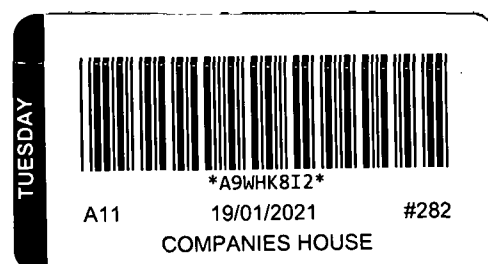


Branch Number: BR017965

ECO WORLD - BALLYMORE LONDON CITY ISLAND COMPANY LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 OCTOBER 2018



ECO WORLD - BALLYMORE LONDON CITY ISLAND COMPANY LIMITED

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ECO WORLD - BALLYMORE LONDON CITY ISLAND COMPANY LIMITED

COMPANY INFORMATION

Directors	Hsing Yao Cheng Edward Fletcher Alex King Michael Lynam Stephen McGrath Sean Martin Mulryan Isabel Robins Cheong Heng Leong Leong Seng Teow
Company secretary	Mourant Secretaries (Jersey) Limited
Registered number	117384
Registered office	22 Grenville Street St. Helier Jersey JE4 8PX
Independent auditor	KPMG 1 Stokes Place St Stephen's Green Dublin 2 Ireland
Bankers	CIMB Bank Berhad Level 14 (A), Main Office Tower Financial Park Complex Jalan Merdeka 87000 FT Labuan Malaysia Maybank Investment Bank Berhad 33rd Floor Menara Maybank 100 Jalan Tun Perak 50050 Kuala Lumpur Malaysia
Solicitors	Norton Rose Fulbright LLP 3 More London Riverside London SE1 2AQ

ECO WORLD - BALLYMORE LONDON CITY ISLAND COMPANY LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 OCTOBER 2018

The directors present their report and the audited financial statements of Eco World - Ballymore London City Island Company Limited ("the company") for the year ended 31 October 2018.

Directors' responsibilities statement

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

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 International Financial Reporting Standards (IFRS) as adopted by the EU.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRS as adopted by the EU, 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 (Jersey) Law 1991. 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.

Principal activities and risks

The principal activity of the company is property development.

The principal risks of the company are considered to be:

- Economic risk: if the UK or global economy suffers decline, this will impact on the company's activities;
- Financial and funding risk: if the ultimate shareholders or the funding institutions that finance the parent company find themselves unable to continue funding the companies in the Eco World - Ballymore Group;
- Site health and safety risk; and
- Legal completion risk: the risk that purchasers will be unable to move to final purchase of the apartments in accordance with the terms of the contracts of sale.

Further details of the company's principal activities and risks and areas of accounting estimate and judgment are set out in notes 4 and 5 of the financial statements. The directors of the company have reviewed the company's activities and considered the going concern assumption in detail. The directors consider it appropriate to prepare the financial statements on a going concern basis. The underlying assumptions that lead to these financial statements being prepared on the going concern basis are detailed within note 4.

ECO WORLD - BALLYMORE LONDON CITY ISLAND COMPANY LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 OCTOBER 2018**

Results

The statement of profit or loss and other comprehensive income for the year is set out on page 11.

The London City Island sales campaign commenced in May 2015, shortly after the land was acquired. At the date of approval of the financial statements, contracts had been exchanged for the sales of 934 residential apartments. The directors are pleased with the sales rates and sales values achieved to date as a result of the successful sales campaign.

The surplus for the year, after taxation, amounted to £21,973,863 (2017 - deficit £3,420,375).

Dividends

There were no dividends paid or declared during or after the financial year (2017 - £NIL).

Directors

The directors who served during the year and up to the date of this report were:

Hsing Yao Cheng
Edward Fletcher
Alex King
Michael Lynam
Stephen McGrath
Sean Martin Mulryan
Isabel Robins
Cheong Heng Leong
Leong Seng Teow

Disclosure of information to auditor

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.

Subsequent events

There have been no material events affecting the company since the year end that would require disclosure or adjustment to these financial statements.

Auditor

The auditor, KPMG, will be proposed for reappointment.

This report was approved by the board on 19 December 2018 and signed on its behalf.


Stephen McGrath
Director



INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ECO WORLD – BALLYMORE LONDON CITY ISLAND COMPANY LIMITED

1 Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Eco World – Ballymore London City Island Company Limited ("the Company"), which comprise the statement of financial position as at 31 October 2018, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 October 2018, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and with the requirements of the Companies (Jersey) Law 1991.

We have nothing to report in respect of matters on which we are required to report by exception

Under the Companies (Jersey) Law 1991, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the company; or
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of the above responsibilities.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Other Information

Management is responsible for the other information. The other information comprises the information included in the Directors' Report, but does not include the financial statements and our auditor's report thereon.

