	15,551
Interest on lease liabilities	(41)	(42)
Loan arrangement fee amortisation	(266)	(484)
	(5,906)	(6,124)

Notes to the consolidated financial statements (Continued)
For the period from 1 January 2024 to 30 June 2024

9. Income tax

The Company and all of its subsidiaries are taxed under the Jersey tax law at a standard rate of 0%. The tax charge during the period under Jersey law is £nil (2023: £nil).

	Period from 1 January 2024 to 30 June 2024 £'000	Period from 1 January 2023 to 30 June 2023 £'000
<u>Analysis of tax charge in the period</u>		
Adjustments for the current tax of prior periods	22	-

Factors affecting the tax charge for the period

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

As a REIT, the Group is required to pay Property Income Distributions equal to at least 90% of the Group's exempted net income. To remain as a REIT, there are a number of conditions to be met in respect of the principal company of the Group, Links Bidco Limited's qualifying activity and its balance of business. The Group met these conditions.

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

10. Directors and employees

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

11. Investment in subsidiaries

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

Subsidiary undertakings as at 30 June 2024 & 31 December 2023	Ownership	Holding %	Country of incorporation	Activity
Links Bidco Limited	Direct	100	Jersey	Holding company
Links Bidco Propco 1 Limited	Indirect	100	Jersey	Property holding
Links Bidco Propco 2 Limited	Indirect	100	Jersey	Property holding
Links Bidco Propco 3 Limited	Indirect	100	Jersey	Property holding
Links Bidco Propco 4 Limited	Indirect	100	Jersey	Property holding
Links Bidco Propco 5 Limited	Indirect	100	Jersey	Property holding
Links Bidco Propco 6 Limited	Indirect	100	Jersey	Property holding
Links Bidco Propco 7 Limited	Indirect	100	Jersey	Property holding
Links Bidco Propco 9 Limited	Indirect	100	Jersey	Property holding
Links Bidco Propco 10 Limited	Indirect	100	Jersey	Property holding
Links Bidco Propco 11 Limited	Indirect	100	Jersey	Property holding
Links Bidco Propco 12 Limited	Indirect	100	Jersey	Property holding
Links Bidco Propco 13 Limited	Indirect	100	Jersey	Property holding

Notes to the consolidated financial statements (Continued)
For the period from 1 January 2024 to 30 June 2024

12. Investment properties

	Cost	Fair Value Gains	Fair Value
	£'000	£'000	£'000
2024			
Balance as at 30 June 2024	719,526	558,139	1,277,665
	Cost	Fair Value Gains	Fair Value
	£'000	£'000	£'000
2023			
Opening balance	719,526	621,194	1,340,720
Fair value movement during the year	-	(63,055)	(63,055)
Balance as at 31 December 2023	719,526	558,139	1,277,665

Fair value of investment property

On an annual basis, the Group engages external, independent and qualified valuers to determine the fair value of the investment properties. For the year ended 31 December 2023, the Group appointed CBRE Limited ("CBRE") to determine fair value of the investment properties as per the valuation standards of the Royal Institution of Chartered Surveyors (the "RICS"). The fair value of the investment properties per the valuation report provided (the "Valuation Report") amounted to £1,277,665,000 as at 31 December 2023 (2022: £1,340,720,000). The directors have reviewed and evaluated the assumptions and inputs used in estimating the fair value of the investment properties and are satisfied with the valuation approach.

Fair value of investment property (continued)

The different levels have been defined as follows:

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

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

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

There were no transfers between levels during the year.

All properties are categorised as strong performers with wide range of services and/or dominant players in the local market.

The Group is exposed to property price and property rental risk arising from its investments in properties, which are not financial instruments.

Notes to the consolidated financial statements (Continued)
For the period from 1 January 2024 to 30 June 2024

12. Investment properties (continued)

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

	Valuation impact	Valuation impact	Valuation impact	Valuation impact
	+ 5% Estimated Rental Value/Rental Value	- 5% Estimated Rental Value/Rental Value	- 25 bps in yields	+ 25 bps in yields
Fair value at 30 June 2024	1,480,975	1,339,929	1,488,032	1,340,571

Investment properties with a carrying amount of £1,277,665,000 (2023: £1,277,665,000) have been pledged to secure borrowings of the Group (note 20). The investment properties have been pledged as security for bank loans under a mortgage. The Group is not allowed to pledge these assets as security for other borrowings or to sell them to another entity.

13. Right of use assets

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

	30 June 2024 £'000	31 December 2023 £'000
Right of use assets	3,555	2,938
Accumulated depreciation of right of use assets	(316)	(286)
Adjustment for change in head lease rent	-	617
	<u>3,239</u>	<u>3,269</u>

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

The right of use assets and lease liabilities have been estimated by discounting the future cash flows of the head lease rental payments at the Group current incremental borrowing rate of 2.43%.

In the previous year, both asset and liability were adjusted to reflect the updated head lease rental amounts and incremental rate of borrowing. From £82,500 pa at 2.03% in 2019, to £110,000 pa at 2.43% post refinancing in the financial year 2020.

