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Annual Financial Report
Vernon Property Plc
HJP

Annual Financial Report

Vernon Property plc announces it's annual financial report for the year ended 28 February 2018.
These are included in the attachment below.
The directors take responsibility for this announcement.

FOR FURTHER INFORMATION PLEASE CONTACT:
Julian Seidman - Director
Vernon Property plc
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Attachment:

1. **2018 Annual financial report**

Non Regulated
Publication Date: 02/07/2018

Company Registration No. 09417877 (England and Wales)

VERNON PROPERTY Plc

DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 28 FEBRUARY 2018

VERNON PROPERTY Plc
Year ended 28 February 2018

COMPANY INFORMATION

Directors	Mark Archer Martin Myers Julian Seidman
Secretary	International Registrars Limited Finsgate 5-7 Cranwood Street London United Kingdom EC1V 9EE
Company number	09417877
Registered office	13 David Mews London England W1U 6EQ
Auditors	Jeffreys Henry LLP Finsgate, 5-7 Cranwood Street London EC1V 9EE
Bankers	Metro Bank PLC One Southampton Row London WC1B 5HA
Solicitors	Banks Kelly Solicitors Limited 1 King Street, London, EC2V 8AU

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CHAIRMAN'S STATEMENT
FOR THE YEAR ENDED 28 FEBRUARY 2018

I am pleased to present the results of Vernon Property Plc ("Company") for the year ending 28 February 2018.

Although the Company remains in a development phase, its directors have maintained investments in line with the target strategy to provide loans secured against UK property. We expect to find further suitable investments in the next 12 months as the cash position of the Company increases from further bond issuances, in order that the business can move quickly when the right opportunity arises.

We continue to work towards our business plan and remain positive that returns in this area will stay strong in the future to support the coupon payable on the bonds. Key updates on the business will continue be made available on our website at http://www.vernon-property.com/

Martin Myers

Director

29 June 2018

STRATEGIC REPORT
FOR THE YEAR ENDED 28 FEBRUARY 2018

Principal activities and fair review of the business

During the year, the Directors commenced a significant legal and commercial due diligence process in order to bring the bond offer document to a more realistic and relevant level with the purpose of attracting an increase in the level of subscriptions.

The Company has made a loss of £31,784 for the year (2017: loss £113,803) after recognising the costs associated with the above exercise together with ongoing overheads. It is the Company's aim to further develop bond subscriptions and maintain strict cost control.

Principal risks and uncertainties

The business still remains at a relatively early stage of income generation and as a result, aspects of its business strategy are not proven. At this stage, the Company cannot with certainty say that it will generate the returns to the extent it has projected. The investments are short term and held as current assets.

Further discussion on risk and sensitivity analysis is discussed within note 4.

Key performance indicators

The performance indicators relate to revenue, cash and investments/loans made.

	2018	2017
Loss for the year	(31,784)	(113,803)
Cash and cash equivalents	223	961,340
Investments	1,661,393	1,050,000

The reasons behind the loss for the period are discussed above and does not reflect the expected performance of the Company. The reduction in cash primarily reflects the investments in interest bearing loans amounting to some £913,000. The cash position has substantially improved subsequent to the balance sheet date.

Dependence on key personnel

Whilst the Company's has entered into contractual arrangements with the aim of securing the services of its Directors, the retention of their services cannot be guaranteed.

Future developments

The Company continues to investigate opportunities in its core market being secured lending against both commercial and residential property. We shall continue to keep the bondholders aware of the developments of the business on the Company website and through regular market announcements.

On behalf of the board

Martin Myers
Director

29 June 2018

DIRECTORS' REPORT
FOR THE YEAR ENDED 28 FEBRUARY 2018

The Directors present their report and financial statements for the year ended 28 February 2018.

Principal activities
The principal activity of the Company is to provide loans secured against UK property, please refer to the Strategic Report for further details.

Results and dividends
The results for the period are set out on page 9.

Future developments
These are detailed in the Strategic Report above.

Directors
The following Directors have held office during the period:

Mark Archer
Mark Felton (resigned 16 November 2017)
Martin Myers (appointed 16 November 2017)
Julian Seidman

Directors' interest

At the date of this report the Directors held the following beneficial interest in the ordinary share capital of the Company:

	2018	**2017**
Osprey Real Estate Limited	50,000	50,000

Osprey Real Estate Limited is wholly owned by Martin Myers who is the ultimate beneficial owner.