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 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, 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.



**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ECO
WORLD – BALLYMORE LONDON CITY ISLAND COMPANY LIMITED
(continued)**

2 Respective responsibilities and restrictions on use

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines 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, management is 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 management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

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.

Further details relating to our work as auditor is set out in the Scope of Responsibilities Statement contained in the appendix to this report, which is to be read as an integral part of our report.

Our report is made solely to the Company's members, as a body, in accordance with Article 113A of the Companies (Jersey) Law 1991. 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's members, as a body, for our audit work, for this report, or for the opinions we have formed.

C Mullen
for and on behalf of
KPMG
Chartered Accountants, Statutory Audit Firm
1 Stokes Place
St. Stephen's Green
Dublin 2
Ireland

21 December 2018



Appendix to the Independent Auditor's Report

Further information regarding the scope of our responsibilities as auditor

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism 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 management.
- Conclude on the appropriateness of management's 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.

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.

ECO WORLD - BALLYMORE LONDON CITY ISLAND COMPANY LIMITED

**STATEMENT OF FINANCIAL POSITION
AS AT 31 OCTOBER 2018**

	Note	2018 £	2017 £
Assets			
Non-current assets			
Investment property	11	9,999,899	-
Deferred tax assets	18	1,222,395	1,222,395
		<u>11,222,294</u>	<u>1,222,395</u>
Current assets			
Inventories	12	243,577,109	276,044,855
Trade and other receivables	13	23,577,076	22,205,316
Cash and cash equivalents		123,104,425	6,792,008
		<u>390,258,610</u>	<u>305,042,179</u>
Total assets		<u>401,480,904</u>	<u>306,264,574</u>
Liabilities			
Non-current liabilities			
Loans and borrowings	15	309,079,654	223,107,669
Deferred income	16	41,910,767	60,078,066
Trade and other payables	17	8,010,308	6,273,127
		<u>359,000,729</u>	<u>289,458,862</u>
Current liabilities			
Trade and other payables	17	19,132,925	15,432,325
Total liabilities		<u>378,133,654</u>	<u>304,891,187</u>
Net assets		<u>23,347,250</u>	<u>1,373,387</u>

ECO WORLD - BALLYMORE LONDON CITY ISLAND COMPANY LIMITED

STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 31 OCTOBER 2018

	Note	2018 £	2017 £
Issued capital and reserves:			
Share capital	14	2	2
Capital contribution reserve		11,927,496	11,927,496
Retained earnings		11,419,752	(10,554,111)
TOTAL EQUITY		23,347,250	1,373,387

The financial statements on pages 9 to 33 were approved and authorised for issue by the board of directors on 19 December 2018 and were signed on its behalf by:


Stephen McGrath
Director

ECO WORLD - BALLYMORE LONDON CITY ISLAND COMPANY LIMITED

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 OCTOBER 2018**

	Note	2018 £	2017 £
Revenue	8	195,930,840	-
Cost of sales		(166,869,715)	-
Gross profit		29,061,125	-
Sales and marketing expenses		(4,856,527)	(3,744,136)
Administrative expenses		(249,439)	(289,324)
Other operating income	9	3,166,698	-
Profit/(loss) from operations		27,121,857	(4,033,460)
Finance income	10	6,369	-
Profit/(loss) before tax		27,128,226	(4,033,460)
Tax (expense)/credit	18	(5,154,363)	613,086
Profit/(loss) for the year		21,973,863	(3,420,374)
Other comprehensive income		-	-
Total comprehensive income/(expense)		21,973,863	(3,420,374)

ECO WORLD - BALLYMORE LONDON CITY ISLAND COMPANY LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 OCTOBER 2018**

	Share capital	Capital contribution reserve	Retained earnings	Total equity
	£	£	£	£
At 1 November 2017	2	11,927,496	(10,554,111)	1,373,387
Comprehensive income for the year				
Profit for the year	-	-	21,973,863	21,973,863
Total comprehensive income for the year	-	-	21,973,863	21,973,863
At 31 October 2018	2	11,927,496	11,419,752	23,347,250

	Share capital	Capital contribution reserve	Retained earnings	Total equity
	£	£	£	£
At 1 November 2016	2	9,427,496	(7,133,737)	2,293,761
Comprehensive income for the year				
Loss for the year	-	-	(3,420,374)	(3,420,374)
Total comprehensive income for the year	-	-	(3,420,374)	(3,420,374)
Contributions by and distributions to owners				
Conversion of shareholder loan to equity	-	2,500,000	-	2,500,000
Total contributions by and distributions to owners	-	2,500,000	-	2,500,000
At 31 October 2017	2	11,927,496	(10,554,111)	1,373,387

The notes on pages 14 to 33 form part of these financial statements.

