

QUONDAM ESTATES INVESTMENTS LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019



QUONDAM ESTATES INVESTMENTS LIMITED

COMPANY INFORMATION

Directors	A E C Hare S A Tatford J M E Saunders P S Slavin
Company secretary	F V Heazell
Registered number	02879299
Registered office	180 Great Portland Street London W1W 5QZ
Independent auditor	KPMG LLP, Statutory Auditor Chartered Accountants 15 Canada Square Canary Wharf London E14 5GL

QUONDAM ESTATES INVESTMENTS LIMITED

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QUONDAM ESTATES INVESTMENTS LIMITED

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019**

The directors present their report and the financial statements for the year ended 31 December 2019.

Directors

The directors who served during the year and up until the date of signing were:

A A Dodd (resigned 7 November 2019)
A E C Hare
S A Tatford
J M E Saunders (appointed 31 July 2020)
P S Slavin (appointed 31 July 2020)

Disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in the office.

Small companies note

In preparing this report, the directors have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006.

This report was approved by the board and signed on its behalf.

Philip Slavin
Philip Slavin (Oct 13, 2020 19:02 GMT+1)

P S Slavin
Director

Date:

QUONDAM ESTATES INVESTMENTS LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

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 they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

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:

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 UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

QUONDAM ESTATES INVESTMENTS LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF QUONDAM ESTATES INVESTMENTS LIMITED

Opinion

We have audited the financial statements of Quondam Estates Investments Limited ("the company") for the year ended 31 December 2019 which comprise the statement of comprehensive income, the balance sheet, statement of changes in equity and the related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*;
- 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Material uncertainty related to going concern

We draw your attention to note 1.1 to the financial statements which describes uncertainties related to the ability of the Group to continue its financial support to the Company and the Company's parent which holds loans secured on the assets of the Company. These events and conditions, along with other matters explained in note 1.1, constitute a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Directors' report

The directors are responsible for the directors' report. Our opinion on the financial statements does not cover that report and we do not express an audit opinion thereon.

Our responsibility is to read the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the directors' report;
- in our opinion the information given in that report for the financial year is consistent with the financial statements; and
- in our opinion that report has been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; 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; or
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.

QUONDAM ESTATES INVESTMENTS LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF QUONDAM ESTATES INVESTMENTS LIMITED

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 2, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.



Richard Long (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
Canary Wharf
London
E14 5GL

Date: 16 October 2020

QUONDAM ESTATES INVESTMENTS LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019**

	Note	2019 £	2018 £
Administrative expenses		-	(1,406)
Operating loss	3	-	(1,406)
Dividend received		3,238,110	-
Profit/(loss) before tax		3,238,110	(1,406)
Tax on profit	5	(587,800)	-
Pofit/(loss) for the financial year		<u>2,650,310</u>	<u>(1,406)</u>
Other comprehensive income		-	-
Total comprehensive income/(loss) for the year		<u>2,650,310</u>	<u>(1,406)</u>

The notes on pages 8 to 14 form part of these financial statements.

QUONDAM ESTATES INVESTMENTS LIMITED
REGISTERED NUMBER: 02879299

BALANCE SHEET
AS AT 31 DECEMBER 2019

	Note	2019 £	2018 £
Fixed assets			
Investments	6	75,000	75,000
		<u>75,000</u>	<u>75,000</u>
Current assets			
Debtors: amounts falling due within one year	7	3,161,804	-
		<u>3,161,804</u>	<u>-</u>
Creditors: amounts falling due within one year	8	(587,800)	(76,306)
Net current assets/(liabilities)		<u>2,574,004</u>	<u>(76,306)</u>
Total assets less current liabilities		<u>2,649,004</u>	<u>(1,306)</u>
Net assets/(liabilities)		<u><u>2,649,004</u></u>	<u><u>(1,306)</u></u>
Capital and reserves			
Called up share capital	9	100	100
Profit and loss account		2,648,904	(1,406)
Shareholder's funds/(deficit)		<u><u>2,649,004</u></u>	<u><u>(1,306)</u></u>

The Company's financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime.

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

Philip Slavin
Philip Slavin (Oct 13, 2020 19:02 GMT+1)

P S Slavin
 Director

Date:

The notes on pages 8 to 14 form part of these financial statements.

