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Halsey Garton Property Ltd

Report and financial statements

Year ended 31 March 2021

Company registration number: 09089937

Company Information

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Directors	N O'Connor D Wilding (appointed on 10 March 2021)
Company Number	09089937
Registered office	Woodhatch Place 11 Cockshot Hill Reigate RH2 8EF
Auditor	UHY Hacker Young Quadrant House 4 Thomas More Square London E1W 1YW
Bankers:	HSBC 60 Queen Victoria Street London EC4N 4TR

Contents

Strategic report

for the year ended 31 March 2021

The directors present their Strategic report with the consolidated and individual financial statements for the year ended 31 March 2021.

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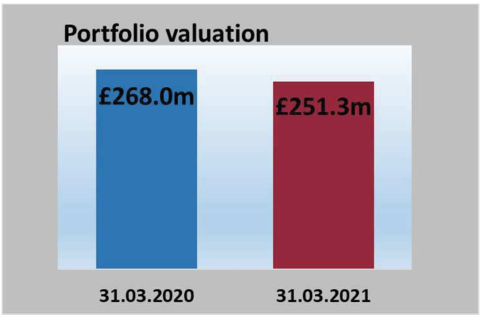
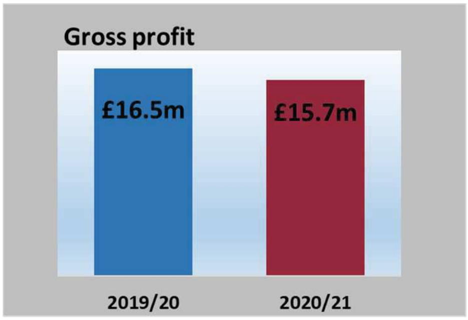
Group highlights

- Property portfolio of £251.3m (31 March 2020: £268.0m)
- Property acquisitions totalling £nil in 2020/21 (2019/20: nil)
- Gross profit of £15.7m for 2020/21 (2019/20: £16.5m)
- Profit before tax and fair value adjustments of £0.4m for 2020/21 (2019/20: £2.0m)
- Dividend proposed of £nil for the year to 31 March 2021 (2019/20: nil)





Business Model

Our strategy is to build a diversified property portfolio, let to reliable tenants in good locations, to deliver income returns over the long term to our shareholder (Surrey County Council) for the benefit of Surrey residents.

Debt finance is secured solely from Surrey County Council and during the financial year 2020/21 Halsey Garton paid £14.3m in interest payments to the council (2019/20: £14.3m).

Financial summary

Over the last six years Halsey Garton Property Ltd has built a property portfolio now valued at £251.3m. The group made a gross profit of £15.7m, down 5% from last year. Based on the performance of the company in 2020/21 and the ongoing impact of COVID-19 the directors have recommended not to approve a dividend for 2020/21. Assuming no further acquisitions, £16.1m rental income will be due to the group in the financial year 2021/22.

The net change in values of our investment properties is a key component of the company's profit before tax. Due to the net deficit of £16.7m on revaluation of investment properties this year, the group made a loss before tax of £16.3m. Further information on the annual property valuation is provided below.

The total capital of the company consists of shareholders' equity and net debt. Over the year our debt remained constant as there were no further investments made in 2020/21. Our loan to value (LTV) ratio increased from 87% to 93%, because of decreases in the underlying values of our properties.

Principal business risks

Property investment is subject to inherent market risks which can be mitigated to some degree by the creation of a balanced portfolio of investments. However, the risk of tenant failure increased during the Covid-19 pandemic and could continue to do so if the general economic conditions over the longer term are negatively impacted factors such as Brexit, increased online retailing and less demand for office space due to home-working. Investments are evaluated carefully and with due regard to risk and exposure to potential tenant voids, and are managed to avoid, wherever possible, over-reliance upon single tenants or types of tenants in terms of their impact as a percentage of the total portfolio.

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Tenant voids are currently 5.6% at 31 March 2021, measured in terms of an estimate of market rent receivable as a percentage of the total open market rental value of the portfolio.

Financial risk management

Management reviews the group's exposure to price risk, credit risk, liquidity risk and cash flow risk. Our overall financial risk management strategy seeks to minimise the potential adverse effects of these on our financial performance. Available funds are closely monitored throughout the year. Each new investment is financed by a combination of equity and debt provided by the council, on a fixed rate of interest. There is also a short-term loan facility available, although to date that has not been required. Any cash investments are made via Surrey County Council in accordance with its Treasury management strategy, which prescribes investment limits according to the credit rating of the counterparty.

The overall credit risk of trade receivables is considered to be low – a credit report is obtained from an independent rating agency for each tenant prior to acquisition or upon agreement of a new lease. Tenants currently in known financial difficulties represent 6.9% of the 2020/21 rent roll.