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

14. Derivative financial instruments

	30 June 2024 £'000	31 December 2023 £'000
Derivatives designated and effective as hedging instrument carried at fair value		
Interest rate swap valuation	44,289	53,392
	<u>44,289</u>	<u>53,392</u>
Movement in derivative designated as hedging instruments		
Opening balance	53,392	85,625
Movement for the period	(9,103)	(32,233)
Closing balance	<u>44,289</u>	<u>53,392</u>
Movement in cash flow hedging reserve		
Opening balance	53,392	85,625
Movement for the period	(9,103)	(32,233)
Closing balance	<u>44,289</u>	<u>53,392</u>

The Group is not netting off financial instruments in accordance with IFRS 39 and does not have relevant offsetting arrangements except for the net finance income/cost on swap which is presented net off the finance cost of the borrowings.

Notes to the consolidated financial statements (Continued)
For the period from 1 January 2024 to 30 June 2024

14. Derivative financial instruments (continued)

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

The Group uses interest rate swaps to manage its exposure to interest rate movements on its bank borrowings by swapping all of those borrowings from floating rates to fixed rates. Currently, the Group has contracts with an aggregate nominal value of £800,000,000 (2023: £800,000,000) split between Standard Chartered Bank and four other banking institutions.

The interest rate swaps settle on a quarterly basis for floating and fixed rate interest. The Group will settle the difference between the fixed and floating interest rate on a net basis. All interest rate swap contracts exchanging floating rate interest amounts for fixed rate interest amounts are designated as cash flow hedges.

The fair values of the derivative financial instruments are determined by the holder of the instrument calculated based on discounted cash flow analysis using the applicable yield curve for the duration of the instruments for non optional derivatives. Interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates. These valuation techniques maximise the use of observable market data, such as Bank of England's Limited Price Indexation. Accordingly, the fair valuation of the swaps is deemed to be Level 2.

There were no transfers between levels during the year.

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

As at 30 June 2024 the Group has an outstanding interest swap agreement with a notional amount of £800,000,000 hedging the interest rate exposure arising from the loan by fixing the interest rate at 0.2435% as at reporting date. This will expire on 30 September 2025.

As at 30 June 2024, this derivative instrument is classified as non-current asset (31 December 2023: non-current asset).

There were no transfers between the levels during the year.

15. Trade and other receivables

	30 June	31 December
	2024	2023
	£'000	£'000
Amounts falling due within one year:		
Receivables due to Links Healthcare REIT Limited	67	87
Intercompany receivable	39	4,855
Income tax recoverable	6	344
Restricted cash balance	2,840	2,852
	<u>2,952</u>	<u>8,138</u>

The restricted cash balance comprises of cash balances with Standard Chartered Bank within the Debt Service Reserve account ("DSRA account") of £2,830,071 (2023: £2,830,071) and Rent account of £9,976 (2023: £21,414). The DSRA account will continue to be restricted, under the terms of the loan facility agreement, there is a requirement for the quarterly fixed interest, margin and any fees scheduled to be paid to the lender (annual agency fee) in the subsequent quarter, to be segregated (Note 19).

Notes to the consolidated financial statements (Continued)
For the period from 1 January 2024 to 30 June 2024

16. Cash and cash equivalents

	30 June 2024 £'000	31 December 2023 £'000
Standard Chartered Bank	17,682	16,913
RBS International	1	47
	<u>17,683</u>	<u>16,960</u>

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

Banking institution

Standard Chartered Bank	A1	A1
RBS International	A3	A3

17. Borrowings

	30 June 2024 £'000	31 December 2023 £'000
Bank borrowings	<u>795,591</u>	<u>795,325</u>

Bank borrowings subjected to hedge accounting

On 30 September 2020, the Company entered into a senior facility agreement with SCB for an amount of £800,000,000.

On 18 December 2020, the Group entered into a syndication and accession agreement to syndicate the SCB loan of £800,000,000 among Standard Chartered Bank and eight other banking institutions.

The Loan has a maturity date of 30 September 2025 and bears interest of a margin of 1.16% per annum and 3 month LIBOR. From 31 March 2022, the rate transitioned to SONIA + 11.93bps plus a fixed margin of 1.16%. Accrued interest that remains unpaid as at the interest payment date are capitalised. There have been no breaches in borrowing covenants during the period or since year end.

The Loan is secured against the investment properties and shall be repaid on maturity which is 30 September 2025. During the period, interest of £26,216,293 (31 December 2023: £47,594,066) accrued while the amount of £25,950,214 (31 December 2023: £46,839,121) was paid by the Group.

