

Company Registration Number 8932821

Akelius UK Five Limited

Annual Report and Financial Statements

For the Year Ended 31 December 2016

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Akelius UK Five Limited**Annual Report and Financial Statements for the For the Year Ended 31 December 2016**

Contents	Page(s)
Company Information.....	3
Strategic Report.....	4 – 5
Directors' Report.....	6 – 7
Statement of Directors' Responsibilities.....	8
Independent Auditors' Report.....	9 – 11
Statement of Comprehensive Income.....	12
Balance Sheet.....	13 – 14
Statement of Changes in Equity.....	15
Notes to the Financial Statements.....	16 – 28

Akelius UK Five Limited
Annual Report and Financial Statements for the Year Ended 31 December 2016

Company Information

Directors	Mr L Synnes Mr L Lindfors Mr A Speller
Registered Number	8932821
Registered Office	5th Floor Coin House 2 Gees Court London W1U 1JA
Company Secretary	Mr A Speller
Independent Auditors	PricewaterhouseCoopers LLP 7 More London Riverside London SE1 2RT
Bankers	Barclays PALL MALL 2 Leicestershire LE87 2BB
Solicitors	Bond Dickinson LLP St Anne's Wharf 112 Quayside Newcastle-upon-Tyne NE1 3DX

Akelius UK Five Limited

Strategic Report for the Year Ended 31 December 2016

The directors present their strategic report for the year ended 31 December 2016.

Business review

Fair review of the business

Akelius UK Five Limited ("the Company") has had a satisfactory year, achieving value growth of 8.8 per cent (2015: 24.0 per cent) and rental growth of 35.9 per cent (2015: 10.2 per cent). The company's mission is to provide current and future tenants with a better living by continuously upgrading its buildings and service. The company takes a long-term view of all of its investments.

At the end of the year, the net assets totaled £42,772,406 (2015: £36,730,389). In the year, the company had turnover of £4,620,701 (2015: £5,944,433) and recognised a profit for the financial year of £6,042,017 (2015: £19,034,457).

The company's key financial and other performance indicators during the year were as follows:

	Unit	2016	2015
Turnover	£	4,620,701	5,944,433
Operating profit	£	3,179,501	3,480,429
Operating profit	% of turnover	68.8	58.5
Value growth	% of cost	8.8	24.0
No. of apartments owned	No.	316	592
Average rent per month	£/sq ft	2.13	1.57

The directors do not consider that there are any other non-financial Key Performance Indicators.

Principal risks and uncertainties

Market risk

The company is affected by macro-economic factors and by market conditions in London in particular. Deterioration in the wider economy could suppress demand and have a consequent impact on rental income and vacancy. Lower rents and higher vacancy would in turn impact on property values.

By cherry-picking its investments, the company ensures that all properties acquired meet strict investment criteria. Properties with refurbishment potential in metropolitan areas with high demand and population growth limit exposure to market risk. The company focuses on residential property as the returns are less volatile than for commercial property. The company also focuses its activities on London, which is a market that has proven more robust to wider economic factors than other areas in the United Kingdom.

Akelius UK Five Limited

Strategic Report for the Year Ended 31 December 2016

Property valuations

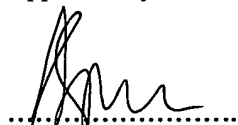
Property valuations are inherently subjective and could lead to volatility in the company's profit and loss account.

The company uses external valuers to support the internal valuations. All properties are externally valued at least once in every three year period.

Interest rate risk

The company pays interest on amounts due to other group companies and on long term bank loans based on market rates. The group company loans are at fixed rates but the long term bank borrowings are subject to floating interest rates. The company benefits from a wider group-level interest rate swap contract to hedge the floating rate to a fixed rate on most of its long term bank borrowings, but is still exposed to a certain extent to interest rate risk through fluctuations in base rates, although this has again been mitigated to a low risk through the use of derivative instruments.

