

Company Registration Number 8932821

Akelius UK Five Limited

Annual Report and Financial Statements

For the Year Ended 31 December 2017



Akelius UK Five Limited
Annual Report and Financial Statements for the For the Year Ended 31 December 2017

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Akelius UK Five Limited
Annual Report and Financial Statements for the Year Ended 31 December 2017

Company Information

Directors	Mr L Synnes Mr A Speller Mr R Spann
Registered Number	8932821
Registered Office	10 Bloomsbury Way London WC1A 2SL
Company Secretary	Mrs T Prickett
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 2017

The directors present their strategic report for the year ended 31 December 2017.

Business review

Fair review of the business

Akelius UK Five Limited (“the Company”) has had a satisfactory year, achieving value growth of 3.9 per cent (2016: 8.8 per cent) and rental growth of 7 per cent (2016: 35.9 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 totalled £46,962,175 (2016: £42,772,406). In the year, the company had turnover of £4,261,494 (2016: £4,620,701) and recognised a profit for the financial year of £4,189,768 (2016: £6,042,017).

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

	Unit	2017	2016
Turnover	£	4,261,494	4,620,701
Operating profit	£	2,658,772	3,179,501
Operating profit	% of turnover	62.4	68.8
Value growth	% of cost	3.9	8.8
No. of apartments owned	No.	316	316
Average rent per month	£/sq ft	2.28	2.13

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.

Property valuations

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

The directors value the properties on a quarterly basis. The group uses external valuers to value each property over a three year cycle and consider the outcome of these when carrying out their valuations.

Interest rate risk

During the year all external borrowings were repaid in full by the immediate parent company on the company's behalf. The immediate parent company pays interest on amounts due to other group companies based on a mix of fixed and floating market rates, which is re-charged to the company. The majority of the group company loans are at fixed rates. The company is still exposed to a certain extent to interest rate risk through fluctuations in base rates, although this is considered a low risk.

Approved by the board of directors on11-9-2018..... and signed on their behalf by



.....
Andrew Speller
Director

.....11-9-2018.....
Date

Akelius UK Five Limited

Directors' Report for the Year Ended 31 December 2017

The directors present their report and the audited financial statements of the company for the year ended 31 December 2017.

Principal Activities

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

Results and dividends

The profit for the financial year amounted to £4,189,768 (2016: £6,042,017). The directors do not recommend payment of any dividends (2016: £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 L Lindfors (appointed 6 April 2017, resigned 30 May 2018)

Mr A Speller (appointed 6 April 2017)

Mr R Spann (appointed 30 May 2018)

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 rents receivable, trade creditors and loans. The main purpose of these instruments is to finance the business's operations.

In respect of 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 2017

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 2017, 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.

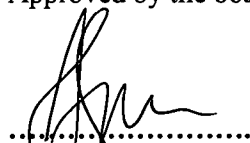
Political donations and political expenditure

The company made no political or charitable donations during the year (2016: £nil).

Appointment of auditors

PricewaterhouseCoopers LLP has held office in accordance with Section 487 of the Companies Act 2006 for the 2017 financial year. Following a tender process conducted by the Company's parent undertaking, Akelius AB Sweden, Ernst & Young LLP will assume the role as independent auditors for the Akelius AB Sweden Group, of which the Company is a member for the year ending 31 December 2018. Formal appointment of the new auditor to the Company will be completed after the approval of these financial statements.

Approved by the board of directors on11-9-2018..... and signed on their behalf by



.....
Andrew Speller
Director

.....11-9-2018.....

Date

Akelius UK Five Limited
For the Year Ended 31 December 2017

Statement of directors' responsibilities in respect of the financial statements

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 2017

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

Report on the audit of the financial statements

Opinion

In our opinion, Akelius UK Five Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared 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); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Balance Sheet as at 31 December 2017; the Statement of Comprehensive Income, the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Akelius UK Five Limited
For the Year Ended 31 December 2017

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

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, 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 audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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 in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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.

Akelius UK Five Limited
For the Year Ended 31 December 2017

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

Auditors' 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 auditors' 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.

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

Use of this report

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.

Other required reporting

Companies Act 2006 exception reporting

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

We have no exceptions to report arising from this responsibility.