Property review

As at 31 March 2021:

- 17 properties, comprising 1,715,261 square feet of lettable space
- 57 (56 prior year) commercial tenants providing a contractual annual rent roll of £16.8m (£17.2m prior year)
- Weighted average unexpired lease term (WAULT) of 9.8 years to lease breaks/expiry
- Future income stream from tenants under lease agreements of £185.8m.

Property valuation

The fair value of the company's investment property is measured annually at each reporting date with the changes in value reported in the company profit and loss account as an unrealised gain or loss. The revaluation exercise completed as at 31 March 2021 has resulted in an overall decrease in underlying values of £16.7m compared to the value of the assets last year or upon purchase for the three assets acquired during the year. These reductions are driven by general market sentiment and a reduction in the WAULT, the latter being due to there being very few leases up for renewal in the year.

An unrealised loss is an accounting adjustment that does not impact upon the company's ability to provide a dividend since it is something that has not happened nor will happen unless the company decides to sell the asset. The company is free to determine when to sell an asset and therefore it is unlikely that there will be a realised loss since assets will generally only be sold when it is beneficial to do so. Similarly, an unrealised gain cannot be used to provide a bigger dividend than that permissible from the underlying profits generated by the company.

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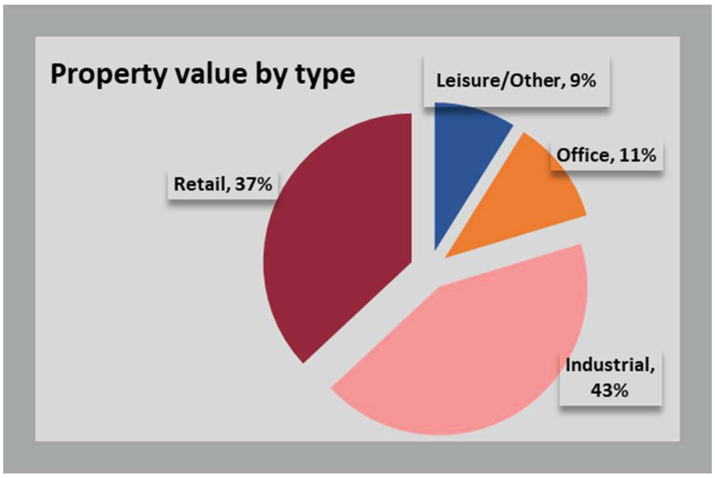
All valuations are carried out externally, in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors, known as a 'red book' valuation.

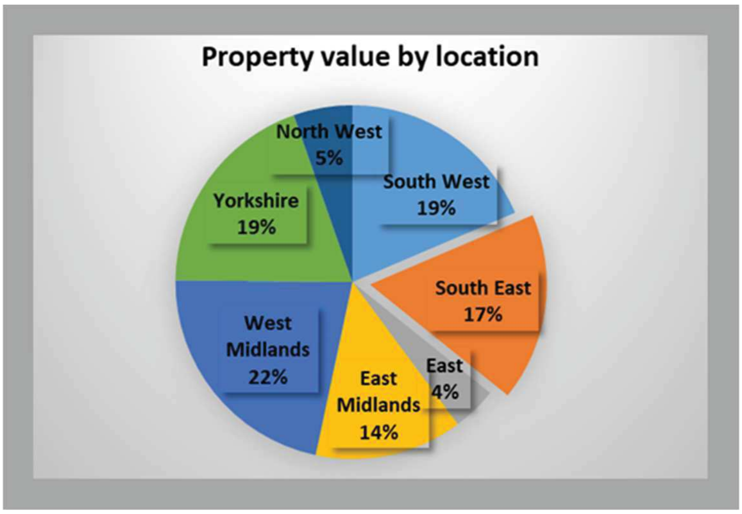
Portfolio overview

The Halsey Garton property portfolio sits within the investment portfolio of SCC, which as a whole seeks to build a diversified portfolio of assets in order to manage risks and secure long-term income returns for the council. This year there have been no acquisitions or disposals from the portfolio. As at 31 March 2021 our portfolio consisted of 17 properties across multiple sectors and locations throughout England, as detailed below.



The Halsey Garton portfolio mix is slightly weighted towards the retail sector, however on a SCC group basis there is a balanced portfolio across sectors.

Properties are geographically spread across England.



