

OS AA01

Statement of details of parent law and other information for an overseas company



Companies House

100103/20

☒ **What this form is for**
You may use this form to
accompany your accounts
disclosed under parent law.

☐ **What this form is NOT for**
You cannot use this form to register
an alteration of manner of company
with accounting requirements.

THURSDAY



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15/10/2020

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COMPANIES HOUSE

Part 1 Corporate company name

Corporate name of
overseas company ①

Bailey Acquisitions Limited

UK establishment
number

B R 0 1 8 9 0 3

→ Filling in this form

Please complete in typescript or in
bold black capitals.

All fields are mandatory unless
specified or indicated by *

① This is the name of the company in
its home state.

Part 2 Statement of details of parent law and other information for an overseas company

A1 Legislation

Please give the legislation under which the accounts have been prepared and,
if applicable, the legislation under which the accounts have been audited.

Legislation ②

Companies (Jersey) Law 1991

② This means the relevant rules or
legislation which regulates the
preparation and, if applicable, the
audit of accounts.

A2 Accounting principles

Accounts

Have the accounts been prepared in accordance with a set of generally accepted
accounting principles?

Please tick the appropriate box.

☐ No. Go to Section A3.

☒ Yes. Please enter the name of the organisation or other
body which issued those principles below, and then go to Section A3.

③ Please insert the name of the
appropriate accounting organisation
or body.

Name of organisation
or body ③

Financial Reporting Council - IFRS

A3 Accounts

Accounts

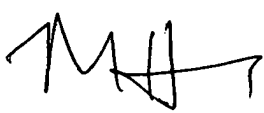
Have the accounts been audited? Please tick the appropriate box.

☐ No. Go to Section A5.

☒ Yes. Go to Section A4.

OS AA01

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A4 Audited accounts	
Audited accounts	<p>Have the accounts been audited in accordance with a set of generally accepted auditing standards?</p> <p>Please tick the appropriate box.</p> <p><input type="checkbox"/> No. Go to Part 3 'Signature'.</p> <p><input checked="" type="checkbox"/> Yes. Please enter the name of the organisation or other body which issued those standards below, and then go to Part 3 'Signature'.</p>
Name of organisation or body ^①	International Standards Board - International Standards of Auditing.
A5 Unaudited accounts	
Unaudited accounts	<p>Is the company required to have its accounts audited?</p> <p>Please tick the appropriate box.</p> <p><input type="checkbox"/> No.</p> <p><input type="checkbox"/> Yes.</p>
Part 3 Signature	
I am signing this form on behalf of the overseas company.	
Signature	<p>Signature</p> <p>X  X</p>
<p>This form may be signed by:</p> <p>Director, Secretary, Permanent representative</p>	

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Presenter information

You do not have to give any contact information, but if you do it will help Companies House if there is a query on the form. The contact information you give will be visible to searchers of the public record.

Contact name The Company Secretary

Company name Quintain Services Limited

Address 180 Great Portland Street

Post town London

County/Region

Postcode W 1 W 5 Q Z

Country The United Kingdom

DX

Telephone 020 3219 2200



Checklist

We may return forms completed incorrectly or with information missing.

Please make sure you have remembered the following:

- ☐ The company name and, if appropriate, the registered number, match the information held on the public Register.
- ☐ You have completed all sections of the form, if appropriate.
- ☐ You have signed the form.



Important information

Please note that all this information will appear on the public record.



Where to send

You may return this form to any Companies House address:

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DX 33050 Cardiff.

Scotland:

The Registrar of Companies, Companies House,
Fourth floor, Edinburgh Quay 2,
139 Fountainbridge, Edinburgh, Scotland, EH3 9FF.
DX ED235 Edinburgh 1
or LP - 4 Edinburgh 2 (Legal Post).

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Second Floor, The Linenhall, 32-38 Linenhall Street,
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Further information

For further information, please see the guidance notes on the website at www.companieshouse.gov.uk or email enquiries@companieshouse.gov.uk

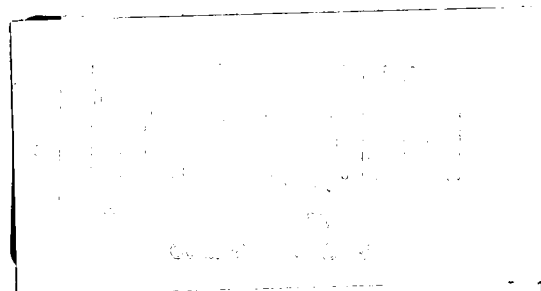
This form is available in an alternative format. Please visit the forms page on the website at www.companieshouse.gov.uk

Bailey Acquisitions Limited
Report and financial statements for the year ended 31 December 2019
Company number: 119100
UK Establishment number: BR018903

13 October 2020
Certified True Copy



DIRECTOR



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Strategic review

Bailey Acquisitions Limited (Bailey or the Company) is the sole shareholder of Quintain Limited (Quintain), the developer behind the transformation of Wembley Park in north west London. Quintain is a vertically integrated property company specialising in development, mixed-use asset management and Build to Rent (BtR). It acquired its interest in Wembley Park in 2002, and at the year-end, the site comprised The SSE Arena, Wembley, London Designer Outlet, Hilton Hotel, Premier Inn, Brent Civic Centre, Troubadour Wembley Park Theatre, Boxpark Wembley, 2,391 new homes in ten buildings, Wembley Park Market and a range of independent retailers. A further 2,711 homes were under construction at the yearend with planning consent granted or pending on another 3,083.