Approved by the board of directors on 27/9/2017 and signed on their behalf by



.....
Andrew Speller
Director

..... 27/9/17

Date

Akelius UK Five Limited

Directors' Report for the Year Ended 31 December 2016

The directors present their report and the audited financial statements of the company for the year ended 31 December 2016.

Principal Activities

The principal activity of the company is investment in residential property.

Results and dividends

The profit for the financial year amounted to £6,042,017 (2015: £19,034,457). The directors do not recommend payment of any dividends (2015: £nil).

Directors

The following were directors throughout the year, and up to the date of reporting:

Mr L Synnes
Mr H-P Hesse (resigned 31 March 2017)
Mr P Hakeman (resigned 6 April 2017)
Mr L Lindfors (appointed 6 April 2017)
Mr A Speller (appointed 6 April 2017)

Financial instruments

Objectives and policies

The company is supported by the treasury department of a group company, Akelius Residential Property AB, who give advice on managing the financial risks the company is exposed to.

Price risk, credit risk, liquidity risk and cash flow risk

The company's principal financial instruments comprise bank balances, rents receivable, trade creditors and loans. The main purpose of these instruments is to finance the business's operations.

In respect of bank balances and borrowings, advice on the financial risks is provided by Akelius Residential Property AB's group treasury department, and the company closely monitors appropriate balances and ensures all such risks are mitigated to an acceptable level.

Rents receivable are managed by the immediate parent company, Akelius Residential Limited, a property management company, which manages the credit risks through use of appropriate financial references, rent deposits and regular monitoring of amounts outstanding. The amounts presented in the statement of financial position are net of allowances for doubtful debtors.

Creditors' liquidity risk is managed by ensuring sufficient funds are available to meet amounts due.

Future developments

The company will continue to cherry-pick suitable investment opportunities in the forthcoming year while upgrading existing properties to provide tenants with a better living.

Akelius UK Five Limited

Directors' Report for the Year Ended 31 December 2016

Qualifying third-party and pension scheme indemnity provision

A qualifying third-party indemnity provision and/or qualifying pension scheme indemnity provision has not been put in place for directors of the company at the date of approval of the directors' report.

Going concern

The directors believe, based on the liquid resources and the net assets of the Company at 31 December 2016, that there is reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The directors have therefore continued to adopt the going concern basis in preparing these financial statements.

Political donations and political expenditure

The company made no political or charitable donations during the year (2015: £nil).

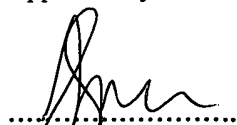
Disclosure of information to the auditors

Each director has taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information. As far as they are aware, there is no relevant audit information of which the Company's auditors are unaware.

Appointment of auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

Approved by the board of directors on 27/9/17 and signed on their behalf by



.....
Andrew Speller
Director

27/9/2017
Date

Akelius UK Five Limited
For the Year Ended 31 December 2016

Statement of Directors' Responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements 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 company will continue in business.

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

The directors 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.

In the case of each director in office at the date the Directors' Report is approved:

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

Akelius UK Five Limited
For the Year Ended 31 December 2016

Independent Auditors' Report to the Members of Akelius UK Five Limited

Report on the financial statements

Our opinion

In our opinion, Akelius UK Five Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its profit 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.

What we have audited

The financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), comprise:

- the Balance Sheet as at 31 December 2016;
- the Statement of Comprehensive Income for the year then ended;
- the Statement of Changes in Equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinions on other matters prescribed by the Companies Act 2006

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

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

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

Akelius UK Five Limited
For the Year Ended 31 December 2016

Independent Auditors' Report to the Members of Akelius UK Five Limited

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 8, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

Akelius UK Five Limited
For the Year Ended 31 December 2016

Independent Auditors' Report to the Members of Akelius UK Five Limited

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic Report and Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.