Portfolio detail

Property	Type	Description	Acquisition Date	Asset Value £000
Hampton Park West, Melksham	Industrial	Manufacturing and warehouse facility	Nov-15	13,850
Hawkley Drive, Bristol	Industrial	Manufacturing and warehouse facility	Apr-16	15,250
Washford Mills, Redditch	Retail	Retail warehouse units	May-16	5,750
Manton Wood, Worksop	Industrial	Distribution warehouse	May-16	8,600
Aztec West, Bristol	Office	Single tenanted office	Jun-16	17,600
Wiggs House, Salford	Industrial	Distribution warehouse	Jul-16	8,350
Willowbrook, Loughborough	Retail	Retail units (out of town location)	Nov-16	12,900
Birmingham Road, Stratford Upon Avon	Leisure / Retail	Hotel and retail units	Nov-16	8,100
Friar Street, Worcester	Leisure / Retail	Cinema and retail / restaurant units	Nov-16	6,000
Oakgrove Retail Park, Milton Keynes	Retail	Retail units (out of town location)	Dec-16	25,850
Stratham Street, Macclesfield	Retail	Retail warehouse unit	Dec-16	5,150
High Street, Winchester	Retail	High Street department store	Mar-17	6,250
Malvern Shopping Park	Retail	Retail units (out of town location)	Sep-17	35,000
Blenheim Park, Nottingham	Industrial	Distribution warehouse	Mar-18	12,400
Comet Square, Hatfield	Leisure	Hotel	Oct-18	10,200
West of Park Spring Road, Barnsley	Industrial	Manufacturing	Dec-18	48,900
Kitemark Court, Milton Keynes	Office	Single tenanted office	Dec-18	11,100
Total Asset Value				251,250

Key performance indicators (KPIs)

Objective	KPI	Performance 2020/21	Performance 2019/20
Maximise income returns from our property portfolio	Underlying revenue profit (before tax and fair value adjustments)	Profit of £0.4m	Profit of £2.0m
	Tenant voids percentage (based on open market rental value)	Tenant voids at 5.6% as at 31 March 2021	Tenant voids at 3.0% as at 31 March 2020
Secure long-term income stream	WAULT to lease breaks/expiries	9.8 years	10.9 years

Business conduct

The Halsey Garton group operates in accordance with its shareholder's values and policies, including its responsible investment policy. This policy ensures that the decision-making process for all new investments involves consideration of a range of environmental, social and governance factors. The group seeks to establish strong business relationships with its advisors and suppliers and to pay them within agreed payment terms.

Halsey Garton reviews its health and safety obligations in relation to its property portfolio on a regular basis. As part of an agreed approach with our managing agents, we have undertaken a detailed health and safety risk assessment of all our properties with a view to identifying any remedial actions required.

This report was approved by the Board on 11 October 2021 and signed on its behalf by:

N. O'Connor

Nicola O'Connor, Director

Halsey Garton Property Ltd
Registered and domiciled in England and Wales
Registration number: 09089937
Registered office: Woodhatch Place, 11 Cockshot Hill, Reigate, Surrey, England, RH2 8EF

Directors' report
for the year ended 31 March 2021

The directors present their report with the consolidated and individual financial statements for the year ended 31 March 2021.

Principal activities

The principal activities of the group in the period under review were investment and property rental. 8

Directors

The directors shown below have held office during the year from 1 April 2020 to 31 March 2021:

EF Hawkins (resigned 21 December 2020)
N O'Connor (for full duration of the year)
D Wilding (appointed 10 March 2021)

Directors' remuneration during the year is £nil. (2020: £nil)

COVID-19

The COVID-19 pandemic has resulted in unprecedented actions being taken by Governments across the globe, which have had a significant adverse impact on large swathes of the economy.

At this stage, Halsey Garton Property Investments Limited remained in communication with tenants during the year to best understand the knock-on impact of COVID-19 on the business. At this time the business will be able to absorb impact on cash flow and continue for the foreseeable future. The directors continue to monitor the situation closely.

We will continue to follow the Government's and relevant sector specific bodies policies and advice to ensure we always protect the safety and health of our employees and customers.

We also refer to note 3 on the company as a going concern.

Directors' indemnities

The council has agreed to indemnify each Director against any liability incurred in relation to acts or omissions arising in the course of their ordinary duties, assuming they acted reasonably and in good faith.

Business structure

Halsey Garton group comprises Halsey Garton Property Ltd and one property subsidiary company as set out in the diagram below.

Additional disclosures

The following directors' report disclosures have been made elsewhere in this report and financial statements:

- Recommended dividend (Strategic report page 1)
- Financial risk management policies and objectives (Strategic report page 2)
- Information on exposure to price risk, credit risk, liquidity risk and cashflow risk (Strategic report page 2)
- Future developments in the business of the company (Strategic report pages 1-5)
- Post balance sheet events (financial statements page 26).

Consolidated financial statements

The consolidated financial statements and supporting notes on pages 13 to 26 include the results for all Halsey Garton group companies as listed above.

Going concern

After reviewing the company's forecast and projections, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future being a period of not less than 12 months from the date of approval of these financial statements. As at 31st March 2021 there were net current assets of £0.1m recorded in the accounts, reduced from £0.5m at 31st March 2020. This reduction is primarily due to the inclusion of a bad debt provision in 2020/21, which is included in Administrative expenses.

