



CO-113740-2708034
Gibraltar Capital Assets Limited
Document 461 (7)
ANNUAL FILING OF ACCOUNTS
YEAR ENDING 31/03/2023

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

Nolei 25/03/2024
Signature Date

TYRENE SOLECI
Capacity Line Secretaries Limited

Gibraltar Capital Assets Limited

Annual report
for the year ended 31 March 2023

Registered number: 113740



Gibraltar Capital Assets Limited

Annual report for the year ended 31 March 2023

	Pages
Directors' report	1 - 3
Independent auditors' report	4 - 7
Profit and loss account	8
Balance sheet	9
Statement of changes in equity	10
Statement of cash flows	11
Notes to the financial statements	12 - 25

Directors' report for the year ended 31 March 2023

The directors present their report and the audited financial statements of Gibraltar Capital Assets Limited (referred to as 'the company') for the year ended 31 March 2023.

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 the Gibraltar Development Corporation, a statutory body established by the Gibraltar Development Corporation Act. 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 HM Government of Gibraltar ("HM GoG"), and to issue £300 million Sterling Secured Notes ("Notes") with maturities between 15 and 31 years. The proceeds of the Notes 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 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, currently £12,119,630 (2022: £11,766,631), 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 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 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 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

During the year, the company invested surplus cash into an investment in the M&G Total Return Credit Investment Fund ("M&G Fund") which represents a conservative investment programme with the view of enhancing overall investment returns. The investment generated additional fair value gains for the company. Other than potential further investments into M&G investment funds, 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 year is shown on page 8 and shows that the company made a profit of £3,328,137 for the year ended 31 March 2023 (2022: £2,861,673).

The directors do not recommend the payment of a dividend during the current or preceding year.

Directors

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

John Manuel Collado
Charles Serruya
Peter C. Montegriffo

Directors' report for the year ended 31 March 2023 - continued**Environmental, Social and Governance (ESG) Statement**

The Board undertakes management of the Company's ESG strategy and evaluates ESG priorities for the business at both a corporate and asset level. The Board works with its financial adviser, James Stocks & Co Limited, to develop and implement ESG policies and recognises the important role of the Company in its support of social housing within Gibraltar and its community. The Board reports annually to stakeholders providing data regarding the housing estates for which it is responsible.

Additionally, the Board regularly monitors agreed Key Performance Indicators designed to ensure:

- (i) the housing estates are well maintained through an active programme of repair and maintenance and
- (ii) that rental income continues to be received as expected.

ESG considerations are incorporated into the Board's decision-making processes and operations. For example, the Company has recently facilitated the use of solar panel arrays on the roof of a housing estate under its responsibility in support of its environmental credentials.

Governance

Governance structures are in place to monitor relevant laws and regulations applicable to its operation and asset portfolio. Ongoing assessments of policies and risks, including the potential adverse impact on sustainability, are conducted and documented in a comprehensive risk register along with the relevant mitigating factors. The register is reviewed on an ongoing basis. Strong governance has from the outset been a key principle for both the Board and stakeholders. The Company adheres to a Governance Code which comprehensively records and monitors governance aspects and ensures that risks are identified and fairness and transparency are maintained at all times. With a majority of independent non-executive directors providing oversight alongside the financial adviser, the Board has a balanced range of complementary skills and experience such that policies and decisions can be challenged and debated as necessary.

The Board has consistently demonstrated its commitment to operating with robust and effective corporate governance structures. Consequently, the Board seeks to maintain high governance standards whilst monitoring changes in such practices and applying best practice.

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have 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 accounting standards have been followed, subject to any material departures disclosed and explained in the 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.

Directors' report for the year ended 31 March 2023 - continued

Statement of directors' responsibilities - continued

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

For each director in office at the date the directors' report is approved, the directors confirm:

- as far as they are 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 as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

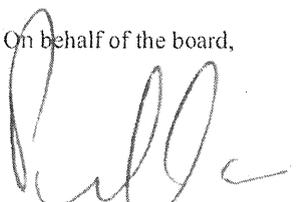
Independent auditors

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 year and the registered office address is 57/63 Line Wall Road, Gibraltar.