Substantial interests

As at 28 February 2018 the following investors had an interest of 3% or more in the ordinary share capital of the Company:

	Ordinary shares number.	Percentage
Osprey Real Estate Ltd	50,000	100%

Creditor payment policy

The Company's policy is to pay creditors within the agreed terms which are generally no more than 30 days.

Financial risk and management of capital
The major balances and financial risks to which the Company is exposed to and the controls in place to minimise those risks are disclosed in Note 4. The principal current assets of the business are its investments and cash. The principal financial instruments employed by the Company are cash or cash equivalents and short-term realisable assets in order to minimise liquidity risk.

A description of how the Company manages its capital is also disclosed in Note 4.

The Board considers and reviews these risks on a strategic and day-to-day basis in order to minimise any potential exposure.

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 28 FEBRUARY 2018

Financial instruments

The Company has issued £2,373,254 fixed term bonds with a maturity date of 31 December 2025. The bonds have a coupon rate of 5% per annum, with coupons payable annually at 31 December.

Auditors

In accordance with section 485 of the Companies Act 2006, a resolution that Jeffreys Henry LLP be re-appointed as auditors of the company will be put to the Annual General Meeting.

Statement of Directors' responsibilities

The Directors are responsible for preparing the Directors' Report and the Company's financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare the Company's financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted for use in the European Union. 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 they have been prepared in accordance with IFRS as adopted by the European Union; 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. They are also responsible for safeguarding the assets of the Company hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of disclosure to auditors

Each person who is a Director at the date of approval of this Annual Report confirms that:

- So far as the Directors are aware, there is no relevant audit information of which the Company's auditors are unaware; and
- each Director has taken all the steps that he ought to have taken as Director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

On behalf of the board

Martin Myers
Director

29 June 2018

CORPORATE GOVERNANCE STATEMENT FOR THE YEAR ENDED 28 FEBRUARY 2018

The board has sought to comply with a number of the provisions of the QCA Corporate Governance Code ("the Code") in so far as it considers them to be appropriate to a Company of their size and nature. They make no statement of compliance with the Code overall and do not 'explain' in detail any aspect of the Code with which they do not comply.

Internal controls

The board is responsible for maintaining a sound system of internal controls to safeguard shareholders and bondholders' investment and the Company's assets. The Directors monitor the operation of internal controls. The objective of the system is to safeguard the Company's assets, ensure proper accounting records are maintained and that the financial information used within the business and for publication is reliable. Any such system of internal control can only provide reasonable, but not absolute assurance against material misstatement or loss.

Internal financial control procedures undertaken by the board include:

- Review of biannual financial reports and monitoring performance; and
- Prior approval of all significant expenditure/loans including all major investment decisions.

The board has reviewed the operation and effectiveness of the Company's system of internal control for the financial year and the year up to the date of approval of the financial statements.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF VERNON PROPERTY PLC

Opinion

We have audited the financial statements of Vernon Property Plc (the 'company') for the year ended 28 February 2018 which comprise the Statement of Comprehensive Income, the Statements of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 28 February 2018 and of the loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Emphasis of Matter

We draw attention to Note 2.1 to the financial statements concerning the Company's ability to continue as a going concern. The Company incurred a net loss of £31,784 during the year ended 28 February 2018 and, as at that date, it had net liabilities of £147,609. The current cash flow projections for the next twelve months prepared by the Directors indicate that the Company is dependent on the recovery of interest from investment loans referred to in Note 12 to the financial statements. These loans are currently overdue with no repayment terms in place. These matters along with other matters explained in note 2.1 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other information

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

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF VERNON PROPERTY PLC (CONTINUED)

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 such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if in our opinion:

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF VERNON PROPERTY PLC (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 (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.

As part of an audit in accordance with ISAs (UK), 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.