QUONDAM ESTATES INVESTMENTS LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 January 2019	100	(1,406)	(1,306)
Comprehensive income for the year			
Profit for the year	-	2,650,310	2,650,310
Total comprehensive income for the year	-	2,650,310	2,650,310
At 31 December 2019	100	2,648,904	2,649,004

The notes on pages 8 to 14 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 January 2018	100	-	100
Comprehensive loss for the year			
Loss for the year	-	(1,406)	(1,406)
Total comprehensive loss for the year	-	(1,406)	(1,406)
At 31 December 2018	100	(1,406)	(1,306)

The notes on pages 8 to 14 form part of these financial statements.

QUONDAM ESTATES INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

1. Accounting policies

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounts policies (see note 2).

The Company's parent undertaking, Bailey Acquisitions Limited, includes the Company in its consolidated financial statements. The consolidated financial statements of Bailey Acquisitions Limited are prepared in accordance with International Financial Reporting Standards as adopted by the EU and are available upon request. In these financial statements, the company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Certain disclosures required by FRS 102.11 Basic Financial Instruments and FRS 102.12 Other Financial Instrument Issues in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1; and
- Cash Flow Statement and related notes.

The Company is a member of the Bailey Acquisitions Limited group ('the Group').

As at 31 December 2019 the Company has net current assets of £2,574,004 and net assets of £2,649,004. However, the Company is reliant on the Group to perform certain operational and administrative functions on behalf of the Company. Further the Company has receivables due from other Group companies as disclosed in note 7. Therefore, in assessing the Company's ability to continue as a going concern the Directors have therefore considered the ability of the Group to continue as a going concern.

The Group has a range of loan facilities, with each loan secured on specific property assets held by the Group. The most significant loan is a Development Facility of £800m (comprising a Senior Loan of £540m and Mezzanine loan of £240m). The net assets of the Company form part of the security the Lenders hold in relation to these loans.

The senior facility has a £300m repayment due in February 2021 and the remaining £260m is due in October 2021. Furthermore the Mezzanine loan of £240m is also due for repayment in October 2021. In November 2019, the Group commenced a refinancing process sufficient to cover both facilities. However, following the onset of the COVID19 pandemic, the Group is continuing discussions with both existing and potential lenders against the revised business plan and in the light of wider macro-economic conditions.

The existing Development facility includes a Loan to Value ('LTV') covenant of 57.14% measured by reference to a quarterly valuation performed on behalf of the Lender. The LTV at the last measurement date on 28 September 2020 was 35.81% and is expected to increase as projects are completed over the coming year. It is possible the Group's property values will reduce, and the LTV covenant be exceeded, at a future measurement date. Should the LTV be exceeded the Group has cure rights through the injection of funds to reduce the LTV. The Group continues to closely monitor its LTV position and is in regular communication with its lenders accordingly.

Based on inquiries the Directors have made of the Board of the Group, the Directors are confident that refinancing can be achieved. However, there can be no certainty this will be the case. Should

QUONDAM ESTATES INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

1. Accounting policies (continued)

1.1 Basis of preparation of financial statements (continued)

this not be the case then the Group will request an equity injection from its ultimate parent.

Based on the above, the Directors believe that it remains appropriate to prepare the financial statements on a going concern basis. However, the potential breach of the Group's LTV covenant which may result in the Development Facility being immediately repayable, and the continued availability of sufficient funding to the Group through debt refinancing or an equity injection, represent a material uncertainty that may cast significant doubt upon the Company's ability to continue as a going concern and therefore to continue realising its assets and discharging its liabilities in the normal course of business. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

1.2 Investments

Investments in associates are measured at cost less accumulated impairment.

1.3 Debtors

Debtors are recognised at invoiced values less provisions for impairment. The Company measures impairments at an amount equal to lifetime expected credit losses (ECL).

1.4 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

QUONDAM ESTATES INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

1. Accounting policies (continued)

1.5 Taxation

Tax on the profit and loss for the year comprises current and deferred tax. Tax is recognised in profit and loss, except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is also recognised directly in equity or other comprehensive income.

Current or deferred taxation assets and liabilities are not discounted.

(i) Current tax

Current tax is the expected tax payable or receivable on taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

(ii) Deferred tax

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets and liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of the assets or liabilities, using tax rates enacted or substantively enacted at the balance sheet. For investment property that is measured at fair value, deferred tax is provided at the rate applicable to the sale of the property except for that part of the property that is depreciable and the company's business model is to consume substantially all of the value through use. In the latter case the tax rate applicable to income is used.

Deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised.

2. Judgments in applying accounting policies and key sources of estimation uncertainty

The preparation of the financial statements under FRS 102 requires the Directors to make judgements, estimates and assumptions that affect the application of accounting policies, the reported amounts of assets and liabilities as at the date of the financial statements and the reported amount of revenue and expenses during the reporting period. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements that are not readily apparent from other sources. However, the actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised.