On behalf of the board,



Peter C. Montegriffo

Director

Date **28 SEP 2023**



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

Report on the audit of the financial statements

Our 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 2023 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with Gibraltar Financial Reporting Standards; and
- have been properly prepared in accordance with the requirements of the Companies Act 2014.

What we have audited

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

- the statement of balance sheet as at 31 March 2023;
- the profit and 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.

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants ("IESBA Code"). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Other information

The directors are responsible for the other information. The other information comprises the Directors' Report for the year ended 31 March 2023 (but does not include the financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above 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.

PricewaterhouseCoopers Limited, 327 Main Street, Gibraltar
T: +350 200 73520, www.pwc.gi

PricewaterhouseCoopers Limited is registered in Gibraltar with registration number 94799 and the principal place of business is at the above address.



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

Report on the audit of the financial statements - continued

Other information - continued

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

With respect to the Directors' Report, we also considered whether the disclosures required by the Companies Act 2014 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, the Companies Act 2014 requires us also to report on certain opinions and matters as described below:

Directors' Report

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

- the information given in the Directors' Report for the year ended 31 March 2023 is consistent with the financial statements; and
- the Directors' Report has been prepared in accordance with the requirements of the Companies Act 2014.

In 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.

Responsibilities of the directors for the financial statements

The directors are responsible for the preparation 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.

Those charged with governance are responsible for overseeing the company's financial reporting process.



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

Report on the audit of 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 judgement 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.

Use of this report

This report, including the opinion on the financial statements and the opinions 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 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.



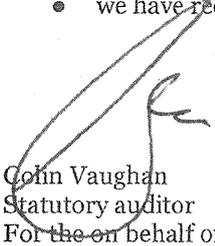
Independent auditor's report
To the members of Gibraltar Capital Assets Limited - continued

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:

- we have received all the information and explanations we require for our audit.



Colin Vaughan
Statutory auditor
For the on behalf of
PricewaterhouseCoopers Limited
Gibraltar

28 September 2023

Profit and loss account for the year ended 31 March 2023

	Note	2023 £	2022 £
Turnover - continuing operations	10	15,429,349	15,441,056
Coupon attributable to the Notes	16	(11,685,739)	(11,680,611)
Administrative expenses		(509,522)	(508,372)
Operating profit - continuing operations	6	3,234,088	3,252,073
Interest receivable and similar income	13	427,285	11,220
Gain on investment in securities	11	71,225	-
Profit on ordinary activities before taxation		3,732,598	3,263,293
Tax on profit on ordinary activities	9	(404,461)	(401,620)
Profit for the financial year		3,328,137	2,861,673

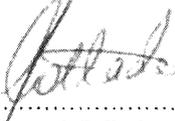
The company has no recognised gains and losses other than the profit for the financial year above and therefore no separate statement of other comprehensive income has been presented.

All items included above relate to continuing operations.

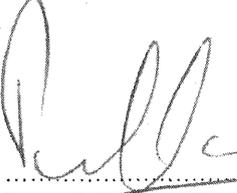
Balance sheet as at 31 March 2023

	Note	2023 £	2022 £
Fixed assets			
Investment	10	275,751,256	276,384,433
Investment in securities	11	3,071,225	-
		278,822,481	276,384,433
Current assets			
Investment	10	16,184,101	15,712,719
Debtors and prepayments	12	3,896	3,889
Cash at bank and in hand	13	27,578,488	27,008,895
		43,766,485	42,725,503
Creditors: amounts falling due within one year	14	(5,948,026)	(5,934,133)
Net current assets		37,818,459	36,791,370
Total assets less current liabilities		316,640,940	313,175,803
Creditors: amounts falling due after more than one year	15	(296,008,106)	(295,871,106)
Net assets		20,632,834	17,304,697
Capital and reserves			
Share capital	18	3,000	3,000
Retained earnings		20,629,834	17,301,697
Total equity		20,632,834	17,304,697

The financial statements on pages 8 to 25 were approved by the board of directors on **28 SEP 2023** and were signed on its behalf by:



John Manuel Collado
 Director



Peter C. Montegriffo
 Director

Statement of changes in equity for the year ended 31 March 2023

	Share capital £	Retained earnings £	Total equity £
At 1 April 2021	3,000	14,440,024	14,443,024
Profit for the financial year	-	2,861,673	2,861,673
At 1 April 2022	3,000	17,301,697	17,304,697
Profit for the financial year	-	3,328,137	3,328,137
At 31 March 2023	3,000	20,629,834	20,632,834

Statement of cash flows for the year ended 31 March 2023

	Note	2023 £	2022 £
Net cash used in operating activities	19	(523,498)	(465,906)
Taxation paid		(376,599)	(331,827)
Net cash used in operating activities		(900,097)	(797,733)
Cash flow from investing activities			
Acquisition of investment in securities	11	(3,000,000)	-
Investment income related to secured leasehold properties	10	15,591,144	14,983,989
Bank interest received	13	427,285	11,220
Net cash generated from investing activities		13,018,429	14,995,209
Cash flow from financing activities			
Coupons paid on the Notes	16	(11,548,739)	(11,548,741)
Net cash used in financing activities		(11,548,739)	(11,548,741)
Net movement in cash and cash equivalents		569,593	2,648,735
At 1 April 2022/2021		27,008,895	24,360,160
At 31 March	13	27,578,488	27,008,895

Notes to the financial statements for the year ended 31 March 2023**1 General information**

Gibraltar Capital Assets Limited (referred to as 'the company') is a wholly-owned subsidiary of the Gibraltar Development Corporation, a statutory body established by the Gibraltar Development Corporation Act. 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 HM GoG and to issue £300 million Notes with maturities between 15 and 31 years. The Notes' proceeds were used as consideration for the grant of the underleases. The company generates rental income on the tenancy agreement with the 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 and under the historical cost convention, as modified by the revaluation of financial instruments held at fair value through profit and loss.

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 year ended 31 March 2023 - continued

3 Summary of significant accounting policies - continued**Financial instruments**

The company has chosen to adopt Sections 11 and 12 of GFRS 102 in respect of financial instruments.

(i) Financial assets

Basic financial assets, including trade and other receivables and cash at bank and in hand balances are initially recognised at the 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 £521,690,000 based on current usage and £724,595,000 based on vacant possession, see note 10. The cash inflows expected to be received within one year of the balance sheet date are classified as a current asset.

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.

Other financial assets, represented by the investment in securities consist of investment in funds, that are considered complex financial instruments and are required to be measured at fair value. They are initially recognised at cost and subsequently at fair value with changes in fair value being presented in the 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 the 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. The company's significant financial liabilities relate to the Notes, see note 16.

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

Notes to the financial statements for the year ended 31 March 2023 - continued

3 Summary of significant accounting policies - continued**Financial instruments - continued***(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.

Cash at bank and in hand

Cash at bank and in hand includes cash in hand and deposits held at call with banks. Cash held by the company on a nominee basis is not recognised as an asset of the company.

Investment income, interest income and expense

Investment income, interest income and expense are each 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 Notes, using the proceeds to take long leaseholds over six Housing Estates from Gibraltar Residential Properties Limited, a company ultimately wholly owned by HM GOG. 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 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 Notes of varying maturities are repaid in full by the final maturity date in 2047, see note 16. 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, as the company does not bear the economic costs of providing the Government's public housing scheme, the company cannot be considered a public housing provider under standard accounting practices. 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 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 year ended 31 March 2023 - 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 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 Notes remain secured over the 149 year leasehold interest in the properties until full repayment of the 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 Financial risk management**5.1 Financial risk factors**

During the year, the company subscribed for an investment in the M&G fund (see note 11), that is measured at fair value through profit and loss. The below disclosures summarise the nature and extend of the relevant risks arising from the investment in the financial asset measured at fair value. The company's overall risk management programme focuses on reducing potential risks in order to minimise the potential adverse effects on the company's financial performance.