Peter Jourdier (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

Date:

27/9/17

Akelius UK Five Limited
Statement of Comprehensive Income

For the Year Ended 31 December 2016

	Note	Year ended 31 December 2016 £	Year ended 31 December 2015 £
Turnover	5	4,620,701	5,944,433
Cost of sales		<u>(1,373,015)</u>	<u>(2,381,412)</u>
Gross profit		3,247,686	3,563,021
Administrative expenses		<u>(68,185)</u>	<u>(82,592)</u>
Operating profit	6	3,179,501	3,480,429
Revaluation gain on investment property	11	4,081,412	23,268,971
Profit on disposal of investment properties		1,261,746	39,292
Interest receivable and similar income	7	744,786	226,469
Interest payable and similar expenses	8	<u>(3,335,003)</u>	<u>(3,189,633)</u>
Profit before taxation		5,932,442	23,825,528
Tax on profit	9	109,575	(4,791,071)
Profit for the financial year		<u>6,042,017</u>	<u>19,034,457</u>

The notes on pages 16 to 28 are an integral part of these financial statements.

Akelius UK Five Limited
Balance Sheet

As at 31 December 2016

	Note	31 December 2016 £	31 December 2015 £
Fixed assets			
Tangible assets	10	48,064	45,593
Investment properties	11	<u>85,768,819</u>	<u>119,643,041</u>
		<u>85,816,883</u>	<u>119,688,634</u>
Current Assets			
Debtors	12	61,168,314	54,199,331
Cash at bank and in hand		<u>279</u>	<u>29,914</u>
		61,168,593	54,229,245
Creditors: Amounts falling due within one year	13	<u>(86,817,055)</u>	<u>(55,752,554)</u>
Net current liabilities		<u>(25,648,462)</u>	<u>(1,523,309)</u>
Total assets less current liabilities		60,168,421	118,165,325
Creditors: Amounts falling due after more than one year	14	(14,539,715)	(76,227,261)
Provision for liabilities	15	<u>(2,856,300)</u>	<u>(5,207,675)</u>
NET ASSETS		<u>42,772,406</u>	<u>36,730,389</u>
Capital and reserves			
Called up share capital	16	16,000,001	16,000,001
Retained earnings		<u>26,772,405</u>	<u>20,730,388</u>
Total Equity		<u>42,772,406</u>	<u>36,730,389</u>

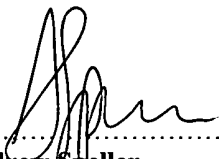
The notes on pages 16 to 28 are an integral part of these financial statements.

Akelius UK Five Limited
Balance Sheet

As at 31 December 2016

Approval

The financial statements on pages 12 to 28 were authorised for issue by the board of directors on 27/9/17...
and were signed on its behalf.


.....
Andrew Speller
Director

Akelius UK Five Limited
Company Registration Number 8932821

Akelius UK Five Limited
Statement of Changes in Equity

For the Year Ended 31 December 2016

	Called up Share Capital £	Retained Earnings £	Total Equity £
As at 1 January 2016	16,000,001	20,730,388	36,730,389
Profit for the financial year	-	6,042,017	6,042,017
Balance as at 31 December 2016	<u>16,000,001</u>	<u>25,772,405</u>	<u>42,772,406</u>

	Called up Share Capital £	Retained Earnings £	Total Equity £
As at 1 January 2015	16,000,001	1,695,931	17,695,932
Profit for the financial year	-	19,034,457	19,034,457
Balance as at 31 December 2015	<u>16,000,001</u>	<u>20,730,388</u>	<u>36,730,389</u>

Akelius UK Five Limited
Notes to the Financial Statements

For the Year Ended 31 December 2016

1. General information

Akelius UK Five Limited is a private company limited by shares, incorporated on 11 March 2014 in England. Its registered office is 5th Floor, Coin House, 2 Gees Court, London W1U 1JA. The company's principal activity is investment in and letting of residential property.

2. Statement of compliance

The individual financial statements of Akelius UK Five Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102"), and the Companies Act 2006, under the provision of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008/410).

3. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented unless otherwise stated. The company has adopted FRS 102 in these financial statements.

Basis of preparation

The financial statements have been prepared on a going concern basis, under the historical cost convention, as modified by the revaluation of investment properties measured at fair value through profit or loss. The Company's functional and presentation currency is pound sterling and values are rounded to the nearest pound.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. These areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4.

Going concern

The company has net current liabilities as at 31 December 2016 and is reliant on the support of its ultimate parent company, Akelius Residential Property AB, which has provided finance to the company when required to assist in the purchase of investment properties and to provide working capital. The parent company has confirmed its continuing support to the company for a period exceeding twelve months from the date of approval of these financial statements. The directors are therefore confident that the company will have adequate resources to continue in existence for the foreseeable future and accordingly the financial statements have been prepared on a going concern basis.

Akelius UK Five Limited
Notes to the Financial Statements

For the Year Ended 31 December 2016

3. Summary of significant accounting policies (continued)

Exemptions for qualifying entities under FRS 102

The company has taken advantage of certain disclosure exemptions under FRS 102 on the basis that it is a qualifying entity. The shareholders have been notified and did not object to the use of the disclosure exemptions. These exemptions are:

- (i) the requirement to prepare a statement of cash flows. The company's cash flows are included in the consolidated statement of cash flows prepared by its parent company; and
- (ii) the non-disclosure of key management personnel compensation in total.

Revenue recognition

Turnover, which consists of gross rental income from tenants residing in the company's investment properties arising in the period, is measured at the fair value of the consideration received or receivable, net of amounts written off relating to rents considered to be irrecoverable. Rents are recognized as income in the period in which they are earned. Rents received in advance are deferred to the appropriate period to which they relate – such deferred rents at the balance sheet date are included within creditors.

The company recognises revenue when the amount of revenue can be measured reliably, when it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the company's activities described above.

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease unless the lease payments are structured to increase in line with expected general inflation in which case the income is recognised as revenue in accordance with the expected payments.

Tangible assets

Tangible assets are stated at cost (or deemed cost) less accumulated depreciation and accumulated impairment losses. Cost includes the original purchase price, costs directly attributable to bringing the asset to its working condition for its intended use, dismantling and restoration costs and borrowing costs capitalised.

Fixtures and Fittings

Fixtures and fittings are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation on fixtures and fittings is calculated so as to write off the cost or valuation of an asset, less its residual value, over their estimated useful lives as follows:

Fixtures and fittings	- 4 years
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On disposal, the difference between the net disposal proceeds and the carrying amount of the item sold is recognised in profit or loss.

Akelius UK Five Limited
Notes to the Financial Statements

For the Year Ended 31 December 2016

3. Summary of significant accounting policies (continued)

Financial instruments

(i) Financial assets

Basic financial assets, including trade and other receivables, and cash and bank balances are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

(ii) Financial liabilities

Basic financial liabilities, including trade and other payables, bank loans, and loans from fellow group companies are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Akelius UK Five Limited
Notes to the Financial Statements

For the Year Ended 31 December 2016

3. Summary of significant accounting policies (continued)

(ii) Financial liabilities (continued)

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties are initially measured at cost, including transaction costs. Subsequently investment properties whose fair value can be measured reliably without undue cost or effort on an on-going basis are measured at fair value. Gains and losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise.

Cash and cash equivalents

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

Taxation

Taxation expense represents the aggregate amount of current tax and deferred tax recognised in the reporting period.

Current or deferred taxation assets and liabilities are not discounted.

Current tax is the amount of income tax payable in respect of the taxable profit for the period. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

A deferred tax asset or liability is recognised for tax recoverable or payable in future periods in respect of transactions and events recognised in the financial statements of current periods.

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. Timing differences result from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements.