The impact of COVID-19 has been felt by tenants within the properties held by Halsey Garton Property Investments Limited. At the time of producing these financial statements, the directors have a reasonable understanding of the impact to the company of the pandemic and consider that the company has adequate resources to continue in operational existence for the foreseeable future.

The group therefore continues to adopt the going concern basis in preparing its consolidated financial statements.

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 102 ‘The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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 group and of the profit or loss of the group 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

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

They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Provision of information to auditor

The directors confirm that:

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

Auditor

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

This report was approved by the Board on 11 October 2021 and signed on its behalf by:

N. O'Connor

Nicola O’Connor, Director
Halsey Garton Property Ltd
Registered and domiciled in England and Wales
Registration number: 09089937
Registered office: Woodhatch Place, 11 Cockshot Hill, Reigate, Surrey, England, RH2 8EF

UHY Hacker Young
Chartered Accountants

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INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF HALSEY GARTON PROPERTY INVESTMENTS LIMITED

Opinion
We have audited the financial statements of Halsey Garton Property Investments Limited for the year ended 31 March 2021, which comprise of the profit and loss account, the statement of financial position, the statement of changes in equity, the statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and United Kingdom Accounting Standards including FRS 102, *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion, Halsey Garton Property Investments Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the Company's affairs as at 31 March 2021 and of the Company's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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

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Emphasis of Matter – Valuation of investment properties

In forming our opinion on the financial statements, which is not modified, we draw attention to the disclosures made in the Investment Properties Estimates discussion in note 4.3 and 5 on Investment Properties. As described in these notes, the valuation of the property portfolio requires significant judgement and estimates by the directors and the independent external valuers and is therefore considered a significant risk due to the subjective nature of certain assumptions inherent in each valuation.

Due to the impact of the Covid-19 pandemic, the directors have considered that the valuations of the investment properties have less weight attached to them for previous market evidence for comparison purposes. The directors' views on valuation is that investment property valuations have an inherent 'material valuation uncertainty'. Consequently, less uncertainty should be attached to the valuation of the Investment Properties this year than would normally be the case due to this material uncertainty and the unknown future impact of the pandemic. The directors will keep the valuation of the investment properties under review.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the director's use of the going concern basis of accounting in the preparation of the financial statement is appropriate.

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

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

Other information

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

The directors are responsible for the other information contained within the financial statement. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report. We have nothing to report in respect of the following matters where the Companies Act 2006 requires us 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.

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, was as follows:

- the engagement partner ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations;
- we identified the laws and regulations applicable to the company through discussions with directors and other management, and from our commercial knowledge and experience of the sector; and
- we focused on specific laws and regulations which we considered may have a direct material effect on the financial statements or the operations of the company, including the Companies Act 2006, taxation legislation and data protection, anti-bribery, employment, environmental and health and safety legislation.
- we assessed the susceptibility of the financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by:
- making enquiries of management as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud; and
- considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations.

To address the risk of fraud through management bias and override of controls, we:

- performed analytical procedures to identify any unusual or unexpected relationships;
- tested journal entries to identify unusual transactions;
- assessed whether judgements and assumptions made in determining the accounting estimates were indicative of potential bias; and
- investigated the rationale behind significant or unusual transactions.

In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:

- agreeing financial statement disclosures to underlying supporting documentation;
- reading the minutes of meetings of those charged with governance; and
- enquiring of management as to actual and potential litigation and claims.

There are inherent limitations in the audit procedures described above; any instance of non-compliance with laws and regulations and fraud which is far removed from transactions reflected in the financial statements would diminish the likelihood of detection. Furthermore, the risk of not detecting a material misstatement due to fraud is greater than the risk of not detecting one resulting from error. Fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentation, or through an act of collusion that would mitigate internal controls.

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

Use of our report

This report is made solely to the Company's members, as a body, in accordance with part 3 of Chapter 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.

Jessica Moorghen (Senior Statutory Auditor)
For and on behalf of UHY Hacker Young 15 November 2021

Chartered Accountants
Statutory Auditor

Quadrant House
4 Thomas More Square
London E1W 1YW

Consolidated profit and loss account
for year ended 31 March 2021

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	Note	2021 £	2020 £
Turnover	7	16,993,406	17,690,149
Cost of sales		(1,336,614)	(1,166,249)
Gross profit		**15,656,792**	**16,523,900**
Administrative expenses		(955,567)	(280,442)
Net deficit on revaluation of investment properties	15	(16,700,000)	(34,050,000)
Operating (loss)/profit		**(1,998,775)**	**(17,806,542)**
Interest receivable and similar income	10	100	8,999
Interest payable and similar charges	11	(14,282,997)	(14,277,378)
(Loss)/profit on ordinary activities before taxation		**(16,281,672)**	**(32,074,921)**
Tax on loss on ordinary activities	12	(847,778)	(1,048,036)
(Loss)/profit for the financial year		**(17,129,450)**	**(33,122,957)**

There is no other comprehensive income for the year (2020: £nil).