(a) Market risk

The investment is measured at fair value and therefore the company is exposed to price risk in relation to the investment in the M&G Fund. The investment is priced daily by the investment fund manager based on the value of the underlying investments in the fund, which mainly consist of bonds and cash equivalents, therefore limiting price risk.

Notes to the financial statements for the year ended 31 March 2023 - continued

5 Financial risk management - continued**5.1 Financial risk factors - continued****(a) Market risk - continued**

The maximum exposure to price risk is represented by the carrying amount of each asset on the balance sheet, as shown within the table below:

	2023	2022
	£	£
Total assets bearing price risk		
Investment in M&G Fund	3,071,225	-

If the price increases/(decreases) by 5% the profit for the year would have been £153,561 higher/(lower).

(b) Credit risk

The main exposure to credit risk in relation to the investment in the M&G Fund is represented by the investment's ability to meet redemption requests and therefore the credit risk of the underlying investments. The fund's underlying investments are in a range of bonds and cash equivalents with different credit ratings, ranging from AAA to below B and as a result, the directors consider that the company's credit risk in relation to this investment is suitably managed by the investment fund directly.

(c) Liquidity risk

The company is exposed to liquidity risk in relation to the M&G Fund as a direct result of the company's ability to liquidate its holding in the investment and realise cash to meet its liabilities. The directors consider that the company can liquidate its investment in the M&G Fund on a daily basis and therefore the investment does not pose a significant liquidity risk to the company.

Further, the directors have considered the M&G Fund's ability to meet the company's redemption request and have therefore considered the maturity schedule of the underlying investments held by the M&G Fund, noting that the maturity schedule is suitably diversified between positions with short and long term maturities. As a result, the directors have concluded that the investment does not present a significant liquidity risk to the company's financial position and is suitably managed directly by the investment fund.

5.2 Fair value estimation

The company's investment in the M&G Fund represents an investment in a fund where the investment manager establishes a daily price based on the underlying investments of the fund, referred to as the Net Asset Value ('NAV'). Whilst this represents a quoted price for the investment, the directors note that there are not sufficient market transactions of the shares to consider it an active market. As a result, the company's financial instrument held at value is therefore classified as a level Two fair value estimate.

Notes to the financial statements for the year ended 31 March 2023 - continued

6 Operating profit

Operating profit is stated after charging:	2023	2022
	£	£
Directors' fees	119,385	105,000
Staff costs	99,213	92,495
Employer's social insurance	8,725	8,239
Audit fees	22,731	22,174
Accounting and other non-audit fees to the statutory auditor	21,398	26,396
Tax compliance fees paid to the statutory auditor	1,832	1,632
Operating lease charges	5,452	5,171

7 Directors' emoluments

The aggregate amount of directors' emoluments during the current year was £119,385 (2022: £105,000).

8 Employee information

The company had two employees, excluding the directors listed in the directors' report, during the current and preceding year.

9 Tax on profit on ordinary activities**(a) Analysis of charge for the year**

	2023	2022
	£	£
Current taxation		
Current tax charge for the year	404,461	401,620

Notes to the financial statements for the year ended 31 March 2023 - continued

9 Tax on profit on ordinary activities - continued

(b) Factors affecting tax charge for the year

	2023 £	2022 £
Profit on ordinary activities before taxation	3,732,598	3,263,293
Notional tax at applicable rates	466,575	403,022
Adjustments for:		
Non-taxable income	(62,314)	(1,402)
Additional 60% training cost deduction	200	-
Tax charge for the year	404,461	401,620

10 Investment

	2023 £	2022 £
Fixed asset investment:		
Investment secured on leasehold interest in property	275,751,256	276,384,433
Current asset investment:		
Investment secured on leasehold interest in property	16,184,101	15,712,719
Total investment secured on leasehold interest in property	291,935,357	292,097,152
	2023 £	2022 £
Movement in investment secured on leasehold interest in property		
At 1 April 2022/2021	292,097,152	291,640,085
Investment income accrued for the year	15,429,349	15,441,056
Investment income received	(15,591,144)	(14,983,989)
At 31 March	291,935,357	292,097,152

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.

Notes to the financial statements for the year ended 31 March 2023 - continued

10 Investment - continued

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).