3. Summary of significant accounting policies (continued)

Taxation (continued)

Deferred tax is recognised on all timing differences at the reporting date apart from certain exceptions. Unrelieved tax losses and other deferred tax assets are only recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the reporting date and that are expected to apply to the reversal of the timing differences. Deferred tax relating to land and investment properties that is measured at fair value is measured using the tax rates and allowances that apply to the sale of the asset.

Called up share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Related party transactions

The company discloses transactions with related parties which are not wholly owned with the same group. It does not disclose transactions with members of the same group that are wholly owned utilising the exemption under FRS 102 paragraph 33.1A.

4. Judgements and key sources of estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The directors have made key assumptions in the determination of the fair values of investment properties in respect of the state of the property market in the location where the properties are situated and in respect of the range of reasonable fair value estimates of the assets. The valuation method is further described in Note 11 together with the valuation of the properties at the reporting date.

Akelius UK Five Limited
Notes to the Financial Statements

For the Year Ended 31 December 2016

5. Turnover

	Year ended 31 December 2016 £	Year ended 31 December 2015 £
Rental income - UK	<u>4,620,701</u>	<u>5,944,433</u>

6. Operating Profit

Operating profit is stated after charging :

	Year ended 31 December 2016 £	Year ended 31 December 2015 £
Audit fees payable to the company's auditors	25,925	22,487
Depreciation of fixtures and fittings	<u>14,978</u>	<u>7,283</u>
	<u>40,903</u>	<u>29,770</u>

In accordance with SI 2008/489 the company has not disclosed the fees payable to the company's auditors for "other services" as this information is included in the consolidated financial statements of Akelius Residential Limited, the immediate parent company.

The company does not have any employees apart from its directors. The directors are remunerated as part of the wider Akelius Group and it is not possible to make an accurate apportionment of their emoluments in respect of the company.

7. Interest receivable and similar income

	Year ended 31 December 2016 £	Year ended 31 December 2015 £
Interest receivable from group undertakings	713,233	223,703
Other interest receivable	<u>31,553</u>	<u>2,766</u>
	<u>744,786</u>	<u>226,469</u>

Akelius UK Five Limited
Notes to the Financial Statements

For the Year Ended 31 December 2016

8. Interest payable and similar expenses

	Year ended 31 December 2016 £	Year ended 31 December 2015 £
Bank loan interest payable	1,080,493	1,212,336
Interest payable to group undertakings	2,240,645	1,977,297
Other interest payable	13,865	-
	<u>3,335,003</u>	<u>3,189,633</u>

9. Tax on profit

	Year ended 31 December 2016 £	Year ended 31 December 2015 £
Current tax:		
UK tax on profit for the year	2,246,127	85,100
Adjustment in respect of previous years	(4,327)	-
Total current tax on profit	<u>2,241,800</u>	<u>85,100</u>
Deferred tax:		
Origination and reversal of timing differences	<u>(2,351,375)</u>	<u>4,705,971</u>
Total tax (credit)/charge	<u>(109,575)</u>	<u>4,791,071</u>

Akelius UK Five Limited
Notes to the Financial Statements

For the Year Ended 31 December 2016

9. Tax on profit (continued)

The taxation presented for the year is lower (2015: lower) than the standard applicable rate of tax in the UK for the year ended 31 December 2016 of 20% (2015: 20.25%). The differences are explained below:

	Year ended 31 December 2016 £	Year ended 31 December 2015 £
Profit before taxation	5,932,442	23,825,528
Profit multiplied by the standard rate of tax in the UK of 20% (2015: 20.25%)	1,186,488	4,824,669
Effects of:		
Expenses not deductible for tax purposes	2,996	460
Adjustment in respect of previous years	(4,327)	-
Origination and reversal of temporary differences	-	22,899
Indexation	(621,915)	(1,609)
Difference in deferred tax rate	(672,817)	(5,996)
Utilisation of brought forward losses	-	(50,352)
Total tax (credit)/charge	(109,575)	4,791,071

Tax rate changes

The Finance (No.2) Act 2015 was enacted on 18 November 2015, which introduced a reduction in the headline rate of corporation tax from 20% to 19% from 1 April 2017. The Finance Act 2016 was enacted on 15 September 2016, and introduced a further reduction of the headline rate of corporation tax to 17% from 1 April 2020. The deferred tax assets and liabilities reflect these rates.