During the reporting period, Quintain established a subsidiary in Ireland with plans to develop more than 9,000 homes and 600,000 square feet of commercial space in the Greater Dublin area. The newly incorporated business will trade as Quintain Developments Ireland Limited (Quintain Ireland) and will be responsible for the residential development of over 460 acres of prime assets in Ireland.

Quintain is the Company's sole directly-held subsidiary, and all its activities are channelled through Quintain and its subsidiaries and joint ventures. Bailey, Quintain and its subsidiaries are collectively referred to as 'the Group'.

Strategic priorities

The Group's main ambition remains the transformation of 85 acres of former event land at Wembley Park into a thriving new mixed-use neighbourhood for London with a landmark BtR scheme of 8,400 homes. The scheme is highly innovative in terms of design, ambition, scale, size, pace, quantum and financing. Whilst Wembley Park remains the major focus, the Group is also actively investigating further opportunities to utilise its unique skillset, of which Quintain Ireland is the first project to be established.

The strategic priorities, and the approach the Group is taking to achieve them, are drawn together through five key business drivers:

- To deliver Wembley Park buildings on time and on budget.
- To maximise net rent and other income across the Wembley Park estate.
- To create a place that is relevant, distinctive and attractive for everyone who lives, works and visits Wembley Park.
- To finance the business efficiently, using optimum debt/equity and maximising non-core receipts.
- To develop a strong development pipeline beyond Wembley Park.

Business review

The Group has a clear business plan, objectives and an agreed strategy. There have been a number of major events and milestones achieved in the period to December 2019, which have contributed significantly towards achieving those objectives.

- During the reporting period, the Group appointed James Saunders to succeed Angus Dodd as Chief Executive Officer. James, who served as Chief Operating Officer for the preceding eight of his 12 years with the Company, has led on the repositioning of Wembley Park from an event destination to an exciting cultural neighbourhood for London, and has taken up his role as the Company explores further growth opportunities.
- During the reporting period the Group increased the number of homes under management by Tipi, its private rental business, by 973 bringing the total rental portfolio to 1,306 by the end of the year. The Ferrum building opened five weeks ahead of schedule alongside Alameda and three of seven buildings within the Canada Gardens development.
- Resolution to grant planning permission was given for 995 homes at the Fulton Quarter bringing the total number of homes at Wembley Park to ultimately reach 8,400.

- A new car and coach park was completed during the reporting period, delivering 390 dedicated coach spaces over two levels with an adjoining five-storey, 734 space car park. It is Europe's first purpose built multi-storey coach parking complex.
- During the year 98 Discount Market Rent apartments were delivered at Canada Gardens, providing a mix of one and two bed properties.
- During the reporting period, the renovations to the former Fountain Television Studios were completed and the Troubadour Wembley Park Theatre, operated by Troubadour Theatres, was opened. The National Theatre's production of War Horse ran for six weeks from October 2019 to widely reported critical acclaim and sell out audiences.
- Retail contracts agreed during 2019 totalled 29,261 square feet to tenants including More Yoga, Bread Ahead, Getty Images gallery, Chop Chop and Fullers.
- At the end of the reporting period, there were 2,711 homes under construction at Wembley Park.
- Funding totalling £452.3 million in the form of refinancing or development financing was secured during the reporting period to support the continued transformation of Wembley Park.

Wembley Park Masterplan

The total number of homes at Wembley Park will ultimately stand at approximately 8,400, a third of which will be classed as Affordable. This represents nearly 50% of the London Borough of Brent's ten-year target for new homes delivery. With 633,000 sq ft of new Grade A offices and retail as well as start-up workspaces, it will also create the opportunity for more than 8,640 new jobs.

New outdoor spaces will transform the way people enjoy Wembley Park, both on event days and every day, with an upgrade to the famous Olympic Way and a new seven-acre park, equivalent in size to four Wembley football pitches. With new multi-use games areas and a lake, the aim is to create a new urban green space for relaxation and play at the heart of this vibrant new north London district.

The redevelopment is providing £140 million of investment into new community infrastructure across Wembley and Brent including a new primary school and nursery, a new GP surgery and community meeting spaces.

Quintain Developments Ireland Ltd

Quintain Ireland is responsible for the development of 460 acres of prime assets in Ireland at Adamstown, Clonburris, Portmarnock and Cherrywood. All these assets are owned by affiliates of Lone Star Funds (Bailey's ultimate shareholder) and will be managed directly by Quintain. The business launched in 2019 with an experienced staff of 12 focused solely on Ireland, jointly led by directors, Eddie Byrne and Michael Hynes. The Quintain team in Ireland has the ambition to grow to over 25 people in 2020, will manage a range of local construction partners and will be fully integrated with the wider London-based team.

