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Gibraltar Capital Assets Limited
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ANNUAL FILING OF ACCOUNTS
YEAR ENDING 31/03/2017

Gibraltar Capital Assets Limited

(formerly 'Fondant Properties Limited')

Inaugural report
for the period from the date of incorporation on 25 November 2015 to 31 March 2017

Registered number: 113740

REGISTRY OF COMPANIES
10 JUL 2018
GIBRALTAR

I hereby certify that I have seen the original of this document and that this is an accurate and complete copy of that original.

.... AUTHORISED OFFICER
Signature Position (IN CAPITALS)
.... 9/07/18
Full Name (IN CAPITALS) Date
LINCSECRETARIES Limited

Gibraltar Capital Assets Limited

Inaugural report for the period from the date of incorporation on 25 November 2015 to 31 March 2017

Directors' report for the period from the date of incorporation on 25 November 2015 to 31 March 2017

The directors present their report and the audited financial statements of Gibraltar Capital Assets Limited (referred to as 'the company') for the period from the date of incorporation on 25 November 2015 to 31 March 2017.

Principal activities

The company is incorporated in Gibraltar as a private company limited by shares and commenced trading on 23 March 2016. It is a wholly owned subsidiary of Gibraltar Development Corporation, a statutory body in Gibraltar. The principal activity of the company was to take ownership of long-leaseholds over Housing Estates in Gibraltar, by way of the grant of the property underleases by Gibraltar Residential Properties Limited, which is ultimately wholly owned by the Government of Gibraltar and to issue £300 million Sterling Secured Notes with maturities between 15 and 31 years. The Sterling Secured Notes' proceeds were used as consideration for the grant of the underleases.

The company is the recipient of two main cash flow streams, being the rental income on the properties and a housing allowance. The company entered into a tenancy agreement with the Gibraltar Housing Authority for a period of the earlier of 31 years or the surrender of the leases which have a term of 149 years. The Housing Authority rents the properties to the individual tenants and then collects the income which is then transferred to the company. The company will also receive an annual housing allowance in the amount of £10 million per annum, which is a contractual amount, independent of both occupation of the properties and the financial status of the tenant.

The company will use the cash generated on the properties to repay the Sterling Secured Notes on maturity. As part of this transaction, Gibraltar Residential Properties Limited has acquired for value of £122 million an option for the ability to take ownership of the leases once the Sterling Secured Notes have been repaid. As a result, the directors regard it as likely that Gibraltar Residential Properties Limited will take ownership of the leases once the Sterling Secured Notes are repaid.

The directors have considered the economic substance of the transaction and have recognised an investment in future income streams which are secured over the leasehold interests in the properties.

Review of business and future developments

The directors do not anticipate any change in the company's business (as described above) taking place in the foreseeable future.

Results

The company's profit for the financial period is shown on page 6 and shows that the company made a profit of £2,656,926 for the period from the date of incorporation on 25 November 2015 to 31 March 2017.

The directors do not recommend the payment of a dividend.

Directors

The directors who held office during the period and up to the date of issuing of these financial statements are given below:

John Manuel Collado	(appointed on 16 March 2016)
Haim Judah Michael Levy	(appointed on 16 March 2016, resigned on 15 September 2017)
Charles Serruya	(appointed on 16 March 2016)
Cheam Directors Limited	(appointed on 25 November 2015, resigned on 16 March 2016)

Statement of directors' responsibilities

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

Directors' report for the period from the date of incorporation on 25 November 2015 to 31 March 2017 - continued

Statement of directors' responsibilities - continued

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 the applicable law and Gibraltar Accounting Standards (Gibraltar Generally Accepted Accounting Practice), including Gibraltar Financial Reporting Standard 102 The Financial Reporting Standard Applicable in Gibraltar (GFRS 102). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable Gibraltar Accounting Standards, including GFRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify its shareholders in writing about the use of disclosure exemptions, if any, of GFRS 102 used in the preparation of financial statements; 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 2014. 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.

Disclosure of information to auditors

The directors confirm, for each of the persons who are directors at the time the report is approved:

- as far as the directors are aware, there is no relevant audit information of which the company's auditor is unaware; and
- the directors have taken all steps that they ought to have 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.

Independent auditors

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

Secretary and registered office

Line Secretaries Limited were the company secretary during the period and the registered office address is 57/63 Line Wall Road, Gibraltar.