As at 30 June 2024, the amount of the outstanding bank loan with SCB is allocated to each of the Links Bidco Limited subsidiaries as follows:

	Balance at 1 January 2024 £'000	Movement during the period £'000	Balance at 30 June 2024 £'000
Links Bidco Propco 1 Limited	106,338	35	106,373
Links Bidco Propco 2 Limited	130,657	44	130,701
Links Bidco Propco 3 Limited	81,234	27	81,261
Links Bidco Propco 4 Limited	50,708	17	50,725
Links Bidco Propco 5 Limited	83,463	28	83,491
Links Bidco Propco 6 Limited	64,913	22	64,935
Links Bidco Propco 7 Limited	63,045	21	63,066
Links Bidco Propco 9 Limited	67,087	23	67,110
Links Bidco Propco 10 Limited	38,299	13	38,312
Links Bidco Propco 11 Limited	90,558	30	90,588
Links Bidco Propco 12 Limited	4,593	2	4,595
Links Bidco Propco 13 Limited	14,431	6	14,436
	<u>795,325</u>	<u>266</u>	<u>795,591</u>

Notes to the consolidated financial statements (Continued)
For the period from 1 January 2024 to 30 June 2024

18. Other payables

	30 June 2024 £'000	31 December 2023 £'000
<i>Current liabilities:</i>		
Rent received in advance	14,690	14,368
Distribution payable	10,752	10,433
Other payables	6,226	6,118
	<u>31,668</u>	<u>30,919</u>

The fair value of other payables approximates their carrying value above.

19. Lease liabilities

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

	30 June 2024 £'000	31 December 2023 £'000
Lease liabilities	3,534	3,555
Lease liabilities - interest	442	401
Lease liabilities - head lease rent paid	(578)	(543)
	<u>3,399</u>	<u>3,413</u>

	30 June 2024 £'000	31 December 2023 £'000
<i>The lease liabilities are split as follows:</i>		
Current	27	27
Non-current	3,372	3,386
	<u>3,399</u>	<u>3,413</u>

Refer to note 13 on the IFRS 16 details. A maturity analysis of contractual undiscounted cash flows of lease liabilities is disclosed in Note 22.

20. Related party transactions

Transactions during the period between the Group and the related parties are shown below:

During the period dividends of £26,971,122 (30 June 2023: £22,419,807) were paid to Links Holdings LP as disclosed in the Statement of Changes in Equity.

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

At 30 June 2024, the intercompany receivable from Links Holdings LP by the Group amounted to £39,218 (31 December 2023: £4,791,849) as disclosed in the consolidated statement of financial position. The amount due to Links Holdings LP is interest free and repayable on demand.

None of the above balances are secured.

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

(a) Share capital

Summary:

	30 June 2024 £'000	31 December 2023 £'000
Opening share capital	1	1
Share capital issued	-	-
Closing share capital	<u>1</u>	<u>1</u>

The authorised share capital consists of 100,000 shares of £0.01 each. As at 30 June 2024, 54,714 (2023: 54,714) shares were issued amounting to £547.14 (2023: £547.14).

Notes to the consolidated financial statements (Continued)

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

(b) Share premium

Summary:

	30 June 2024 £'000	31 December 2023 £'000
Opening share capital premium	5,470	5,470
Closing share capital premium	5,470	5,470

(c) Cash flow hedging reserve

Summary:

	30 June 2024 £'000	31 December 2023 £'000
Opening cash flow hedging reserve	53,392	85,625
Swap fair value movement	(9,103)	(32,233)
Closing cash flow hedging reserve	44,289	53,392

The cash flow hedging reserve comprises the effective portion of the cumulative net change in the fair value of the derivative financial instruments.

22. Operating leases

The Group as lessee

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

	30 June 2024 £'000	31 December 2023 £'000
Within 1 year	110	110
Between 1 and 2 years	110	110
Between 2 and 3 years	110	110
Between 3 and 4 years	110	110
Between 4 and 5 years	110	110
Later than 5 years	5,775	5,803
Total	6,325	6,353

The Group as lessor

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

	2024 £'000	2023 £'000
Within 1 year	71,128	71,128
Between 1 and 2 years	71,128	71,128
Between 2 and 3 years	71,128	71,128
Between 3 and 4 years	71,128	71,128
Between 4 and 5 years	71,128	71,128
Later than 5 years	959,357	994,823
Total	1,314,997	1,350,463

23. Cash generated from operations

	Period from 1 January 2024 to 30 June 2024 £'000	Period from 1 January 2023 to 30 June 2023 £'000
Profit before income tax	29,037	26,897
Adjustments for:		
Finance costs	5,865	6,082
Depreciation on right of use assets	30	30
Changes in working capital		
Decrease/(increase) in other receivables	26	(76)
Increase in other payables	173	465
Net cash generated from operations	35,131	33,400

Notes to the consolidated financial statements (Continued)
For the period from 1 January 2024 to 30 June 2024

24. Directors' remuneration

No emoluments were granted to the Directors during the period ended 30 June 2024 (30 June 2023: £nil).

25. Contingent liabilities

There were no contingent liabilities for the Group and its operations as at 30 June 2024. Refer to note 12 for details of "Investment properties pledged as security" for the Standard Chartered loan facility.

26. Non-controlling interest

There were no non-controlling interest for the Group as at 30 June 2024 and 31 December 2023 as all the subsidiaries are 100% owned.

27. Controlling party

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

28. Post balance sheet events

There were no material events or transactions that required recognition or disclosure in the consolidated financial statements.