Akelius UK Five Limited
Notes to the Financial Statements

For the Year Ended 31 December 2016

10. Tangible assets

	Fixtures and fittings £	Total £
Cost		
At 1 January 2016	53,364	53,364
Additions	<u>17,449</u>	<u>17,449</u>
At 31 December 2016	<u>70,813</u>	<u>70,813</u>
Accumulated depreciation		
At 1 January 2016	7,771	7,771
Charge for the year	<u>14,978</u>	<u>14,978</u>
At 31 December 2016	<u>22,749</u>	<u>22,749</u>
Net book amount		
At 31 December 2016	<u>48,064</u>	<u>48,064</u>
Net book amount		
At 31 December 2015	<u>45,593</u>	<u>45,593</u>

11. Investment properties

	Property £	Total £
Cost or valuation		
At 1 January 2016	119,643,041	119,643,041
Capital expenditure	1,539,714	1,539,714
Disposals	(39,495,348)	(39,495,348)
Revaluation	<u>4,081,412</u>	<u>4,081,412</u>
At 31 December 2016	<u>85,768,819</u>	<u>85,768,819</u>

The investment properties were purchased in 2014. The fair value of the properties at 31 December 2016 has been arrived at on the basis of a valuation carried out at that date by the directors of the company who are not professionally qualified valuers but have extensive experience in carrying out internal valuations of properties in the wider Akelius Group and accordingly are considered to be competent valuers for this purpose.

Akelius UK Five Limited
Notes to the Financial Statements

For the Year Ended 31 December 2016

11. Investment properties (continued)

All properties have been valued using the yield method, meaning each property is valued by discounting the estimated future cash flows. The estimated future cash flows are based on existing rental income and estimated operating and maintenance costs adjusted for expected changes in rental and vacancy levels. The property's fair value comprises the sum of the discounted cash flows during the calculation period and the residual value.

Future rental levels are based on actual rent, adjusted for potential rental growth, calculated from investments made in the properties as well as inflation. Vacancies are considered on the basis of the current vacancy situation for each individual property, adjusted to a market vacancy level taking into account the property's individual characteristics.

Operating and maintenance expenses are based on the estimations of the market level per the calculation period, adjusted for inflation. Property administration costs are assessed based on the average cost level.

The required yield is determined by adding the interest rates to risk premiums. The risk premium covers the market risk and the property-related risk based on the building's location and the prevailing supply and demand. The required yield is assessed, as far as possible, with reference to similar property transactions that have been completed on the market, as well with comparable properties.

It is the policy of the group that one third of the group's property portfolio is independently valued each year as check-and-balance against internal valuation. Allsop LLP were engaged to conduct these valuations.

The historical cost of investment property held is £65,993,786 (2015: £94,006,284).

The Company's investment property is pledged as security for the Company's bank loan. See note 14 for details.

The company leases out all of its investment properties under operating leases. The future aggregate minimum rentals receivable under non-cancellable operating leases are as follows:

	2016 £	2015 £
Less than one year	1,837,878	510,877
Between one and five years	<u>33,585</u>	<u>-</u>

Akelius UK Five Limited
Notes to the Financial Statements

For the Year Ended 31 December 2016

12. Debtors

	2016 £	2015 £
Trade debtors	144,914	202,330
Less: provision for impairment of receivables	<u>(1,880)</u>	<u>(60,650)</u>
	143,034	141,680
Amounts owed by group undertakings	60,558,627	51,660,351
Other debtors	2,139	2,007,095
Prepayments and accrued income	<u>464,514</u>	<u>390,205</u>
	<u>61,168,314</u>	<u>54,199,331</u>

Amounts owed by group undertakings are unsecured and have no fixed date of repayment. No interest is charged on group intercompany balances payable on demand.