By order of the board,

John Collado
Director

Date ..27..SEP.2017

Independent auditor's report
To the directors of Gibraltar Capital Assets Limited

Report on the financial statements

Opinion

In our opinion, the accompanying financial statements of Gibraltar Capital Assets Limited (the "company"):

- give a true and fair view of the state of the company's affairs as at 31 March 2017 and of its profit and cash flows for the period then ended;
- have been properly prepared in accordance with Gibraltar Financial Reporting Standards; and
- have been properly prepared in accordance with requirements of the Companies Act 2014.

What we have audited

We have audited the financial statements of the company, which comprise:

- the balance sheet as at 31 March 2017;
- the profit or loss account for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). 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 International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants ("IESBA Code"), 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.

Responsibilities of the directors for the financial statements

The directors are responsible for the preparation and fair presentation of financial statements that give a true and fair view in accordance with applicable law in Gibraltar and Gibraltar Financial Reporting Standards, 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.

Independent auditor's report
To the directors of Gibraltar Capital Assets Limited - continued

Report on the financial statements - continued

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 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.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern; and
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

This report, including the opinion on the financial statements and the opinion on other matters prescribed by the Companies Act 2014, has been prepared for and only for the company's members as a body in accordance with Section 257 of the Companies Act 2014 and for no other purpose. We do not, in giving this opinion, 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.

Independent auditor's report
To the members of Gibraltar Capital Assets Limited - continued

Report on other legal and regulatory requirements

Opinion on other matters prescribed by the Companies Act 2014

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

- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' Report has been prepared in accordance with the requirements of the Companies Act 2014.

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 any material misstatements in the Directors' Report.

Matters on which we are required to report by exception

We have nothing to report in respect of the matter where the Companies Act 2014 requires us to report to you if, in our opinion, we have not received all the information and explanations we require for our audit.

Colin Vaughan
Statutory auditor
~~For an~~ on behalf of
PricewaterhouseCoopers Limited
Gibraltar

27th September 2017

Profit and loss account for the period from the date of incorporation on 25 November 2015 to 31 March 2017

	Note	2017 £
Turnover – continuing operations	9	14,225,134
Coupon attributable to the Sterling Secured Notes	14	(10,942,053)
Administrative expenses		(339,363)
Operating profit – continuing operations	5	2,943,718
Interest receivable and similar income		8,422
Profit on ordinary activities before taxation		2,952,140
Tax on profit on ordinary activities	8	(295,214)
Profit for the financial period		2,656,926

The company has no recognised gains and losses other than the profit for the financial period above and therefore no separate statement of other comprehensive income has been presented.

All items included above relate to continuing operations.

The notes on pages 10 to 19 form an integral part of these financial statements.

Balance sheet as at 31 March 2017

	Note	2017 £
Fixed assets		
Investment	9	272,639,949
Current assets		
Investment	9	13,553,930
Debtors	10	535
Cash at bank and in hand	11	18,641,740
		32,196,205
Creditors: amounts falling due within one year	12	(6,917,371)
Net current assets		25,278,834
Total assets less current liabilities		297,918,783
Creditors: amounts falling due after more than one year	13	(295,258,857)
Net assets		2,659,926
Capital and reserves		
Share capital	15	3,000
Retained earnings		2,656,926
Total equity		2,659,926

The financial statements on pages 6 to 19 were approved by the board of directors and were signed on its behalf by:

John Collado
Director
27 SEP 2017

Charles Serfaty
Director
27 SEP 2017

The notes on pages 10 to 19 form an integral part of these financial statements.

Statement of changes in equity for the period from the date of incorporation on 25 November 2015 to 31 March 2017

	Note	Share capital £	Retained earnings £	Total £
At 25 November 2015		-	-	-
Proceeds from the issue of shares	15	3,000	-	**3,000**
Profit for the financial period		-	2,656,926	**2,656,926**
At 31 March 2017		**3,000**	**2,656,926**	**2,659,926**

Statement of cash flows for the period from the date of incorporation on 25 November 2015 to 31 March 2017