The accompanying notes form part of these financial statements.

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Consolidated balance sheet
as at 31 March 2021

	Note	2021 £	2020 £
Fixed assets			
Investment property	15	251,250,000	267,950,000
Total fixed assets		**251,250,000**	**267,950,000**
Current assets			
Debtors due after one year	16	3,574,635	1,532,761
Debtors due within one year	16	710,741	634,276
Cash at bank and in hand		1,759,994	3,079,775
Total current assets		**6,045,370**	**5,246,812**
Creditors: amounts falling due within one year	17	(5,938,841)	(4,708,244)
Net current assets/(liabilities)		**106,529**	**538,568**
Total assets less current liabilities		**251,356,529**	**268,488,568**
Creditors: amounts falling due after one year	18	(233,995,432)	(233,998,021)
Net assets		**17,361,097**	**34,490,547**
Capital and Reserves			
Called up share capital	20	92,686,000	92,686,000
Fair value reserve	21	(77,625,010)	(60,925,010)
Profit and loss account		2,300,107	2,729,557
Total equity attributable to owners of the parent company		**17,361,097**	**34,490,547**

Approved by the Board on 11 October 2021 and signed on its behalf by:

N. O'Connor

Nicola O'Connor, Director
Company Registration no: 09089937

The accompanying notes form part of these financial statements.

Company balance sheet
as at 31 March 2021

	Note	2021 £	2020 £
Fixed assets			
Investments	14	15,060,992	31,760,992
Total fixed assets		**15,060,992**	**31,760,992**
Current assets			
Debtors due after one year	16	233,837,000	233,837,000
Debtors due within one year	16	1,629,400	8,755
Cash at bank and in hand		1,567	63,262
Total current assets		**235,467,967**	**233,909,017**
Creditors: amounts falling due within one year	17	(1,623,774)	(13,862)
Net current assets/(liabilities)		**233,844,193**	**233,895,155**
Total assets less current liabilities		**248,905,185**	**265,656,147**
Creditors: amounts falling due after one year	18	(233,995,432)	(233,998,021)
Net assets		**14,909,753**	**31,658,126**
Capital and Reserves			
Called up share capital	20	92,686,000	92,686,000
Fair value reserve	21	(77,625,010)	(60,925,010)
Profit and loss account		(151,237)	(102,864)
Total equity attributable to owners of the parent company		**14,909,753**	**31,658,126**

As permitted by s408 Companies Act 2006, the Company has not presented its own profit and loss account and related notes. The company's loss for the year was £16,748,373 (2020: £34,097,418).

Approved by the Board on 11 October 2021 and signed on its behalf by:

N. O'Connor

Nicola O'Connor, Director
Company Registration no: 09089937

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Consolidated statement of changes in equity

for the year ended 31 March 2021

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	Note	Share capital £	Profit and loss account £	Fair value reserve £	Total £
Balance at 31 March 2019		**92,686,000**	**1,802,514**	**(26,875,010)**	**67,613,514**
Profit for the year and total comprehensive income		-	(33,122,957)	-	(33,122,957)
Transfer to fair value reserve		-	34,050,000	(34,050,000)	-
Issue of shares		-	-	-	-
Dividends paid		-	-	-	-
Balance at 31 March 2020		**92,686,000**	**2,729,557**	**(60,925,010)**	**34,490,547**
Profit for the year and total comprehensive income		-	(17,129,450)	-	(17,129,450)
Transfer to fair value reserve	21	-	16,700,000	(16,700,000)	-
Issue of shares		-	-	-	-
Dividends paid	13	-	-	-	-
Balance at 31 March 2021		**92,686,000**	**2,300,107**	**(77,625,010)**	**17,361,097**

The accompanying notes form part of these financial statements.

Consolidated statement of cashflows

for the year ended 31 March 2021

	Note	2021 £	2020 £
Net cash inflow from operating activities	9	**12,105,126**	**15,391,333**
Taxation paid		(747,637)	(1,195,104)
Net cash generated from operating activities		**11,357,489**	**14,196,229**
Investing activities:			
Interest received		100	8,999
Investment property acquisitions		-	-
Net cash (outflow) from investing activities		**100**	**8,999**
Financing activities:			
Interest paid		(12,677,370)	(14,277,378)
Dividends paid		-	-
Issue of ordinary share capital		-	-
New long-term loans		-	-
Net cash inflow from financing activities		**(12,677,370)**	**(14,277,378)**
Net (decrease)/increase in cash and cash equivalents		**(1,319,781)**	**(72,150)**
Cash and cash equivalents at beginning of the year		3,079,775	3,151,925
Cash and cash equivalents at the end of the year		**1,759,994**	**3,079,775**

The accompanying notes form part of these financial statements.