- 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.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF VERNON PROPERTY PLC (CONTINUED)

We communicate with those charged with governance 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 is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Sanjay Parmar (Senior statutory auditor)

For and on behalf of Jeffreys Henry LLP Chartered Accountants, Statutory Auditor

Finsgate

5-7 Cranwood Street

London,

EC1V 9EE

29 June 2018

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 28 FEBRUARY 2018

	Notes	2018 £	2017 £
Continuing operations			
Revenue		245,040	73,353
Administrative expenses		(134,743)	(90,322)
Operating profit/(loss)	6	110,297	(16,969)
Finance costs	8	(142,081)	(96,834)
Loss on ordinary activities before taxation		(31,784)	(113,803)
Income tax expense	9	-	-
Loss for the year		(31,784)	(113,803)
Loss per share (expressed in pence per share)	10	(63.57)p	(227.61)p

The notes on pages 14 to 23 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION AT 28 FEBRUARY 2018

	Notes	2018 £	2017 £
Assets			
Current assets			
Investments	12	1,661,393	1,050,000
Receivables	13	530,971	64,071
Cash and cash equivalents	14	223	961,340
Total assets		2,192,587	2,075,411
Equity and liabilities			
Equity attributable to owners of the Company			
Ordinary shares	15	50,000	50,000
Accumulated losses	16	(197,609)	(165,825)
Total equity		(147,609)	(115,825)
Liabilities			
Non-current liabilities			
Borrowings	17	2,170,750	2,151,316
Current liabilities			
Trade and other payables	18	169,446	39,920
Total liabilities		2,340,196	2,191,236
Total equity and liabilities		2,192,587	2,075,411

Approved by the Board and authorised for issue on 29 June 2018.

Martin Myers
Director

Company Registration No. 09417877

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 28 FEBRUARY 2018

	Notes	2018 £	2017 £
Cash flows from operating activities			
Cash utilised in operations	19	(349,724)	(311,324)
Net cash utilised in operating activities		(349,724)	(311,324)
Cash flows from investing activities			
Repayment of Investments		544,519	949,470
Purchase of investments		(1,155,912)	(1,836,970)
Net cash utilised in investing activities		(611,393)	(887,500)
Cash flows from financing activities			
Issue of ordinary share capital		-	-
Proceeds from issue of debenture loans		-	2,123,254
Net cash generated from financing activities		-	2,123,254
Net (decrease)/increase in cash and cash equivalents		(961,117)	924,430
Cash and cash equivalents at the beginning of the year		961,340	36,910
Cash and cash equivalents at end of year	14	223	961,340

The notes on pages 14 to 23 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

	Share capital £	Accumulated losses £	Total £
As at 1 March 2016	50,000	(52,022)	(2,022)
Loss for the year	-	(113,803)	(113,803)
at 28 February 2017	50,000	(165,825)	(115,825)
Loss for the year	-	(31,784)	(31,784)
at 28 February 2018	50,000	(197,609)	(147,609)

Share capital is the amount subscribed for shares at nominal value.
Accumulated losses represent the cumulative loss of the Company attributable to equity shareholders.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY 2018

1 General information

Vernon Property Plc was founded in February 2015 to initially acquire distressed UK property. In early 2016, the Directors resolved to amend the company's strategy to focus on providing secured loans against UK property, the funding for which would principally be by way of the issuance of Bonds. The Company is both based and has been incorporated in the United Kingdom. The address of the registered office is disclosed on the Company information page at the front of the Annual Report.

The Company is a public limited company and is listed on the Emerging Companies Market of the Cyprus Stock Exchange.

2 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 period presented unless otherwise stated.

2.1 Basis of preparation

The statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention.

Going concern

The financial statements have been prepared on a going concern basis, the validity of which is dependent upon the issuance of further long-term bonds. These bonds are not due for repayment until 2025 so the Directors believe the going concern basis is appropriate despite the small negative net asset position at period end.

Preparation of financial statements

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

New and amended standards adopted by the Company

There are no IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning on or after 1 March 2017 that would be expected to have a material impact on the Company.

Standards, interpretations and amendments to published standards that are not yet effective

The following new standards, amendments to standards and interpretations have been issued, but are not effective for the financial period beginning 1 March 2017 and have not been early adopted. The Director anticipates that the adoption of these standard and the interpretations in future period will have no material impact on the financial statements of the Company.