	Note	2017 £
Net cash generated from operating activities	16	**523,709**
Taxation paid		**-**
Net cash generated from operating activities		**523,709**
Cash flow from investing activities		
Acquisition of investment	9	**(275,000,000)**
Stamp duty and mortgage registration	9	**(14,487,119)**
Investment income related to secured leasehold properties	9	**17,518,374**
Bank interest received		**8,422**
Net cash used in investing activities		**(271,960,323)**
Cash flow from financing activities		
Proceeds from the issue of share capital	15	**3,000**
Proceeds from the issue of the Sterling Secured Notes	14	**300,000,000**
Transaction costs on the issue of the Sterling Secured Notes	14	**(4,642,420)**
Coupons paid on the Sterling Secured Notes	14	**(5,282,226)**
Net cash generated from financing activities		**290,078,354**
Net increase in cash and cash equivalents		**18,641,740**
At 25 November 2015		**-**
At 31 March	11	**18,641,740**

The notes on pages 10 to 19 form an integral part of these financial statements

Notes to the financial statements for the period from the date of incorporation on 25 November 2015 to 31 March 2017

1 General information

Gibraltar Capital Assets Limited (referred to as 'the company') is a wholly-owned subsidiary of Gibraltar Development Corporation, a statutory body in Gibraltar. The company changed its name from Fondant Properties Limited to Gibraltar Capital Assets Limited on 27 January 2016. The principal activity of the company was to take ownership of long-leaseholds over Housing Estates in Gibraltar, by way of the grant of the property underleases by Gibraltar Residential Properties Limited, which is ultimately wholly owned by the Government of Gibraltar and to issue £300 million Sterling Secured Notes with maturities between 15 and 31 years. The Sterling Secured Notes' proceeds were used as consideration for the grant of the underleases. The company generates rental income on the tenancy agreement with the Gibraltar Housing Authority and receives a housing allowance.

2 Statement of compliance

The financial statements of the company have been prepared in compliance with Gibraltar Accounting Standards, including Gibraltar Financial Reporting Standard 102, 'The Financial Reporting Standard applicable in Gibraltar' ('GFRS 102') and the Companies Act 2014.

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 periods presented, unless otherwise stated.

Basis of preparation

These financial statements are prepared on a going concern basis, under the historical cost convention and represent the inaugural financial statements for the period from the date of incorporation on 25 November 2015 to 31 March 2017.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in applying the company accounting policies. The areas which require a higher degree of judgement or complexity or where assumptions and estimates are significant to the financial statements are disclosed in note 4.

Turnover

Turnover represents the investment income generated on the investment secured on the leasehold interest in property. The investment income is recognised using the effective interest rate method. The cash flows receivable from the rental of the properties and the housing allowance are considered the cash flows receivable on the investment.

Current tax

Provision is made at the applicable rate for corporation tax payable on profits for the period, as adjusted for tax purposes.

Notes to the financial statements for the period from the date of incorporation on 25 November 2015 to 31 March 2017 - continued

3 Summary of significant accounting policies - continued

Financial instruments

The company has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments. All of the company's financial instruments are measured at amortised cost.

(i) Financial assets

Basic financial assets, including trade and other receivables and cash at bank and in hand 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 the effective rate of interest. Such assets are subsequently carried at amortised cost using the effective interest method.

Fees paid on the establishment of the investment are recognised as transaction costs and amortised over the period of the investment. The company's investment is secured on the 149 year leasehold in properties with a market value of £405,120,000 based on current usage and £571,339,650 based on vacant possession, see note 9.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment or bad debt. If an asset is impaired or provided for, the impairment loss or bad debt write-off is recognised in profit and loss account.

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

(ii) Financial liabilities

Basic financial liabilities, including trade and other payables, bank loans and loans from other group companies are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measure 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. The company's significant financial liabilities relate to the Sterling Secured Notes, see note 14.

Fees paid on the establishment of the Sterling Secured Notes are recognised as transaction costs and deducted to arrive at the net proceeds. These fees are amortised over the life of the Sterling Secured Notes and included in arriving at the coupon attributable to the Sterling Secured Notes.

Financial liabilities, including other creditors and accruals are classified as creditor amounts due within one year if payment is due within one year or less. If not, they are presented as creditor amounts due after more than one year. Other creditors and accruals are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

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

(iii) Offsetting

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the debtor and settle the creditor simultaneously.

Notes to the financial statements for the period from the date of incorporation on 25 November 2015 to 31 March 2017 - continued

3 Summary of significant accounting policies - continued

Cash at bank and in hand

Cash at bank and in hand includes cash in hand and deposits held at call with banks. Bank overdrafts, where applicable, are shown within bank overdrafts in creditor amounts due within one year.