ECO WORLD - BALLYMORE LONDON CITY ISLAND COMPANY LIMITED

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 OCTOBER 2018**

	2018 £	2017 £
Cash flows from operating activities		
Profit/(loss) for the year	21,973,863	(3,420,374)
	<u>21,973,863</u>	<u>(3,420,374)</u>
Adjustments for		
Change in value of investment property	(2,004,720)	-
Finance income	(6,369)	-
Tax expense/(credit)	5,154,363	(613,086)
	<u>25,117,137</u>	<u>(4,033,460)</u>
Cash from operating activities before working capital changes		
Movements in working capital:		
(Increase) in receivables	(1,371,760)	(669,130)
Decrease/(increase) in inventories	36,009,902	(123,629,346)
(Decrease)/increase in payables	(16,844,019)	28,989,053
	<u>42,911,260</u>	<u>(99,342,883)</u>
Cash generated from operations		
Corporation tax paid	(1,039,862)	-
	<u>41,871,398</u>	<u>(99,342,883)</u>
Net cash from/(used in) operating activities		
Cash flows from investing activities		
Interest received	6,369	-
	<u>6,369</u>	<u>-</u>
Net cash from investing activities		
Cash flows from financing activities		
Capital without issue of shares	-	2,500,000
Advances from a related company	74,434,650	96,313,126
	<u>74,434,650</u>	<u>98,813,126</u>
Net cash from financing activities		
Net cash increase/(decrease) in cash and cash equivalents	<u>116,312,417</u>	<u>(529,757)</u>
Cash and cash equivalents at the beginning of the year	6,792,008	7,321,765
Cash and cash equivalents at the end of the year	<u><u>123,104,425</u></u>	<u><u>6,792,008</u></u>

ECO WORLD - BALLYMORE LONDON CITY ISLAND COMPANY LIMITED

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2018

1. General information

Eco World - Ballymore London City Island Company Limited (the 'company') is a limited company incorporated in Jersey. The company's registered office is at 22 Grenville Street, St. Helier, Jersey, JE4 8PX. The company's principal activity is property development.

2. Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations (collectively IFRS) as adopted by the EU, and in accordance with the Companies (Jersey) Law 1991.

Details of the company's accounting policies are included in note 7. The financial statements are prepared on the historical cost basis.

In preparing these financial statements, management has made judgments, estimates and assumptions that affect the application of the company accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

The areas where judgments and estimates have been made in preparing the financial statements and their effect are disclosed in note 5.

3. Functional and presentation currency

These financial statements are presented in pounds sterling, which is the company's functional currency. All amounts have been rounded to the nearest pound, unless otherwise indicated.

4. Going concern

The company is a member of the Group headed by Eco World - Ballymore Holding Company Limited ("Eco World - Ballymore Group", or "the Group"). The company's net assets at 31 October 2018 amounted to £23.35 million and net current assets amounted to £371 million at that date.

The company's assets include inventory comprising a property portfolio of development land and work in progress with a carrying amount of £244 million. The portfolio consists of a prestigious property development site at London City Island in the Borough of Newham in London, England. The company is building over 1,100 private and affordable residential apartments at the development. The property development site requires a significant future investment in order to complete construction and sales to realise development gains over the life of the project.

To date, off-plan sales launches have progressed on the site. As at 31 October 2018, contracts had been exchanged with purchasers for the sales of 934 residential apartments. The sales reservation rates and sales prices contracted to date support the carrying value of inventory within the financial statements and add further confidence in the company's ability to deliver a profitable project in the long term in accordance with current plans. Over 350 apartments had reached practical completion and had been handed over to purchasers at 31 October 2018.

In line with the company's business plan, further funding will be required in order to complete the development project. This funding will comprise a mixture of debt funding from the Group's lenders, CIMB Bank Berhad (Labuan Offshore Branch) and Maybank Investment Bank Berhad, co-funders of the development loan facility that the Group has accessed during the year, and equity funding from the

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2018

4. Going concern (continued)

Group's shareholders, Eco World ACE Co Ltd and ACE Investment Holdings Limited. The company also continues to access a proportion of the deposits paid by contracted purchasers. This legal access to deposits is allowed through the National House Building Council (NHBC) from which the Group has Build Warranty Insurance cover. These deposit amounts are used as a short term source of funding.

The directors have carried out a detailed assessment of the company's business plan, the status of its funding arrangements including the Group's relationships with its lenders and the expected continued financial support from shareholders and have considered the principal assumptions supporting the company's cash flow projections:

Debt funding

The Group has to date obtained committed long term loan finance facilities of up to £1.1 billion from its funding banks to assist with the Group's land purchases and fund development costs of the Group's sites.