QUONDAM ESTATES INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

3. Operating loss

Fees on £1,030 (2018: £1,000) paid to the Company's auditor, KPMG LLP, for the audit of the Company have been wholly borne by a parent entity, Quintain Limited.

Fees paid to the Company's auditor and its associates for services other than the statutory audit of the Company are not disclosed since the consolidated accounts of the parent are required to disclose non-audit fees on a consolidated basis.

4. Employees

The Company has no employees other than the directors, who did not receive any remuneration (2018 - £NIL).

5. Taxation

	2019 £	2018 £
Corporation tax		
Current tax on income for the year	587,800	-
	<hr/>	<hr/>
	587,800	-
	<hr/>	<hr/>
Total current tax	587,800	-
Deferred tax		
	<hr/>	<hr/>
Total deferred tax	-	-
	<hr/>	<hr/>
Tax on profit	587,800	-
	<hr/>	<hr/>

QUONDAM ESTATES INVESTMENTS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

5. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2018 - higher than) the standard rate of corporation tax in the UK of 19.00% (2018 - 19.00%). The differences are explained below:

	2019 £	2018 £
Profit/(loss) before tax	3,238,110	(1,406)
Profit/(loss) multiplied by standard rate of corporation tax in the UK of 19.00% (2018 - 19.00%)	615,241	(267)
Effects of:		
Expenses not deductible for tax purposes	(615,241)	267
Profit not taxable	587,800	-
Total tax charge for the year	587,800	-

Factors that may affect future tax charges

The Group in which the company is a member of has adopted a policy from 1 January 2019 of paying consideration for the transfer of capital gains to fellow group companies to be offset by tax losses.

QUONDAM ESTATES INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

6. Investments

	£
Cost	
At 1 January 2019	75,000
At 31 December 2019	<u>75,000</u>
Net book value	
At 31 December 2019	<u>75,000</u>
At 31 December 2018	<u>75,000</u>

The Company holds a 50% associate interest in the Aqua Trust which entitles the Company to a reversionary interest in the investment properties within the Trust. The income stream due to the Company at 31 December 2019 was £Nil (2018: £Nil).

During the year the company received £3.2m in proceeds upon the disposal of two investment properties within the Aqua Trust.

7. Debtors

	2019 £	2018 £
Amounts owed by group undertakings	3,161,804	-
	<u>3,161,804</u>	<u>-</u>

Amounts owed by group undertakings are interest free and repayable on demand.

QUONDAM ESTATES INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

8. Creditors: Amounts falling due within one year

	2019 £	2018 £
Amounts owed to group undertakings	-	76,306
Corporation tax	587,800	-
	<u>587,800</u>	<u>76,306</u>

Amounts owed to group undertakings are interest free and repayable on demand.

9. Share capital

	2019 £	2018 £
Allotted, called up and fully paid		
100 Called up shares of £1 each	<u>100</u>	<u>100</u>

10. Controlling party

At 31 December 2019 the Company's immediate parent was QCC Holdings Limited, registered address 180 Great Portland Street, London W1W 5QZ, a subsidiary of Bailey Acquisitions Limited, registered address 44 Esplanade, St Helier, Jersey, JE4 9WG. The only groups in which results of the Company are consolidated are those headed by Bailey Acquisitions Limited and Quintain Finance Limited, both incorporated in Jersey, registered address 44 Esplanade, St Helier, Jersey, JE4 9WG. Group financial statements are available on request from 180 Great Portland Street, London W1W 5QZ. The ultimate controlling party is Lone Star Real Estate Fund IV, an entity incorporated in Bermuda.

11. Post balance sheet events

The United Kingdom has officially left the European Union on 31 January 2020 ("Brexit"); however, under the agreed transitional arrangements, all relevant rules and regulations will currently remain in place until 31 December 2020. It is currently not practicable to forecast with certainty how the value of, or the cash flows arising from, assumption involved in the Company's assets might be affected by Brexit. Consequently, it is currently not possible to accurately quantify the possible effect of Brexit on the Company.

In early 2020, the existence of a new disease (COVID-19) was confirmed and COVID-19 has since been declared a pandemic. COVID-19 has caused disruption to businesses and economic activity which has been reflected in recent fluctuations in global stock markets. The Company considers the emergence and spread of COVID-19 to be a non-adjusting post balance sheet event. Given the inherent uncertainties, it is not practicable at this time to determine the impact of COVID-19 on the Company or to provide a quantitative estimate of this impact.