Investment income, interest income and expense

Investment income, interest income and expense are accounted for on an accruals basis and are calculated using the effective interest method. The effective interest rate discounts the future expected cash inflows and outflows over the life of a financial instrument, taking into account any transaction costs on the recognition of the instrument.

4 Critical accounting judgements and 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.

(a) Critical judgements in applying the entity's accounting policies

Investment secured on leasehold interest in property

The company was incorporated on 25 November 2015 and issued £300 million Sterling Secured Notes, using the proceeds to take long leaseholds over six Housing Estates from Gibraltar Residential Properties Limited, a Government owned company. The investment is secured on the 149 year leasehold interest in properties. The properties are used to provide affordable rental accommodation to long-term Gibraltar residents. The company generates income on the Housing Estates by renting these to the Gibraltar Housing Authority, a statutory body in Gibraltar on a 31 year term. In addition to the rental income the company receives a housing allowance. The company issued an option to Gibraltar Residential Properties Limited to surrender the properties once the Sterling Secured Notes of varying maturities are repaid in full by the final maturity date in 2047, see note 14. The option fee of £122 million was settled by set-off against a portion of the consideration for the grant of the underleases.

In considering how to account for the asset generated by the transactions entered into by the company, the directors considered three main accounting areas. Firstly, it was determined that the company does not bear the cost of the Government's housing scheme and therefore it does not provide public housing to the residents of Gibraltar. Secondly, even though the legal form of the agreements are lease agreements, the directors considered the guidance in Section 20.3A of GFRS 102 in assessing whether the arrangement is a lease arrangement based on the substance of the transactions. The directors concluded that the transaction is in substance not a leasing transaction. Finally the directors applied the concept and pervasive principle of economic substance over legal form, as set out in Section 2 of GFRS 102. It was concluded that the company was set up to raise finance which was used to acquire future income streams relying on the leasehold interests in the properties as securities for the Sterling Secured Notes. It was therefore deemed that the company is essentially a vehicle set up to raise finance and attract external investment to Gibraltar and that the transactions are financing transactions.

As a result of the above conclusions, the company recognised an investment (in future income streams) secured on the long leasehold interests in property in the financial statements. Furthermore, the income generated on the asset is recognised as investment income.

Notes to the financial statements for the period from the date of incorporation on 25 November 2015 to 31 March 2017 - continued

4 Critical accounting judgements and estimation uncertainty - continued

(a) Critical judgements in applying the entity's accounting policies - continued

Option fee

In accordance with a surrender agreement entered into between the company and Gibraltar Residential Properties Limited, the company issued an option to Gibraltar Residential Properties Limited, whereby the company offers to surrender the properties to Gibraltar Residential Properties Limited once the Sterling Secured Notes of varying maturities are repaid in full within the 31 year period. The option fee was £122 million which was settled by way of set-off of the remaining consideration owed by the company to Gibraltar Residential Properties Limited for the grant of the underleases, of the same amount. Accordingly, Gibraltar Residential Properties Limited has settled the option fee up-front and the directors believe it is likely that Gibraltar Residential Properties Limited will take back the underleases after 31 years for no further consideration. As a result, they have applied the economic substance of the transaction in that the term of the grant of the underleases to the company is 31 years and the consideration for the grant of the underleases is £275 million, representing the stated cost of £397 million less the option fee of £122 million. For security purposes the Sterling Secured Notes remain secured over the 149 year leasehold interest in the properties until full repayment of the Sterling Secured Notes.

(b) Critical accounting estimates and assumptions

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows.

Effective interest rate

The significant assets and liabilities recognised by the company relate to financial assets and liabilities assessed at amortised cost. In arriving at the amortised cost of financial instruments the company is required to calculate an effective interest rate for each instrument. As far as possible, the directors use contractual cash flows in the calculation but to some extent need to estimate the future cash flows. This estimation refers to the rental income which can vary from period to period but is the directors' best estimate of the future cash flows. In arriving at the estimation, the directors have considered the historical rental rates and the new procedures and policies being implemented for the collection of rent.

5 Operating profit

Operating profit is stated after charging:	2017 £
Directors' fees	105,000
Staff costs	10,788
Employer's social insurance	319
Audit fees	30,000
Operating lease charges	1,575

Notes to the financial statements for the period from the date of incorporation on 25 November 2015 to 31 March 2017 - continued

6 Directors' emoluments

The aggregate amount of directors' emoluments during the period were £105,000.