Funding from shareholders

The Eco World shareholder, Eco World ACE Co Ltd is funding its investment in the Group through funding from its ultimate parent, Eco World International Berhad. During the prior year, Eco World International Berhad completed an initial public offering ("IPO") and its shares were successfully listed on the Malaysian stock exchange, the Main Market of Bursa Malaysia Securities Berhad on 3 April 2017. The IPO raised RM2,584 million (£468 million), the proceeds of which are being used, amongst other things, to fund Eco World ACE Co Ltd as a shareholder to fund its commitment to the Eco World - Ballymore Group. Proceeds raised by the IPO are sufficient to fund the Eco World committed share of the working capital requirements of the Eco World - Ballymore Group, as outlined in the Business Plan and cash flow forecasts of the Eco World - Ballymore Group.

The Group's other shareholder, ACE Investment Holdings Limited, is a subsidiary of the group headed by Ballymore Properties Unlimited Company ("Ballymore"). Ballymore has adequate cash resources, including a £10.3 million deposit account with CIMB at 31 October 2018, to fund its committed share of the working capital requirements of the Eco World - Ballymore Group, as outlined in the Business Plan and cash flow forecasts of the Eco World - Ballymore Group, for the foreseeable future and, in particular, for the period of at least 12 months from the date of approval of the financial statements.

Achievement of business plan

The Eco World - Ballymore Business Plan is dependent on achieving a certain level of private and affordable residential apartment sales at budgeted sales prices and the ultimate costs of delivering, selling and financing the construction of the developments being in line with budgeted costs. Construction costs to date are in line with the Group's current Business Plan. The overall performance of the development is forecast to create significant value for the company and the Group overall.

Having carefully considered the company's forecasts and projections, the directors believe that the company is well placed to manage its principal risks successfully together with its funding requirements. Consequently, the directors have a reasonable expectation that the company will have sufficient cash resources available to meet its liabilities for at least 12 months from the date of approval of these financial statements and thus consider it appropriate to prepare the financial statements on a going concern basis.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2018

5. Use of estimates and judgments

The preparation of the financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses.

Although these estimates are based on management's knowledge of current events and actions, historical experience and various other factors, including expectations of future events that are believed to be reasonable under the circumstances, actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is set out below:

Carrying value of inventory

The company holds inventories stated at the lower of cost and net realisable value. Inventories include land and work in progress and completed units. As residential development is largely speculative in nature, not all inventories are covered by forward sales contracts.

Furthermore, due to the nature of the company's activity and, in particular the scale of its development and the length of the development life cycle, the company has to allocate site-wide development costs between units being built and completed in the current period and those for future periods.

In making such assessments and allocations, there is a degree of inherent estimation uncertainty. The company has established internal controls designed to effectively assess and centrally review inventory carrying values and ensure the appropriateness of the estimates made.

Revenue and profit recognition

The company recognises revenue and profit on private residential property sales at the point of physical completion, where there are contracts exchanged and the customer is able to proceed to legal completion. At year end sales on private residential units were recognised where construction was complete, contracts had been exchanged by year end and legal completion had occurred by 30 November. The directors believe that the company's basis of accounting is appropriate for the circumstances of its business and that it is in accordance with IFRS as adopted by the EU, but note that its approach results in the recognition of both revenue and profits earlier than the legal completion methodology. Reaching a view as to whether revenue should be recognised requires judgment. These judgments are complemented by external certifications in assessing whether the properties sold meet the criteria for recognition in respect of physical completion. The customers' ability to complete the purchase is also considered at the point of revenue recognition.

A judgment is made in recording cost of sales in respect of units sold and construction income recognised. This is based on the costs incurred to the year end plus budgeted cost to complete the entire development allocated across the entire development on either a £ per square foot basis for the private residential units or an anticipated % gross margin basis for affordable and commercial units.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2018**

6. New standards and interpretations not yet adopted

The following new standards, amendments to standards and interpretations have been issued, but are not yet effective and have not been adopted early in these financial statements:

- IFRS 9, Financial Instruments, with an effective date of 1 January 2018. IFRS 9 replaces the existing guidance in IAS 39, Financial Instruments: Recognition and Measurement.
- IFRS 15, Revenue from Contracts with Customers, with an effective date of 1 January 2018. IFRS 15 replaces existing revenue recognition guidance and establishes a comprehensive framework for determining whether, how much and when revenue is recognised.
- IFRS 16, Leases, with an effective date of 1 January 2019. IFRS 16 supercedes the existing guidance in IAS 17, Leases.

IFRS 15, 'Revenue from Contracts with Customers' replaces IAS 18 'Revenue' and IAS 11 'Construction Contracts', setting out new revenue recognition criteria particularly with regard to performance obligations and assessment of when control of goods or services passes to the customer. The standard is effective for periods beginning on or after 1 January 2018 and will be implemented by the company from 1 November 2018.