Notes to the consolidated financial statements

for the year ended 31 March 2021

1. Company information

Halsey Garton group comprises Halsey Garton Property Ltd and one property subsidiary company as set out on page seven of this report. Both companies are private companies, limited by shares, and domiciled in England and Wales. The registered offices are Woodhatch Place, 11 Cockshot Hill, Reigate, Surrey, England, RH2 8EF.

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2. Basis of preparation

These financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard (FRS) 102 and with the Companies Act 2006. There were no material departures from this standard.

The financial statements have been prepared on a historical cost basis except for the modification to a fair value basis for investment properties as specified below.

The Financial statements are presented in sterling (£).

3. Going concern

After reviewing the company's forecast and projections, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future being a period of not less than 12 months from the date of approval of these financial statements. As at 31st March 2021 there were overall net current assets of £0.1m recorded in the accounts.

At the time of producing these financial statements, the directors have a reasonable understanding of the impact to the company of the pandemic and consider that the company has adequate resources to continue in operational existence for the foreseeable future. The group therefore continues to adopt the going concern basis in preparing its consolidated financial statements.

4. Accounting policies

4.1 Basis of consolidation

The consolidated financial statements present the results of Halsey Garton Property Ltd and its subsidiaries ("the group") as if they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

4.2 Turnover

The turnover shown in the profit and loss account represents rents and income from other property services earned during the period, exclusive of VAT.

4.3 Recognition of income and expenditure

Revenue (income) from rents and other property related services, is recognised when the property or service is provided, rather than when payments are received.

Expenses in relation to services received are recorded as expenditure when the services are received rather than when payments are made.

Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the balance sheet.

4.4 Investments in subsidiaries

Investments in shares of subsidiaries are initially measured at cost, including applicable transaction costs. Investments are carried at fair value where they can be measured reliably, otherwise they are included at cost less impairment. Changes in fair value are recognised in profit or loss and transferred to the fair value reserve.

4.5 Investment properties

Investment property is initially measured at cost, including transaction costs. Investment property is carried at fair value determined annually by external valuers and derived from the current market rents and investment property yields for comparable real estate, adjusted if necessary for any difference in the nature, location or condition of the specific asset. No depreciation is provided. Changes in fair value are recognised in profit or loss and transferred to the fair value reserve.

4.6 Loans between group companies

Loans from Surrey County Council are measured at amortised cost.

4.7 Leased assets – lessor

Rent received under operating leases is credited to profit and loss on a straight-line basis over the term of the lease. Incentives for the agreement of a new or renewed operating lease are recognised as a reduction in the rental income over the lease term, irrespective of the incentive's nature or form, or the timing of any payments.

4.8 Current Taxation

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to calculate the amount are those enacted by the balance sheet date.

4.9 Deferred Taxation

The tax expense recorded in the profit and loss account represents the sum of tax currently payable and deferred tax. Deferred tax is the tax expected to be payable or recoverable based on timing differences between the company’s net profits recorded in the financial statements and taxable profits for tax computation purposes.

5. Judgements in applying accounting policies and key sources of uncertainty

In preparing these financial statements, the directors have made the following judgements:

- Determined if leases entered into by the company are operating leases or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee.
- Investment properties are professionally valued annually using a yield methodology. This uses market rental values capitalised at a market capitalisation rate but there is an inevitable degree of judgement involved in that each property is unique and value can ultimately only be reliably tested in the market itself.
- That there are unlikely to be sufficient capital gains in the foreseeable future to enable the utilisation of a potential deferred tax asset on property revaluations. This judgement has been made in light of prevailing property market conditions, the continued expansion of the property portfolio and our experience that significant capital transaction costs on purchase are not offset by increases in underlying property values in the early years after purchase.

6. Average number of persons employed

During the year the group did not employ any persons directly (2020: None).

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7. Turnover

Turnover, analysed by category was as follows:

	2021	2020
	£	£
Rents received from investment properties	**16,532,480**	17,189,329
Landlord services – service charges	**346,809**	336,556
Landlord services – property insurance	**105,717**	164,264
Dilapidation and other income	**8,400**	-
Total	**16,993,406**	17,690,149

8. Profit on ordinary activities before taxation

The profit on ordinary activities before taxation is stated after:

	2021	2020
	£	£
Audit fees	**33,018**	15,000
Tax compliance services	**12,345**	10,925

Tax compliance fees are not paid to the Company's auditor.

9. Net cash inflow from operating activities

Reconciliation of operating loss to cash utilised in operations.

	2021	2020
	£	£
Loss on ordinary activities before taxation	**(16,281,672)**	(32,074,921)
Interest payable	**14,282,997**	14,277,378
Interest receivable	**(100)**	(8,999)
Unrealised loss on revaluation of investments	**16,700,000**	34,050,000
Net (increase)/decrease in working capital	**(554,224)**	(848,156)
Net (increase) in lease incentives	**(2,041,874)**	(3,969)
Net cash inflow from operating activities	**12,105,127**	15,391,333

10. Interest receivable and similar income

During the year £100 (2019/20 £8,999) interest was receivable on cash balances held in the bank account.