7 Employee information

The company had one employee (excluding the directors listed in the directors' report) in the current period.

8 Taxation

Analysis of charge in the period

	2017 £
Current taxation	
Current tax charge for the period	**295,214**

Factors affecting tax charge for the period

	2017 £
Profit on ordinary activities before taxation	**2,952,140**
Tax charge for the period at 10%	**295,214**

9 Investment

	2017 £
Fixed asset investment:	
Investment secured on leasehold interest in property	**272,639,949**
Current asset investment:	
Investment secured on leasehold interest in property	**13,553,930**
Total investment secured on leasehold interest in property	**286,193,879**

Notes to the financial statements for the period from the date of incorporation on 25 November 2015 to 31 March 2017 - continued

9 Investments - continued

Movement in investment secured on leasehold interest in property	2017 £
Acquisition of investment	275,000,000
Stamp duty and mortgage registration costs	14,487,119
Total acquisition costs	**289,487,119**
Investment income accrued	14,225,134
Investment income received	(17,518,374)
At 31 March	**286,193,879**

The investment represents the consideration paid for the underleases taken on by the company and the transaction costs directly allocated to the transaction, which have been adjusted for the accrued investment income and the receipt of rental income and the housing allowance, as explained in the accounting policies and critical accounting estimates and assumptions. The balance represents the company's remaining interest in the underlying leases as amortised under the effective interest rate method.

The company holds the long leaseholds on the following properties, Each underlease held by the company is for a period of 149 years from 2009 (save for Mid Harbours Estate where the commencement date is February 2016).

				Market value per Savills valuation on 31 March 2017	
Housing estate	**Tenanted flats**	**Year built**	**Annual rent £**	**Based on current usage £**	**Based on vacant possession £**
Alameda Estate	430	1949	415,492	49,780,000	78,788,850
Glacis Estate	529	1972	460,953	75,910,000	88,964,400
Laguna Estate	795	1963	619,430	102,560,000	129,685,500
Moorish Castle Estate	184	1962	156,219	28,490,000	33,583,200
Mid Harbours Estate	492	2011	734,805	65,690,000	122,357,550
Varyl Begg Estate	653	1973	613,980	82,690,000	117,960,150
Total	**3,083**		**3,000,879**	**405,120,000**	**571,339,650**

The management of the Housing Estates which includes property management, building maintenance, repairs and collection of rents will be undertaken, as it was prior to the grant of the underleases, by the Housing Authority. The cost of maintaining and improving the Housing Estates will continue to be the responsibility of the Housing Authority, funded by the Government of Gibraltar.

The company receives two main income streams related to the properties. The sub-tenants pay rent to the Housing Authority which is then transferred to the company on a monthly basis in arrears. The company is also entitled to receive a housing allowance which is received every six months.

Notes to the financial statements for the period from the date of incorporation on 25 November 2015 to 31 March 2017 - continued

9 Investments - continued

The Housing Estates have recently undergone significant refurbishment and improvement which was funded by Government of Gibraltar. A property valuation was undertaken in March 2016 by Savills UK and was repeated again in March 2017. The valuation was conducted in accordance with the Royal Institution of Chartered Surveyors' ('RICS') and the method of valuation used by Savills was the discounted cash flow model using the expected cash flows to perpetuity. This provided a combined valuation based on current usage of £405,120,000 (2016: £397,900,000) and £571,339,650 (2016: £547,519,000) based on vacant possession, as outlined above. These valuations are based on the 149 year leasehold term of the properties over which the Sterling Secured Notes are secured.

In accordance with a surrender agreement entered into between the company and Gibraltar Residential Properties Limited, the company issued an option to Gibraltar Residential Properties Limited, whereby the company offers to surrender the properties to Gibraltar Residential Properties Limited once the Sterling Secured Notes are repaid in full in 31 years. The option fee was £122 million which was settled by way of set-off of the remaining consideration owed by the company to Gibraltar Residential Properties Limited for the grant of the underleases, of the same amount.

The term of the investment is 31 years, commencing on 5 April 2016 and will be paid throughout the life of the asset from the receipt of the cash flows representing rental income and the housing allowance. The effective interest on the investment for the period was 5.28%.