Peter Jourdier (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
Date: 11/9/2018

Akelius UK Five Limited
Statement of Comprehensive Income

For the Year Ended 31 December 2017

	Note	Year ended 31 December 2017	Year ended 31 December 2016
		£	£
Turnover	5	4,261,494	4,620,701
Cost of sales		<u>(1,525,724)</u>	<u>(1,373,015)</u>
Gross profit		2,735,770	3,247,686
Administrative expenses		<u>(76,998)</u>	<u>(68,185)</u>
Operating profit	6	2,658,772	3,179,501
Revaluation gain on investment property	11	3,401,838	4,081,412
Profit on disposal of investment properties		-	1,261,746
Interest receivable and similar income	7	732,450	744,786
Interest payable and similar expenses	8	<u>(2,409,943)</u>	<u>(3,335,003)</u>
Profit before taxation		4,383,117	5,932,442
Tax on profit	9	<u>(193,349)</u>	<u>109,575</u>
Profit for the financial year		<u><u>4,189,768</u></u>	<u><u>6,042,017</u></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 2017

	Note	31 December 2017 £	31 December 2016 £
Fixed assets			
Tangible assets	10	50,120	48,064
Investment properties	11	<u>91,502,711</u>	<u>85,768,819</u>
		91,552,831	85,816,883
Current Assets			
Debtors	12	5,151,016	61,168,314
Cash at bank and in hand		<u>-</u>	<u>279</u>
		5,151,016	61,168,593
Creditors: Amounts falling due within one year	13	<u>(46,724,292)</u>	<u>(86,817,055)</u>
Net current liabilities		<u>(41,573,276)</u>	<u>(25,648,462)</u>
Total assets less current liabilities		49,979,555	60,168,421
Creditors: Amounts falling due after more than one year	14	-	(14,539,715)
Provision for deferred tax	15	<u>(3,017,381)</u>	<u>(2,856,300)</u>
NET ASSETS		<u>46,962,174</u>	<u>42,772,406</u>
Capital and reserves			
Called up share capital	16	16,000,001	16,000,001
Retained earnings		<u>30,962,173</u>	<u>26,772,405</u>
Total Equity		<u>46,962,174</u>	<u>42,772,406</u>

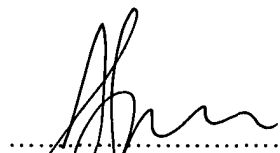
The notes on pages 16 to 28 are an integral part of these financial statements.

Akelius UK Five Limited
Balance Sheet

As at 31 December 2017

Approval

The financial statements on pages 12 to 28 were authorised for issue by the board of directors on ...11-9-2018
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 2017

	Called up Share Capital £	Retained Earnings £	Total Equity £
As at 1 January 2017	16,000,001	26,772,405	42,772,406
Profit for the financial year	-	4,189,768	4,189,768
Balance as at 31 December 2017	16,000,001	30,962,173	46,962,174

	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	16,000,001	26,772,405	42,772,406

Akelius UK Five Limited
Notes to the Financial Statements

For the Year Ended 31 December 2017

1. General information

Akelius UK Five Limited is a private company limited by shares and is incorporated in the United Kingdom and registered in England. Its registered office is 10 Bloomsbury Way, London, WC1A 2SL. 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 2017 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.

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.

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.

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 2017

5. Turnover

	Year ended 31 December 2017 £	Year ended 31 December 2016 £
Rental income - UK	<u>4,261,494</u>	<u>4,620,701</u>

6. Operating Profit

Operating profit is stated after charging :

	Year ended 31 December 2017 £	Year ended 31 December 2016 £
Audit fees payable to the company's auditors	22,994	25,925
Depreciation of fixtures and fittings	<u>20,186</u>	<u>14,978</u>
	<u>43,180</u>	<u>40,903</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 2017 £	Year ended 31 December 2016 £
Interest receivable from group undertakings	730,350	713,233
Other interest receivable	<u>2,100</u>	<u>31,553</u>
	<u>732,450</u>	<u>744,786</u>

Akelius UK Five Limited
Notes to the Financial Statements

For the Year Ended 31 December 2017

8. Interest payable and similar expenses

	Year ended 31 December 2017 £	Year ended 31 December 2016 £
Bank loan interest payable	715,848	1,080,493
Interest payable to group undertakings	1,686,190	2,240,645
Other interest payable	<u>7,905</u>	<u>13,865</u>
	<u><u>2,409,943</u></u>	<u><u>3,335,003</u></u>

9. Tax on profit

	Year ended 31 December 2017 £	Year ended 31 December 2016 £
Current tax:		
UK tax on profit for the year	94,779	2,246,127
Adjustment in respect of previous years	<u>(62,511)</u>	<u>(4,327)</u>
Total current tax on profit	<u><u>32,268</u></u>	<u><u>2,241,800</u></u>
Deferred tax:		
Origination and reversal of timing differences	<u>161,081</u>	<u>(2,351,375)</u>
Total tax charge/(credit)	<u><u>193,349</u></u>	<u><u>(109,575)</u></u>

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Notes to the Financial Statements