	Title	Summary	Application date of standard	Application date of Company
Amendments to IFRS1	First-time Adoption of International Financial Reporting Standards	Amendments resulting from Annual Improvements 2014-2016 Cycle (removing short-term exemptions	Annual periods beginning on or after 1 January 2018	1 January 2018
Amendments to IFRS2	Share-based Payment	Amendments to clarify the classification and measurement of share based payment transactions	Annual period beginning on or after 1 January 2018	1 January 2018
Amendments to IFRS4	Insurance Contracts	Amendments regarding the interaction of IFRS 4 and IFRS 9	Annual period beginning on or after 1 January 2018	1 January 2018
Amendments to IFRS 9	Financial Instruments	Amendments regarding the interaction of IFRS4 and IFRS 9	Annual period beginning on or after 1 January 2018	1 January 2018
IFRS 15	Revenue from Contracts with Customers	Original issue	Annual periods beginning on or after 1 January 2018	1 January 2018
IFRS 16	Leases	Original issue	Annual periods beginning on or after 1 January 2019	1 January 2019
Amendments to IAS 28	Investments in Associates and Joint Ventures	Amendments resulting from Annual improvements 2014-2016 cycle (Clarifying certain fair value measurements)	Annual periods beginning on or after January 2018	1 January 2018
Amendments to IAS 39	Financial Instruments: recognition and measurement	Amendments to permit entity to elect to continue to apply the hedge accounting requirements in IAS 39 for a fair value hedge of the interest rate exposure of a portion of a portfolio of financial assets or financial liabilities when IFRS9 is applied and to extend the fair value option to certain contracts that meet the 'own use' scope exception	Applies when IFRS9 applied	1 January 2018
Amendments to IAS40	Investment Property	Amendments to clarify transfers or property to, or from investment property	Annual period beginning on or after January 2018	1 January 2018

The Directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Company.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 28 FEBRUARY 2018

2.2 Financial assets and liabilities

The Company classifies it financial assets at fair value through profit and loss or as loans and receivables and classifies its financial liabilities as other financial liabilities. Management determines the classification of its investments at initial recognition. A financial asset or financial liability is measured initially at fair value. At inception transaction costs that are directly attributable to its acquisition or issue, for an item not at fair value through profit or loss, is added to the fair value of the financial asset and deducted from the fair value of the financial liability.

(a) Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Company provides money, goods or services directly to a debtor with no intention of trading the receivable. Loans are recognised when the funds are advanced to customers. Loans and receivables are carried at amortised cost using the effective interest method (see below).

(b) Other financial liabilities

Other financial liabilities are non-derivative financial liabilities with fixed or determinable payments. Other financial liabilities are recognised when cash is received from the depositors. Other financial liabilities are carried at amortised cost using the effective interest method. The fair value of other liabilities repayable on demand is assumed to be the amount payable on demand at the Statement of Financial Position date.

Derecognition
Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Company has transferred substantially all of the risks and rewards of ownership. In transactions in which the Company's neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset and it retains control over the asset, the Company's continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset. There have not been any instances where assets have only been partly derecognised. The Company derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

Amortised cost measurement
The amortised cost of a financial asset or financial liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal payments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and maturity amount, minus any reduction for impairment.

Fair value measurement
Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date. The fair value of assets and liabilities in active markets are based on current bid and offer prices respectively. If the market is not active the Company establishes fair value by using appropriate valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same for which market observable prices exist, net present value and discounted cash flow analysis.

2.3 Revenue

Revenue comprises interest income using the effective interest method. The effective interest method calculates the amortised cost of a financial asset and allocated the interest income over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset. When calculating the effective interest rate, the Company takes into account all contractual terms of the financial instrument but does not consider future credit losses.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 28 FEBRUARY 2018

2.4 Cash and cash equivalents

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

2.5 Investments

Investments represent loans made in accordance with the investment mandate of the Company. They are valued at the relevant cost and are held as current assets.

2.6 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.

2.7 Trade payables

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.

2.8 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred.

Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest 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.

2.9 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 28 FEBRUARY 2018

2.10 Income tax expense

Current income tax which is payable on taxable profits is recognised as an expense in the period in which the profits arise.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

3 Critical accounting estimates and judgments

The Company makes certain judgements and estimates that affect the reported amount of assets and liabilities. Critical judgements and the assumptions used in calculating estimates 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 Company assets include loans made to related and third-party companies. The Directors do not believe the loans require any provisions against recovery of the principal or interest at the period end.