Currently, under IAS 18, revenue and profit on the sale of units is recognised when substantially all the risks and rewards of ownership have transferred to the customer. As set out in note 5, this occurs when the unit is physically complete and there is an exchanged contract in place, with the customer able to proceed to legal completion. Under IFRS 15, revenue and profit on the sale of units will be recognised at the point control of the unit is passed to the customer which, based on the indicators in the standard as well as industry practices and interpretations, has been determined as the point of legal completion. The impact of this change is limited only to those contracts which have not legally completed at the financial year end.

Paragraphs 91 and 92 of IFRS 15 prescribe that sales commissions shall be considered an incremental cost of obtaining a contract and hence shall be capitalised. This will impact the sales commissions currently expensed in the financial statements.

The comparative results to be included in the 2019 financial statements will be re-stated using the full retrospective transition method, under which it is expected that:

- Net assets of the company as at 1 November 2017 will increase by £4.0 million.
- Profit after tax for the year ended 31 October 2018 will reduce by £3.0 million. This consists of a decrease in revenue of £5.9 million, a decrease in operating profit of £3.7 million and a decrease in tax expense of £0.7 million.
- Net assets of the company as at 31 October 2018 will increase by £1.0 million.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2018

7. Accounting policies

7.1 Revenue recognition

Revenue is recognised when it is probable that the economic benefit associated with a transaction will flow to the company and the amount can be measured reliably, and:

- i) Revenue from the sale of residential units to private individuals is recognised when significant risks and rewards of the development of those units are transferred to the purchasers. Deposits and instalments received from purchasers on inventory sold prior to fulfilment of the above conditions are recognised as deferred income provided the appropriate Build Warranty Insurance cover is in place.
- ii) For affordable housing, revenue is recognised by reference to the stage of completion of the contract as certified by an independent third party.

Rental income is recognised on a straight-line basis over the rental terms.

7.2 Borrowing costs

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.

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

7.3 Taxation

Income tax expense represents the sum of current tax and deferred tax.

(i) Current tax

Current tax is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the Statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The company's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

(ii) Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2018**

7. Accounting policies (continued)

7.3 Taxation (continued)

(ii) Deferred tax (continued)

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. The directors of the company reviewed the company's investment property portfolios and concluded that none of the company's investment properties are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, the directors have determined that the 'sale' presumption set out in the amendments to IAS 12 is not rebutted. As a result, the company has not recognised any deferred taxes on changes in fair value of the investment properties as the company is not subject to any income taxes on the fair value changes of the investment properties on disposal.

(iii) Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

7.4 Inventories

Properties under development are valued at the lower of cost and net realisable value. Cost comprises land costs, development costs and borrowing costs capitalised. Net realisable value is defined as the estimated sales proceeds from completed developments less further costs to complete, including sellers costs as estimated by the directors.

Properties under development are expected to be sold within the company's normal operating cycle and are classified as current assets.

7.5 Sales deposits

Deposits received under contractual arrangements, where the conditions required to recognise the related sale have not yet been achieved, are recognised as deferred income in the statement of financial position. This income is transferred to the statement of comprehensive income when the sale of the related unit is recognised. Deposits paid by contracted purchasers of units, which are held in a solicitor's client account until the related sale is completed, are included within debtors on the balance sheet. Forfeited deposits are included in other income in the period in which the related contracts have been rescinded.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2018**

7. Accounting policies (continued)

7.6 Cash and cash equivalents

Cash and cash equivalents comprises cash balances in hand and at bank, including bank overdrafts repayable on demand.

7.7 Investment property

Investment properties are properties held to earn ground-rent rentals and/or for capital appreciation. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

7.8 Financial instruments

Financial assets and financial liabilities are recognised when an entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

7.9 Financial assets

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

(i) Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2018

7. Accounting policies (continued)

7.9 Financial assets (continued)

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables, bank balances and cash, and others) are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the effect of discounting is immaterial.

(iii) Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty;
- breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade receivables, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets that are carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2018**

7. Accounting policies (continued)

7.9 Financial assets (continued)

(iii) Impairment of financial assets (continued)

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. In respect of AFS debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

(iv) Derecognition of financial assets

The company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

7.10 Financial liabilities and equity instruments

(i) Classification as debt or equity

Debt and equity instruments issued by an entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

(ii) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by an entity are recognised at the proceeds received, net of direct issue costs.

Repurchase of the company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the company's own equity instruments.