For the Year Ended 31 December 2017

9. Tax on profit (continued)

The taxation presented for the year is lower (2016: lower) than the standard applicable rate of tax in the UK for the year ended 31 December 2017 of 19.25% (2016: 20%). The differences are explained below:

	Year ended 31 December 2017 £	Year ended 31 December 2016 £
Profit before taxation	4,383,118	5,932,442
Profit multiplied by the standard rate of tax in the UK of 19.25% (2016: 20%)	843,750	1,186,488
Effects of:		
Expenses not deductible for tax purposes	4,952	2,996
Adjustment in respect of previous years	(62,511)	(4,327)
Origination and reversal of temporary differences	-	-
Indexation	(481,401)	(621,915)
Difference in deferred tax rate	(80,460)	(672,817)
Recognition of deferred tax liability brought forward on accelerated capital allowances	34,686	-
Utilisation of group relief	(165,054)	-
Corporate interest restriction	99,386	-
Total tax charge/(credit)	193,349	(109,575)

Tax rate changes

The tax rate for the current year is lower than the prior year, due to changes in the UK corporation tax rate, which decreased from 20% to 19% from 1 April 2017. Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2016 (on 6 September 2016). These include reductions to the main rate to reduce the rate to 17% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements

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Notes to the Financial Statements

For the Year Ended 31 December 2017

10. Tangible assets

	Fixtures and fittings £	Total £
Cost		
At 1 January 2017	70,813	70,813
Additions	<u>22,243</u>	<u>22,243</u>
At 31 December 2017	<u>93,056</u>	<u>93,056</u>
Accumulated depreciation		
At 1 January 2017	22,750	22,750
Charge for the year	<u>20,186</u>	<u>20,186</u>
At 31 December 2017	<u>42,936</u>	<u>42,936</u>
Net book amount		
At 31 December 2017	<u>50,120</u>	<u>50,120</u>
Net book amount		
At 31 December 2016	<u>48,064</u>	<u>48,064</u>

11. Investment properties

	Property £	Total £
Cost or valuation		
At 1 January 2017	85,768,819	85,768,819
Capital expenditure	2,332,054	2,332,054
Revaluation	<u>3,401,838</u>	<u>3,401,838</u>
At 31 December 2017	<u>91,502,711</u>	<u>91,502,711</u>

The investment properties were purchased in 2014. The fair value of the properties at 31 December 2017 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 2017

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 £68,325,840 (2016: £65,993,786).

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:

	2017 £	2016 £
Less than one year	2,486,769	1,837,878
Between one and five years	<u>459,516</u>	<u>33,585</u>

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Notes to the Financial Statements

For the Year Ended 31 December 2017

12. Debtors

	2017	2016
	£	£
Trade debtors	166,235	144,914
Less: provision for impairment of receivables	<u>(12,053)</u>	<u>(1,880)</u>
	154,182	143,034
Amounts owed by group undertakings	4,927,481	60,558,627
Other debtors	10,025	2,139
Prepayments and accrued income	<u>59,328</u>	<u>464,514</u>
	<u>5,151,016</u>	<u>61,168,314</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

	2017	2016
	£	£
Trade creditors	-	10,627
Amounts owed to group undertakings	46,613,024	85,628,945
Other creditors	239	1,222
Corporation tax	41,148	1,086,701
Accruals and deferred income	<u>69,883</u>	<u>89,560</u>
	<u>46,724,292</u>	<u>86,817,055</u>

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

Included in amounts owed to group undertakings is £0 (2016: £4,644,483) of interest payable to group undertakings in relation to the promissory notes under the terms of the loan.

Amounts owed to group undertakings also includes intercompany loans repayable on demand. The immediate parent company pays interest on amounts due to other group companies based on a mix of fixed and floating market rates, which is re-charged to the company. All amounts are unsecured.

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For the Year Ended 31 December 2017

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

	2017 £	2016 £
Bank loans and overdrafts	-	14,539,715
	-	14,539,715

On 23 October 2017, the loan with Barclays Bank plc was repaid in full by the immediate parent undertaking on behalf of the company. Until the settlement date, interest had been charged on the loan balance at a rate of 1.95% over LIBOR per annum.

15. Provision for deferred taxation

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

	2017 £	2016 £
Provision brought forward	2,856,300	5,207,675
Increase/(decrease) in provision	161,081	(2,351,375)
Provision carried forward	3,017,381	2,856,300

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

	2017 £	2016 £
Deferred tax liability on revaluation of investment properties	2,953,212	2,856,300
Deferred tax on accelerated capital allowances	64,169	-
	3,017,381	2,856,300

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For the Year Ended 31 December 2017

16. Called up share capital

Allotted, called up and fully paid:

	2017	2016
	£	£
16,000,001 (2016: 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

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.