	2021	2020
	£	£
Interest on advanced payments	**-**	-
Bank interest	**100**	8,999
Total	**100**	8,999

11. Interest payable and similar charges

Interest is payable on intragroup loans between Surrey County Council and Halsey Garton Property Ltd.

	2021	2020
	£	£
Interest on loan	**14,277,371**	14,277,378
Other	**5,626**	-
Total	**14,282,997**	14,277,378

12. Taxation

The tax charge on the (loss)/profit on ordinary activities for this period was as follows:

	2021	2020
	£	£
UK Corporation tax	**791,581**	959,413
Deferred tax	**56,197**	88,623
Tax on (loss)/profit on ordinary activities	**847,778**	1,048,036

Factors affecting the tax charge/(credit):	**2021**	2020
	£	£
(Loss)/profit on ordinary activities before taxation	**(16,281,672)**	(32,074,921)
Rate of tax for period	**19%**	19%
(Loss)/profit on ordinary activities before taxation multiplied by the rate of tax for period	**(3,093,518)**	(6,094,234)
Expenses not deductible for tax purposes	**4,061,067**	8,031,730
Income not taxable for tax purposes		(780,686)
Chargeable losses	**(3,107,964)**	(6,284,478)
Group relief surrendered/(claimed)	**(5,681)**	
Adjustments in respect of prior periods (current tax)	**351**	(130)

Adjustments in respect of current period (current tax)	**(683)**	
Adjustments in respect of prior periods (deferred tax)	**683**	-
Adjust closing deferred tax to average rate		-
Adjust opening deferred tax to average rate		(531,740)
Deferred tax not recognised	**2,993,523**	6,707,574
Tax on (loss)/profit on ordinary activities	**847,778**	1,048,036

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Expenses not deductible for tax purposes comprise the net deficit from changes in the fair value of investments plus revenue expenses relating to the acquisition of properties.

Factors that may affect future tax charges: Halsey Garton Property Ltd has tax adjusted non-trade losses of £41,622 (2019-20: £41,622) available for carry forward against future non-trading profits.

13. Dividends

	2021	2020
	£	£
Paid during the year	**-**	-
To be declared post year end	**-**	-

14. Fixed assets – investments in subsidiaries

Investments in subsidiaries are carried at fair value where this can be reliably measured and, for Halsey Garton Property Investments Ltd, this has been determined with reference to the underlying property assets held by the subsidiary. Details on the assumptions made and the key sources of estimation uncertainty are given in note 5.

The net deficit on revaluation of investments arising of £16,700,000 as at 31 March 2021 has been debited to the profit and loss for the year and transferred to the fair value reserve.

Investments in subsidiaries

	2021	2020	
	£	£	
Valuation at 1 April 2020	**31,760,992**	65,810,992	
Additions		-	
Fair value adjustments	**(16,700,000)**	(34,050,000)	Revaluation P/L
Disposals	**-**	-	
Valuation at 31 March 2021	**15,060,992**	31,760,992	

Additions totalling £nil in 2020/21 represent additional capital invested in Halsey Garton Property Investments Ltd.

15. Fixed assets – investment properties

The group's investment properties are valued annually on 31 March at fair value, determined by an independent, professionally qualified valuer, Montagu Evans LLP. The valuations are undertaken in accordance with the Royal Institution of Chartered Surveyors' Appraisal and Valuation Manual. Details on the assumptions made and the key sources of estimation uncertainty are given in note 5.

The net deficit on revaluation of investment property arising of £16,700,000 as at 31 March 2021 has been debited to the profit and loss for the year and transferred to the fair value reserve. Had the properties not been revalued they would have been held at the historical cost of £328,875,010 (2019/2020: £328,875,010).

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	2021	2020
	£	£
Fair value at 1 April 2019	**267,950,000**	302,000,000
Additions	-	-
Disposals	-	-
Fair value adjustments	**(16,700,000)**	(34,050,000)
Fair value at 31 March 2020	**251,250,000**	267,950,000

16. Debtors

	Group		**Company**	
	2021	2020	**2021**	2020
	£	£	**£**	£
Debtors due after more than one year				
Accrued income – unamortised lease incentive	**3,574,635**	1,532,761	**-**	-
Amounts owed by subsidiary undertaking	**-**	-	**233,837,000**	233,837,000
Sub-Total	**3,574,635**	1,532,761	**233,837,000**	233,837,000
Debtors due within one year				
Amounts owed by subsidiary undertaking	**-**	-	**1,620,018**	-
Trade debtors	**701,359**	625,521	**-**	-
Deferred tax asset	**7,908**	7,225	**7,908**	7,255
VAT	**1,474**	1,530	**1,474**	1,530
Sub-Total	**710,741**	634,276	**1,629,400**	8,785
Total	**4,285,376**	2,167,037	**235,466,400**	233,845,785

All amounts shown fall due for payment within one year except for the unamortised lease incentive which is due in accordance with the terms of the lease.