Housing estate	Tenanted flats	Year built	Annual rent £	Market value per Savills valuation on 31 March 2023	
				Based on current usage £	Based on vacant possession * £
Alameda Estate	419	1949	472,004	59,780,000	97,837,000
Glacis Estate	526	1972	517,053	98,040,000	112,933,000
Laguna Estate	794	1963	692,442	132,250,000	165,339,000
Mid Harbours Estate	492	2011	772,506	86,970,000	155,955,000
Moorish Castle Estate	184	1962	181,881	34,950,000	42,886,000
Varyl Begg Estate	649	1973	713,366	109,700,000	149,645,000
Total	3,064		3,349,252	521,690,000	724,595,000

* Indicative aggregate market value with vacant possession - The valuer has calculated the indicative aggregate Market Value of the housing stock, assuming vacant possession, as at the date of their valuation report and the resultant figure is £724,595,000. The valuer notes that this figure cannot be regarded as a valuation since in practice the housing stock, which is subject to tenancies, could not be sold for this amount. The figure is provided for illustrative purposes only.

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 HM GoG.

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.

The Housing Estates have recently undergone significant refurbishment and improvement which was funded by HM GoG. A property valuation was undertaken in March 2023 by Savills UK. The valuation was conducted in accordance with the Royal Institution of Chartered Surveyors' ('RICS') and the method of valuation used by Savills UK was the discounted cash flow model using the expected cash flows to perpetuity. This provided a combined valuation based on current usage of £521,690,000 (2022: £506,560,000) and £724,595,000 (2022: £674,108,000) based on vacant possession, as outlined above. These valuations are based on the 149 year leasehold term of the properties over which the 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 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.

Notes to the financial statements for the year ended 31 March 2023 - continued

10 Investments - continued

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 average effective interest on the investment for the year was 5.25%.

The investment income generated on the secured leasehold interest over the properties during the year was £15,429,349 (2022: £15,441,056). The actual cash flows received from the assets are disclosed in the cash flow statement.

11 Investment in securities

	2023	2022
	£	£
Financial assets at fair value through profit and loss		
Investment in M&G Fund	3,071,225	-

During the year, the company invested £3,000,000 into the M&G Fund, a conservative investment fund aimed at enhancing overall investment returns for the company. The investment was held at fair value, with the revaluation gain of £71,225 being presented in the profit and loss account.

12 Debtors and prepayments

	2023	2022
	£	£
Deposits	535	535
Prepayments	3,361	3,354
	3,896	3,889

13 Cash at bank

	2023	2022
	£	£
Cash at bank	27,578,488	27,008,895

The cash at bank is charged as security for the Notes detailed in note 16. Included in the above amount is £5,960,422 (2022: £5,839,869), which is a debt service reserve account and holds six months of interest payments of the Notes. During the year, the company generated interest income on its cash at bank totalling £427,285 (2022: £11,220).

Not included in the above amount is £104,282 (2022: £102,172), which is held by the company in a Cash Realisation Account on a nominee basis for Gibraltar Residential Properties Limited and charged as security for the Notes.

Notes to the financial statements for the year ended 31 March 2023 - continued

14 Creditors: amounts falling due within one year

	2023 £	2022 £
Accruals	89,162	103,131
Corporation tax liability	100,314	72,452
Interest accrued on the Notes (see note 16)	5,758,550	5,758,550
	5,948,026	5,934,133

15 Creditors: amounts falling due after more than one year

	2023 £	2022 £
Notes (see note 16)	296,008,106	295,871,106

16 Notes

The company issued £300 million 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 Notes are repayable in full on maturity and the coupons are payable on 5 April and 5 October each year.

The coupon attributable to the Notes during the year ended 31 March 2023 was £11,685,739 (2022: £11,680,611).