ECO WORLD - BALLYMORE LONDON CITY ISLAND COMPANY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2018**

7. Accounting policies (continued)

7.10 Financial liabilities and equity instruments (continued)

(iii) Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

Other financial liabilities

Other financial liabilities (including borrowings and trade and other payables) are measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Derecognition of financial liabilities

The company derecognises financial liabilities when, and only when, the company's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

8. Revenue

The following is an analysis of the company's revenue for the year from continuing operations:

	2018 £	2017 £
Private residential sales	195,930,840	-

Analysis of revenue by country of destination:

	2018 £	2017 £
United Kingdom	195,930,840	-

9. Other operating income

	2018 £	2017 £
Forfeited deposits	1,161,978	-
Revaluation of investment property	2,004,720	-
	3,166,698	-

ECO WORLD - BALLYMORE LONDON CITY ISLAND COMPANY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2018**

10. Finance income and expense

Recognised in profit or loss

	2018	2017
	£	£
Finance income		
Interest on:		
- Bank deposits	6,369	-
Total finance income	6,369	-

11. Investment property

(i) Non-current assets at fair value

	2018	2017
	£	£
Transfers from inventories	7,995,179	-
Uplift to fair value	2,004,720	-
	9,999,899	-

12. Inventories

	2018	2017
	£	£
Properties under development		
At 1 November	276,044,855	145,892,378
Additions during the year	142,397,148	130,152,477
Cost of sales	(166,869,715)	-
Transferred to investment property	(7,995,179)	-
At 31 October	243,577,109	276,044,855

The land carried at £77.4 million is pledged as security for a term loan facility granted to the company's parent company. Included in additions is £11,537,335 (2017 - £6,523,131) of interest capitalised during the financial year. Interest arises on loans from a fellow group company (note 15).

ECO WORLD - BALLYMORE LONDON CITY ISLAND COMPANY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2018**

13. Trade and other receivables

	2018	2017
	£	£
Trade receivables	67,500	67,492
Funds held by solicitors	15,282,801	20,116,149
Value-added tax ("VAT") recoverable	833,072	1,794,182
Prepayments and accrued income	7,118,555	-
Other debtors	275,148	227,493
	<u>23,577,076</u>	<u>22,205,316</u>

14. Share capital

Authorised

	2018	2018	2017	2017
	Number	£	Number	£
Ordinary shares of £1.00 each	10,000	10,000	10,000	10,000
	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>

Issued and fully paid

	2018	2018	2017	2017
	Number	£	Number	£
Ordinary shares of £1.00 each				
At 31 October	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>

15. Loans and borrowings

	2018	2017
	£	£
Non-current		
Amounts owing to group companies	309,079,654	223,107,669
Total loans and borrowings	<u>309,079,654</u>	<u>223,107,669</u>

ECO WORLD - BALLYMORE LONDON CITY ISLAND COMPANY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2018**

15. Loans and borrowings (continued)

Loans of £269,340,500 (2017 - £183,858,391) have been advanced to the company by a fellow subsidiary company, ACE Capital S.à r.l., a company incorporated in Luxembourg. The amounts owing to ACE Capital S.à r.l. represent advances which are unsecured, interest bearing and repayable over four equal instalments within the following two to three years. Interest is accrued and added to the loan balance. The interest rate is variable and during the year averaged 4.34% (2017 - 3.80%).

Loans of £39,739,154 (2017 - £39,249,278) have been advanced to the company by its parent, Eco World - Ballymore Holding Company Limited. The loans owing to the company's parent represent advances which are unsecured, non-interest bearing and repayable over four equal instalments within the following two to three years.

16. Deferred income

	2018 £	2017 £
Deposits received	41,910,767	60,078,066

Exchange deposits have been recorded as deferred income where monies have been received from the contracted purchasers of the units but conditions required to recognise the related sale have not yet been achieved.

17. Trade and other payables

	2018 £	2017 £
Non-current liabilities		
Accruals	8,010,308	6,273,127

Accruals comprise the directors' best estimate of the amount payable for services incurred at the balance sheet date but that will not be payable until completion of the development project.

	2018 £	2017 £
Current liabilities		
Trade payables	4,245,655	3,824,171
Accruals	10,746,086	11,513,616
Subcontractors' tax payable	26,683	94,538
Corporation tax payable	4,114,501	-
	19,132,925	15,432,325

ECO WORLD - BALLYMORE LONDON CITY ISLAND COMPANY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2018**

18. Tax expense

18.1 Tax recognised in profit or loss

	2018	2017
	£	£
Current tax		
Current tax on profits for the year	5,154,363	-
	-	-
Total current tax	5,154,363	-
Deferred tax		
Origination and reversal of timing differences	-	(613,086)
Total deferred tax	-	(613,086)
Total tax expense/(credit)	5,154,363	(613,086)

The tax assessed for the year differs from the amount that would arise using the UK standard tax rate of 19% on the profit/(loss) for the year. The differences are explained below:

	2018	2017
	£	£
Profit/(loss) before tax	27,128,226	(4,033,461)
Tax at the UK standard rate of 19% (2017:20%)	5,154,363	(806,692)
Current year losses for which no deferred tax is recognised	-	161,338
Reduction in tax rate re: deferred tax balances	-	32,268
Total tax expense/(credit)	5,154,363	(613,086)

Deferred tax has been recognised in respect of unutilised tax losses to the extent that it is probable that future taxable profit will be available against which the tax losses can be utilised. The deferred tax asset has been calculated based on the rate of 17% substantively enacted at 31 October 2018.