The investment income generated on the secured leasehold interest over the properties during the period from the date of incorporation on 25 November 2015 to 31 March 2017 was £14,225,134. The actual cash flows received from the assets are disclosed in the cash flow statement.

10 Debtors

	2017 £
Deposits	535

11 Cash at bank

	2017 £
Cash at bank	18,641,740

The cash at bank is charged as security for the Sterling Secured Notes detailed in note 14. Included in the above amount is £5,778,222 which is a debt service reserve account and holds six months of interest payments of the Sterling Secured Notes.

Notes to the financial statements for the period from the date of incorporation on 25 November 2015 to 31 March 2017 - continued

12 Creditors: amounts falling due within one year

		2017 £
Accruals		172,821
Amounts owed to related parties	(i)	690,786
Corporation tax liability		295,214
Interest accrued on the Sterling Secured Notes (see note 14)		5,758,550
		6,917,371

(i) This amount is unsecured, interest free and has no fixed terms of repayment.

13 Creditors: amounts falling due after more than one year

	2017 £
Sterling Secured Notes (see note 14)	295,258,857

14 Sterling Secured Notes

During the period, the company issued £300 million Sterling Secured Notes in tranches A to E as set out below. Initial transaction costs of £4,066,633 and additional transactions costs of £575,787 have been deducted from the proceeds and allocated to each note issued. The Sterling Secured Notes are repayable in full on maturity and the coupons are payable on 5 April and 5 October each year.

Tranche	Principal	Coupon	Effective interest	Coupon attributable £	Amortised cost 2017 £
A: 31 year Tranche due 2047	92,000,000	3.98%	4.027%	3,617,452	92,357,961
B: 30 year Tranche due 2046	105,000,000	3.98%	4.029%	4,130,012	105,409,940
C: 25 year Tranche due 2041	38,000,000	3.81%	3.882%	1,241,014	38,125,004
D: 20 year Tranche due 2036	30,000,000	3.67%	3.749%	946,346	30,081,027
E: 15 year Tranche due 2031	35,000,000	3.31%	3.421%	1,007,229	35,043,475
Total	**300,000,000**			**10,942,053**	**301,017,407**

Notes to the financial statements for the period from the date of incorporation on 25 November 2015 to 31 March 2017 - continued

14 Sterling Secured Notes - continued

The Sterling Secured Notes are secured by mortgages granted by the company over the Housing Estates as well as a debenture over the company's assets and undertakings, including the segregated bank accounts referred to in note 11. The noteholders also have a put option which allows them to put the Sterling Secured Notes onto the Government of Gibraltar in the event of default. Details of the Housing Estates used to secure the Sterling Secured Notes and of which the company has the leaseholds are detailed in note 9.

Movement in the Sterling Secured Notes	2017 £
Issue of the Sterling Secured Notes	300,000,000
Transaction costs	(4,642,420)
Net proceeds on issue of the Sterling Secured Notes	295,357,580
Finance costs accrued	10,942,053
Coupon paid	(5,282,226)
At 31 March	301,017,407

15 Share capital

	2017 £
Allotted, issued and fully paid	
3,000 ordinary shares of £1 each	3,000

On 25 November 2015, the company issued 3,000 ordinary shares of £1 each at par.

Notes to the financial statements for the period from the date of incorporation on 25 November 2015 to 31 March 2017 - continued

16 Notes to the cash flow statement

	2017 £
Profit for the financial period	2,656,926
Adjustments for:	
Tax on profit on ordinary activities	295,214
Bank interest received	(8,422)
Investment income	(14,225,134)
Finance costs	10,942,053
	(339,363)
Working capital movements:	
Increase in debtors	(535)
Increase in creditors	863,607
Cash flow generated from operating activities	523,709

17 Related party transactions

The directors consider that the transactions during the period with related parties and balances outstanding at 31 March were as follows:

	2017 Profit and loss £	 Balance sheet £
Government and entities under common control		
Turnover	14,225,134	-
Investment	-	286,193,879
Amounts owed to related parties	-	(690,786)
Corporation tax liability	-	(295,214)

All of the above related party transactions and balances are with companies that are under common control.

18 Ultimate controlling party

The directors consider that Gibraltar Development Corporation is the ultimate controlling party by virtue of it owning the entire share capital of the company. Gibraltar Development Corporation is a statutory body established by the Gibraltar Parliament.