13. Creditors: Amounts falling due within one year

	2016 £	2015 £
Trade creditors	10,627	7,472
Amounts owed to group undertakings	85,628,945	54,866,746
Other creditors	1,222	25,875
Corporation tax	1,086,701	85,100
Accruals and deferred income	<u>89,560</u>	<u>767,361</u>
	<u>86,817,055</u>	<u>55,752,554</u>

Amounts owed to group undertakings includes a loan of £32.3m that is repayable on 30 June 2017, carries an interest charge at a rate of 5% per annum, and is unsecured.

Included in amounts owed to group undertakings is £4,644,483 (2015: £3,003,242) of interest payable to group undertakings under the terms of the loan.

Amounts owed to group undertakings also includes intercompany loans repayable on demand which bear no interest charge. All amounts are unsecured.

Akelius UK Five Limited
Notes to the Financial Statements

For the Year Ended 31 December 2016

14. Creditors: Amounts falling due after more than one year

	2016	2015
	£	£
Bank loans and overdrafts	14,539,715	43,927,261
Amounts owed to group undertakings	-	32,300,000
	<u>14,539,715</u>	<u>76,227,261</u>

On 31 July 2015, the company entered into a new facility agreement with Barclays Bank plc. The total facility made available to the Group is £115,000,000, all of which was drawn down in the year. During the year, the company repaid £29,387,546 (2015: £358,431) of the loan with the proceeds of sales of investment properties.

The bank loan has a maturity date of 31 July 2020 at which time the capital outstanding is repayable in full – there are no capital repayments required before the maturity date. Interest is charged on the loan balance at a rate of 1.95% over LIBOR per annum.

The bank has a floating charge over the company's assets, including the investment property, to secure the bank loans and overdrafts.

15. Provision for liabilities

The provision for liabilities consist of the following deferred tax liabilities:

	2016	2015
	£	£
Provision brought forward	5,207,675	501,704
(Decrease)/increase in provision	<u>(2,351,375)</u>	<u>4,705,971</u>
Provision carried forward	<u>2,856,300</u>	<u>5,207,675</u>

The amount for provisions for liabilities includes the following deferred tax liability by type of timing difference:

	2016	2015
	£	£
Deferred tax liability on revaluation of investment properties	<u>2,856,300</u>	<u>5,207,675</u>

Akelius UK Five Limited
Notes to the Financial Statements

For the Year Ended 31 December 2016

16. Called up share capital

Allotted, called up and fully paid:

	2016 £	2015 £
16,000,001 (2015: 16,000,001) ordinary shares of £1 each	16,000,001	16,000,001

Each share is entitled to one vote in any circumstances and each share is also entitled pari passu to dividend payments or any other distribution, including a distribution arising from a winding up of the company.

17. Related party transactions

During the year, the company repaid amounts owed to Akelius Property Limited, a fellow group company that is not wholly owned within the group, of £728,932 (2015: £250). At 31 December 2016, the amount owed by the company was £nil (2015: £728,932).

The company is exempt from disclosing other related party transactions under FRS 102 para 33.1A as they are with other companies that are wholly owned within the group.

18. Controlling parties

The immediate parent undertaking is Akelius Residential Limited. This company heads the smallest group to consolidate these financial statements.

The ultimate parent undertaking and the largest group to consolidate these financial statements is Akelius Apartments Limited, incorporated in Cyprus. Copies of the financial statements of this company can be obtained from the Company Secretary, Akelius Apartments Limited, 101 Acropoleos Avenue 4th Floor, CY-2012 Strovolos, Nicosia, Cyprus.

The ultimate controlling party is The Akelius Foundation registered in the Bahamas.

19. Subsequent events

On 30 June 2017, Promissory Notes totalling £32,300,000 were repaid by the immediate parent undertaking on behalf of the company.