4 Financial risk management

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

4.1 Financial risk factors

The Company's activities may expose it to a variety of financial risks and credit risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

a) Credit risk
Credit risk is defined as the risk that the counterparty will be unable to pay amounts in full when due. Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits when appropriate. Exposure to credit risk is also maintained by obtaining collateral, the loans to customers include debentures and personal guarantees and the Directors therefore believe there is a low risk of customer default.
The maximum exposure to credit risk for the Company was as follows:

Credit risk exposure relating to on-balance sheet assets is as follows:	2018 £	2017 £
Receivables	530,971	64,071
Investments	1,661,393	1,050,000
At 28 February 2018	2,192,364	1,114,071

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 28 FEBRUARY 2018

b) Cash flow and Interest rate risk
The Company's borrowings are at a fixed rate of interest exposing the Company to fair value interest rate risk. The Company does not manage any cash flow interest rate risk.

c) Liquidity risk
The Company is careful to ensure that its loans and investments can be realised prior to the due date for the repayment of the debentures. This applies equally to the underlying investments of the companies or projects in which the Company invests.

d) Capital risk
The Company takes great care to protect its capital investments. Significant due diligence is undertaken prior to making any investment. The investments are closely monitored.

4.1 Financial risk factors

e) Market risk
A general economic downturn at a global level, or in one of the world's leading economies, could impact on the Company. In addition, terrorism and other hostilities, as well as disturbances in worldwide financial markets, could have a negative effect on the Company. Regulatory requirements, taxes, tariffs and other trade barriers, price or exchange controls or other governmental policies could also limit the Company's operations. These risks are also applicable to most companies and the risk that the Company will be more affected than the majority of companies is assessed as small.

f) Price risk
The Company's principal activity is short-term business loans. The Company does not have a diversified portfolio of assets and is therefore at risk.

4.2 Capital risk management

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure appropriate for its growth plans.

In order to maintain or adjust the capital structure the Company may issue new shares or alter debt levels.

5 Segment Information

The Company's single line of business is investment in secured loans.

6 Operating loss

	2018	2017
	£	£
Directors' remuneration	32,621	18,833
Audit fees	7,750	6,600
Non-audit fees	750	3,920

7 Staff costs

Staff costs comprise directors' remuneration

The average monthly number of employees (including directors) during the period was:

	2018	2017
Directors	3	3

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 28 FEBRUARY 2018

8 Finance costs

	2018 £	2017 £
Interest payable on debentures	118,517	81,655
Other interest payable	744	-
Amortisation of finance costs on debentures	22,820	15,179
	142,081	96,834

9 Taxation

	2018 £	2017 £
Total current tax	-	-
Factors affecting the tax charge for the period		
Profit/(loss) on ordinary activities before taxation	(31,784)	(113,803)
Profit/(loss) on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 20%/19% (2017: 20%)	(6,066)	(22,761)
Effects of:		
Non-deductible expenses		480
Tax losses carried forward	(6,066)	22,281
Current tax charge for the period	-	-

The Company has estimated tax losses of £197,609 (2017 - £165,825) available for carry forward against future trading profits.

The deferred tax asset at the year end of £37,546 has not been recognised in the financial statements due to the uncertainty of the recoverability of the amount.

10 Earnings per share

	2018 £	2017 £
Basic loss per share is calculated by dividing the loss attributable to equity shareholders by the weighted average number of ordinary shares in issue during the period:		
Profit/(loss) after tax attributable to equity holders of the Company	(31,784)	(113,803)
Weighted average number of ordinary shares	50,000	50,000
Basic and diluted loss per share	(63.57)p	(227.61)p

11 Dividends

No dividends were paid or proposed for the year ended 28 February 2018.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 28 FEBRUARY 2018

12 Investments

	2018 £	2017 £
Loans	1,661,393	1,050,000

The loans are secured on residential properties and bear interest at rates between 12% pa and 16% pa. The loans were due to be repaid on 23 December 2017 and 6 March 2018 and have been rolled over..

13 Receivables

	2018 £	2017 £
Related party receivables	311,861	-
Other receivables and prepayments	181,610	16,627
Unpaid share capital	37,500	37,500
	530,971	54,127

Related party receivables comprise short term unsecured loans and associated accrued interest (note 21).