Tranche	Principal	Coupon	Effective interest	Coupon attributable to 31 March 2023 £	Amortised cost 31 March 2023 £
A: 31 year Tranche due 2047	92,000,000	3.98%	4.027%	3,691,869	92,522,672
B: 30 year Tranche due 2046	105,000,000	3.98%	4.029%	4,215,568	105,608,920
C: 25 year Tranche due 2041	38,000,000	3.81%	3.882%	1,466,949	38,223,357
D: 20 year Tranche due 2036	30,000,000	3.67%	3.749%	1,118,091	30,176,309
E: 15 year Tranche due 2031	35,000,000	3.31%	3.421%	1,193,262	35,235,398
Total	300,000,000			11,685,739	301,766,656

Notes to the financial statements for the year ended 31 March 2023 - continued

16 Notes - continued

Tranche	Principal	Coupon	Effective interest	Coupon attributable to 31 March 2022 £	Amortised cost 31 March 2022 £
A: 31 year Tranche due 2047	92,000,000	3.98%	4.027%	3,690,674	92,492,404
B: 30 year Tranche due 2046	105,000,000	3.98%	4.029%	4,214,124	105,572,352
C: 25 year Tranche due 2041	38,000,000	3.81%	3.882%	1,466,265	38,205,348
D: 20 year Tranche due 2036	30,000,000	3.67%	3.749%	1,117,453	30,158,917
E: 15 year Tranche due 2031	35,000,000	3.31%	3.421%	1,192,095	35,200,635
Total	300,000,000			11,680,611	301,629,656

The 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 13. The noteholders also have a put option which allows them to put the Notes onto the HM GoG in the event of default. Details of the Housing Estates used to secure the Notes and of which the company has the leaseholds are detailed in note 10.

Movement in the Notes	2023 £	2022 £
At 1 April	301,629,656	301,497,786
Finance costs accrued	11,685,739	11,680,611
Coupon paid	(11,548,739)	(11,548,741)
At 31 March	301,766,656	301,629,656

Notes to the financial statements for the year ended 31 March 2023 - continued

17 Financial instruments

The company has the following financial instruments:

	2023 £	2022 £
Financial assets measured at fair value through profit and loss		
Investment in securities	3,071,225	-
Financial assets measured at amortised cost		
Investment secured on leasehold interest in property	291,935,357	292,097,152
Debtors	535	535
Cash at bank	27,578,488	27,008,895
	319,514,380	319,106,582
Financial liabilities measured at amortised cost		
Accruals	89,162	103,131
Corporation tax liability	100,314	72,452
Notes	301,766,656	301,629,656
	301,956,132	301,805,239

18 Share capital

	2023 £	2022 £
Allotted, issued and fully paid		
3,000 ordinary shares of £1 each	3,000	3,000

Notes to the financial statements for the year ended 31 March 2023 - continued

19 Notes to the cash flow statement

	2023 £	2022 £
Profit for the financial year	3,328,137	2,861,673
Adjustments for:		
Tax on profit on ordinary activities	404,461	401,620
Bank interest received	(427,285)	(11,220)
Investment income	(15,429,349)	(15,441,056)
Finance costs	11,685,739	11,680,611
Gain on investment in securities	(71,225)	-
	(509,522)	(508,372)
Working capital movements:		
(Increase)/decrease in debtors	(7)	32,933
(Decrease)/increase in creditors	(13,969)	9,533
Cash flow used in operating activities	(523,498)	(465,906)

Changes in net debt

The below table presents the company's analysis of changes in net debt:

	At 1 April 2022 £	Cash flows £	Accrued interest £	31 March 2023 £
Cash at bank	27,008,895	569,593	-	27,578,488
Notes	(301,629,656)	11,548,739	(11,685,739)	(301,766,656)
	(274,620,761)	12,118,332	(11,685,739)	(274,188,168)

Notes to the financial statements for the year ended 31 March 2023 - continued

20 Related party transactions

The directors consider that the transactions during the year with related parties and balances outstanding at the balance sheet date were as follows:

	Profit and loss		Balance sheet	
	2023	2022	2023	2022
	£	£	£	£
Government and entities under common control				
Turnover	15,429,349	15,441,056	-	-
Investment	-	-	291,935,357	292,097,152
Corporation tax	(404,461)	(401,620)	(100,314)	(72,452)

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

21 Ultimate controlling party

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