Included within Company long term debtors are intragroup loans totalling £233,837,000 provided to Halsey Garton Property Investments Ltd. These are revolving facility, maturity loan agreements at interest rates ranging from 5.5% to 6.6%. All are due to be repaid in full ten years from the original loan draw down. The carrying amount as at 31 March 2021 is included at amortised cost.

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17. Creditors: amounts falling due within one year

	Group 2021 £	2020 £	Company 2021 £	2020 £
Amounts owed to parent entity	**1,831,940**	90,337	**1,609,772**	-
Amounts owed to group companies	**-**	-	**2**	2
Corporation tax	**596,010**	552,067	**-**	-
Deferred tax liability	**331,231**	274,351	**-**	-
Deferred Income	**2,021,696**	2,800,732	**-**	-
Trade Creditors	**14,000**	-	**14,000**	5,000
VAT	**911,953**	686,414	**-**	-
Other creditors	**232,011**	304,343	**-**	8,860
Total	**5,938,841**	4,708,244	**1,623,774**	13,862

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

	Group 2021 £	2020 £	Company 2021 £	2020 £
Amounts owed to parent entity	**233,995,432**	233,995,432	**233,995,432**	233,995,432
Total	**233,995,432**	233,995,432	**233,995,432**	233,995,432

Intragroup loans totalling £233,995,432 have been provided by Surrey County Council to Halsey Garton Property Ltd. These are maturity loans at interest rates ranging from 5.5% to 6.6% and all are due to be repaid in full, ten years from the original loan draw down. The carrying amount as at 31 March 2021 is included at amortised cost.

19. Deferred tax provision

	Group 2021 £	2020 £	Company 2021 £	2020 £
Opening balance at 1 April 2020	**266,443**	177,820	(7,225)	(7,076)
Accelerated capital allowances	**-**	-		-
Deferred tax asset for unrelieved tax losses	**56,197**	88,623	(683)	(149)
Adjustments in respect of prior periods	**-**	-	-	-
Deferred tax asset for loss on revaluation	**-**	-	-	-
Closing balance at 31 March 2021	**322,640**	266,443	**(7,908)**	(7,225)

There is a potential deferred tax asset on property revaluations of £15,061,857 which has not been recognised in the Group and Company accounts due to uncertainty about the availability of sufficient capital profits in the foreseeable future to utilise the losses against. The group incurred significant transaction costs at acquisition of the properties and its strategy is to hold properties for long term income returns and not capital gains. It is unlikely that any property will be sold until such time as it is beneficial to do so.

20. Called up share capital

Authorised, allotted and fully paid:	Group		Company	
	2021	2020	**2021**	2020
	£	£	**£**	£
1 founders' shares of £1 each	**1**	1	**1**	1
92,685,999 ordinary shares of £1 each	**92,685,999**	92,685,999	**92,685,999**	92,685,999
Total	**92,686,000**	92,686,000	**92,686,000**	92,686,000

21. Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of investment property assets until they are sold or an asset is impaired. A potential deferred tax asset of £15,061,857 on revaluations has not been recognised in 2021 – see also note 18 above. The reserve is used to distinguish unrealised profits/(losses) from realised profits/(losses) which are held in the profit and loss account.

	Group		Company	
	2021	2020	**2021**	2020
	£	£	**£**	£
Reserve at 1 April 2020	**(60,925,010)**	(26,875,010)	(60,925,010)	(26,875,010)
Fair value adjustments (Note 14)	**(16,700,000)**	(34,050,000)	(16,700,000)	(34,050,000)
Deferred tax asset for loss on revaluation	**-**	-	-	-
Reserve at 31 March 2021	**(77,625,010)**	(60,925,010)	**(77,625,010)**	(60,925,010)

22. Leases

The minimum lease payments due to Halsey Garton group in future years are:

	2021	2020
	£	£
Not later than one year	**16,491,382**	16,026,630
Later than one year but not later than five years	**57,755,810**	65,275,646
Later than five years	**111,513,604**	113,419,643
Total	**185,760,796**	194,721,919

23. Related party disclosures

Halsey Garton group is 100% owned by Surrey County Council (SCC), the ultimate controlling party. SCC draws up consolidated financial statements for the group and its principal place of business is Woodhatch Place, 11 Cockshot Hill, Reigate, Surrey, England, RH2 8EF. The only related party transactions were intra-group transactions between Halsey Garton and SCC and these have not been disclosed in line with section 33.1A of FRS 102.

24. Post balance sheet events

A dividend of £0.25m has been paid by Halsey Garton Property Investments Ltd to Halsey Garton Property Ltd.

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