Other receivables primarily comprise interest receivable from investments.

14 Cash and cash equivalents

For the purposes of the Statement of Cash Flows, cash and cash equivalents include cash at banks and on hand and deposits with banks. Cash and cash equivalents at the end of the reporting period as shown in the Statement of Cash Flows can be reconciled to the related items in the Statement of Financial Position as follows:

	2018 £	2017 £
Cash and cash equivalents	223	961,340

The carrying amount of cash and cash equivalents approximates to its fair value.

15 Share Capital

	2018 £	2017 £
Allotted and partly paid		
50,000 Ordinary shares of £1 each	50,000	50,000

The Company issued 1 fully paid ordinary share on 2 February 2015 at £1 each to its shareholder. On 5 March 2015 a further 49,999 ordinary shares at £1 were issued, partly paid to 25 pence each.

The ordinary shares have attached to them full voting, dividend and capital distribution (including on winding up) rights; they do not confer any rights of redemption.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 28 FEBRUARY 2018

16 Accumulated losses

	2018 £	2017 £
Loss bought forward	(165,825)	(52,022)
Loss for the year	(31,784)	(113,803)
At 28 February 2018	(197,609)	(165,825)

17 Borrowings

	2018 £	2017 £
Non-current		
Debentures	2,370,988	2,373,254
Unamortised finance costs	(200,238)	(221,938)
	2,170,750	2,151,316

All non-current borrowings are wholly repayable after five years. The debentures are secured by a first floating charge over all of the assets of the Company and bear interest of 5% per annum paid in yearly instalments. The debentures expire on 31 December 2025 and are due for repayment on this date.

The unamortised finance costs represent introduction to finance costs, were incurred upon the placing of the bonds and were paid to a related party. These amounts are being amortised on a straight-line basis over the 10 year life of the bonds, the above balance represents the remaining unamortised amount.

18 Trade and other payables

	2018 £	2017 £
Related party payables	25,626	-
Trade payables	25,989	-
Other payables	117,831	39,920
	169,446	39,920

Related party payables comprise short term loans and associated accrued interest (note 21).

Other payables principally comprise amounts accrued for on-going expenses of the company and interest on issued debentures. The carrying amount of other payables approximates to its fair value. A non-interest bearing loan payable to a related party at 28 February 2017 was repaid in the year ended 28 February 2018 (note 21)

19 Cash generated from operations

	2018 £	2017 £
Reconciliation to cash generated from operations		
Loss before taxation	(31,784)	(113,803)
Adjustments for:		
Finance costs	19,434	(179,646)
Changes in working capital:		
- Increase in receivables	(466,900)	(9,944)
- Increase in trade and other payables	129,526	(7,931)
	(349,724)	(311,324)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 28 FEBRUARY 2018

20 Control

The ultimate controlling party at the date of this report is Martin Myers who wholly owns Osprey Real Estate Limited, the 100% owner of the share capital of Vernon Property Plc.

21 Related party transactions

During the year the Company entered into the following related party transactions.

Loans (included in receivables)

The Company provided short-term, unsecured loans, bearing interest at the rate of 9.0% pa to the following companies

Company	Amount £	Accrued interest £	Total £
Affinity Developments Plc	191,950	6,050	198,000
Wellesley Commercial Property Limited	80,560	2,638	83,198
Templar Commercial Property Limited	29,825	838	30,663
	302,335	9,526	311,861

Loans (included in trade and other payables)

The Company received short-term, unsecured loans, bearing interest at the rate of 9.0% pa from the following companies

Company	Amount £	Accrued interest £	Total £
Affinity Commercial LLP	20,826	744	20,826
Ballarat Property Plc	4,800	-	4,800
	25,626	744	25,626

The above companies are related parties by virtue of the fact that that that they have directors in common, namely Martin Myers and Mark Felton.

Affinity Developments Plc

A loan of £10,000 from the above company which was provided in the year ended 28 February 2017 was repaid in the year ended 28 February 2018.

22 Contingent liabilities

The Company has no contingent liabilities.

23 Capital commitments

There was no capital expenditure contracted for at the end of the reporting period but not yet incurred.

24 Events after the reporting period

Bond issue

On 11 April 2018 the Company issued a further £15,416 of debenture loans for cash.