ECO WORLD - BALLYMORE LONDON CITY ISLAND COMPANY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2018**

18. Tax expense (continued)

18.2 Deferred tax balances

The following is the analysis of deferred tax assets/(liabilities) presented in the financial statements:

	2018	2017
	£	£
Deferred tax assets	1,222,395	1,222,395
	<u>1,222,395</u>	<u>1,222,395</u>
	<u><u>1,222,395</u></u>	<u><u>1,222,395</u></u>
	Opening	Closing
	balance	balance
	£	£
2018		
Tax losses carried forward	1,222,395	1,222,395
	<u>1,222,395</u>	<u>1,222,395</u>
	<u><u>1,222,395</u></u>	<u><u>1,222,395</u></u>
	Opening	Recognised
	balance	in profit or
	£	loss
	£	£
2017		
Tax losses carried forward	609,309	613,086
	<u>609,309</u>	<u>613,086</u>
	<u><u>609,309</u></u>	<u><u>613,086</u></u>
	Closing	balance
	balance	£
	£	£

19. Profit/(loss) before tax

	2018	2017
	£	£
Auditor's remuneration	10,790	-
Directors' fees	4,375	4,000
	<u>15,165</u>	<u>4,000</u>
	<u><u>15,165</u></u>	<u><u>4,000</u></u>

The company has no employees. The audit fee was borne by a related company in the prior year.

ECO WORLD - BALLYMORE LONDON CITY ISLAND COMPANY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2018**

20. Financial instruments

(a) Classification of financial instruments

	2018 £	2017 £
Financial assets at amortised cost		
Trade and other receivables (excluding VAT)	22,744,004	20,411,134
Cash and cash equivalents	123,104,425	6,792,008
	<u>145,848,429</u>	<u>27,203,142</u>

	2018 £	2017 £
Financial liabilities at amortised cost		
Trade payables	4,245,655	3,824,171
Accruals	18,756,394	17,786,742
Loans from a related company	309,079,654	223,107,669
	<u>332,081,703</u>	<u>244,718,582</u>

ECO WORLD - BALLYMORE LONDON CITY ISLAND COMPANY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2018**

20. Financial instruments (continued)

(b) Fair value of financial instruments

The carrying amounts of all financial assets and liabilities of the company at the reporting date approximated or were at their fair values. Except for the loans advanced from group companies and certain accruals, all other financial assets and liabilities are short term. The loans advanced from another group company are categorised as Level 3 in the fair value hierarchy.

The interest rate on these loans is based on the interest rate on bank loans and shareholder loans advanced to the company's parent company, for which some of this company's assets have been pledged as security (note 12).

All cash and deposits are held in pounds sterling.

There was no impairment provision recognised at either 31 October 2018 or 31 October 2017, and there was no impairment loss recognised or amounts written off during the year.

Liquidity risk

The table below summarises the maturity profile of the company's financial liabilities based on contractual undiscounted cash flows:

	Less than 1 year £	1-5 years £	Total £
31 October 2018			
Trade payables	4,245,655	-	4,245,655
Accruals	10,746,086	8,010,308	18,756,394
Loans from a related company	-	309,079,654	309,079,654
	<u>14,991,741</u>	<u>317,089,962</u>	<u>332,081,703</u>

	Less than 1 year £	1-5 years £	Total £
31 October 2017			
Trade payables	3,824,171	-	3,824,171
Accruals	11,513,616	6,273,127	17,786,742
Loans from a related company	-	223,107,669	223,107,669
	<u>15,337,787</u>	<u>229,380,796</u>	<u>244,718,582</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2018**

21. Financial risk management objectives and policies

The company's activities are exposed to a variety of financial risks, including liquidity and cash flow risks and interest rate risk. The company's overall financial risk management objective is to minimise potential adverse effects on the financial performance of the company. Credit risk is managed by ensuring that funds are only placed with financial institutions which have an acceptable credit risk rating.

Financial risk management is carried out through risk review, internal control systems and adherence to the company's financial risk management policies. The Board regularly reviews these risks and approves the policies covering the management of these risks. The company does not trade in derivative instruments.

Liquidity and cash flow risks

Liquidity and cash flow risks are the risk that the company will not be able to meet its financial obligations when they fall due.

The company seeks to ensure optimum levels of liquidity are maintained at all times, sufficient for its operating, investing and financing activities.

The company monitors the level of expected cash inflows on trade and other receivables together with expected cash outflows on trade and other payables.

Current trade payables and accruals are payable within one year. Non-current accruals pertaining to services incurred at the balance sheet date are payable in more than one year but less than five years. Loans from related parties, which include rolled up interest, amount to £309,079,654 and are payable in more than one year but less than five years.

Owing to the nature of its business, the company also seeks to maintain sufficient credit lines available to meet its liquidity requirements while ensuring effective working capital management within the company.

Interest rate risk

Interest rate risk is the risk that a financial instrument's value will fluctuate as result of changes in market interest rates.

Exposure to changes in interest rate risk relates primarily to interest bearing advances from a related company. The company does not generally hedge interest rate risks.

A sensitivity analysis has been performed based on the outstanding floating rate of the amount owing to another group company as at year end. If the interest rate increases or decreases by 50 basis points with all other variables held constant, inventories would increase or decrease by approximately £1,545,398 as a result of a higher or lower finance cost on these borrowings which is capitalised as part of inventories.

22. Capital management

The directors' objectives when managing capital are to safeguard the company's ability to continue as a going concern and to support the company's stability and growth.

The directors actively and regularly review the company's capital structure and when necessary, the company obtains financial support from its shareholder to ensure optimal capital structure and shareholder returns.

The principal form of capital is share capital and advances from another group company as included in the statement of financial position. The group of which the company is a member has commitments from its shareholders for funding by way of shareholders' loans of up to £440 million over the period to 2020.

ECO WORLD - BALLYMORE LONDON CITY ISLAND COMPANY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2018**

23. Related party transactions

To the extent not disclosed elsewhere in the financial statements, related party transactions during the financial year are as follows:

23.1 Loans from related parties

	2018 £	2017 £
Loan advanced from the parent company	489,876	19,934,079
Loans from parent company converted to a capital contribution	-	(2,500,000)
Loans advanced from a fellow group company, ACE Capital S.à r.l.	73,944,774	75,693,633
Interest charged by ACE Capital S.à r.l.	11,537,335	6,523,131

23.2 Compensation of key management personnel

The remuneration of directors and other members of key management personnel during the year was as follows:

Remuneration	<u>4,375</u>	<u>4,000</u>
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In previous years directors and their families exchanged contracts to purchase apartments from the company. The total value of the contracts amounted to £15,640,215 and this will be recognised upon sales completion. Deposits of £652,473 relating to these contracts were paid to the company and these amounts are included within deferred income (note 16). These transactions were conducted on an arm's length basis.

ECO WORLD - BALLYMORE LONDON CITY ISLAND COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2018

23. Related party transactions (continued)

23.3 Other related party transactions

Other related party transactions are as follows:

Class of transaction	Transaction amount	
	2018	2017
	£	£
Professional and management services	14,383,703	25,562,817

The company has entered into agreements with Whistleglade Limited, Ballymore Development Management Limited, Ballymore Asset Management Limited and Ballymore Construction Services Limited (formerly Roundstone Construction Services Limited), for the provision of professional services. These companies are registered in the UK, with the exception of Whistleglade Limited, which is registered in Ireland. Mr John Mulryan is the ultimate beneficial owner of all of these companies, and the son of Mr Sean Mulryan, a director and part shareholder of the Eco World - Ballymore Group.

The company has entered into contracts with Eco World International Marketing Sdn Bhd, a company incorporated in Malaysia, for the provision of promotion and marketing services. This related company is a wholly owned subsidiary of Eco World International Berhad.

The company has entered into an agreement with Johns & Co Real Estate (Services) Limited for the provision of sales and marketing services. Johns & Co Real Estate (Services) Limited is considered a related party as a close family member of Mr Sean Martin Mulryan is deemed to have significant influence over the entity.

The company has entered into agreements with Ballymore Properties Limited and Clearstorm Limited, companies registered in the UK, for the provision of marketing services. Mr Sean Mulryan is the ultimate beneficial owner of Ballymore Properties Limited and Clearstorm Limited.

All of the above related party transactions were conducted on an arm's length basis.

24. Ultimate parent undertaking and controlling party

The company is a wholly owned subsidiary of Eco World-Ballymore Holding Company Limited which in turn is a joint venture between Eco World Ace Co Ltd with 75% equity interest and ACE Investment Holdings Limited with 25% equity interest. Both of these companies are registered in Jersey. Eco World ACE Co Ltd is controlled by Eco World International Berhad. Eco World International Berhad is a public company listed on the Main Market of Bursa Malaysia Securities Berhad; its major shareholders are Eco World Development Group Berhad and GuocoLand Limited. ACE Investment Holdings Limited is controlled by Ballymore Properties Unlimited Company, which in turn is controlled by Mr Sean Martin Mulryan.

25. Subsequent events

There have been no material events affecting the company since the year end that would require disclosure or adjustment to these financial statements.