Quintain Ireland will be resourced to replicate in Ireland the parent company's strong record of delivery in London. The size of the portfolio and target to develop over 9,000 homes makes Quintain Ireland the third largest residential developer in the country.

Responsibility

The last 12 months saw further development at The Yellow: a community-led building offering more than 30 classes a week including craft, sports, exercise and education for both children and adults. Additional investment from Quintain saw the centre go from strength to strength.

During the reporting period the Company partnered with key contractors to provide support to Brent residents, exceeding Section 106 obligations. The scheme provides a range of services including the Wembley Park Community Fund which awards grants to Brent based organisations; a fund which amounted to over £120,000 in 2019.

The Company encourages all employees to each dedicate two days a year volunteering with Brent based organisations and charities. The volunteering programme provided 486 hours of volunteering to organisations and charities in Brent, equalling an in-kind contribution of £17,968 of employees' time.

Through Quintain's range of pre-employment courses, work experience, apprenticeships, school engagement and the staff volunteering programme, the Company engaged with and supported 18,335 local individuals.

Quintain is an established partner of the Considerate Constructors Scheme (CCS) and has been registering our projects since 2006; forging an even closer relationship in November 2016 when we became the Scheme's 51st Client Partner. As the Group moves into the next phase of the Wembley Park redevelopment, there is a determination to manage a positive culture at Wembley Park and minimise the impact of construction work. By the time Wembley Park is nearing completion it is expected that 8,640 permanent new jobs will have been created across a range of sectors. During the reporting period up to 30% of construction jobs were recorded as going to local people, which is 135.7% of our local employment target and to date 122 apprenticeships have been created at Wembley Park.

In summary – headlines for the period

- *Development:* The Group spent £488.5m on construction during the year, delivering 973 apartments to Tipi on time and on budget, with a further three developments topped out and with a market leading safety record.
- *A strong financial performance:* Tipi utilised its pipeline of new homes under management to deliver a 94% increase in rental income during the year.

London Designer Outlet (LDO), London's leading fashion & lifestyle outlet centre, enjoyed the centre's best week ever, in revenue terms, in December 2019. Total revenue was up 11.1% year on year, like for like revenue was up 7.6% year on year and footfall was up 2.8% year on year for the two week Christmas trading period.

- *Placemaking:* Wembley Park's free events programme included International Busking Day in partnership with The Mayor of London; Light Up The Night, a family friendly celebration of both Bonfire Night and Diwali; Summer on Screen, a festival of outdoor film screenings; and Winterfest, which helped LDO'S footfall exceed 1 million during a period of winter installations including London's largest LED tree. The events covered 500+ hours of free entertainment with over 144,133 visitor registrations.

Finance Review

The year was one of significant leasing growth and capital optimisation, with 1,306 (2018: 333) apartments under management and major financing agreements signed with Cheyne Real Estate, AIG Asset Management and Goldman Sachs. The Group continued to push ahead with its construction programme at Wembley Park, investing £488.5m in the year (2018: £460.2m). The Group also established an Irish subsidiary which was awarded the mandate to develop more than 9,000 new homes in the Dublin area.

1. Capital expenditure

Major progress was made at Wembley Park during the year with numerous developmental milestones reached, £488.5m of capital expenditure invested and 973 apartments delivered to Tipi for leasing.

2. Capital structure

During the year the Group entered into a new £172.6m loan facility with the Cheyne Real Estate in order to help fund the development of the E05 plot and a £164.7m facility with Goldman Sachs International to fund the development of the NW09/10 plot, both at Wembley Park. It also entered into a £115.0m investment facility with AIG Asset Management to refinance its Landsby BtR building. The facilities represent further advances towards the Group's aim of establishing an optimised and well-balanced capital structure to continue funding its redevelopment of Wembley Park.

3. Results for the year

Summary income statement

	2019 £m	2018 £m
Turnover	38.5	59.1
Gross profit	4.8	16.7
(Deficit)/surplus on revaluation	(65.4)	273.6
(Loss)/profit on disposals	(0.4)	0.6
Share of loss from joint ventures and associates	(2.3)	-
Net operating (loss)/profit before administrative expenses	(63.3)	290.9
Administrative expenses	(23.1)	(25.9)
Operating (loss)/profit	(86.4)	265.0
Net finance costs	(70.5)	(49.7)
Tax credit/(charge) for the year	10.0	(30.0)
(Loss)/profit after tax	(146.9)	185.3

The Group reported a statutory post-tax loss for the year of £146.9m (2018: profit of £185.3m). The loss before tax was £156.9m (2018: profit £215.3m).

Gross profit was £4.8m (2018: £16.7m) as the business continued to focus on its development at Wembley Park. London Designer Outlet contributed £5.4m (2018: £4.6m), the Group's stabilised Tipi PRS buildings contributed £3.7m (2018: £2.3m) and Wembley Arena £2.4m (2018: £2.5m).

Administrative expenses were £23.1m (2018: £25.9m) with savings in professional fees offset by growing salary expenditure to support business growth.

The Group incurred net finance expenses of £70.5m (2018: £49.7m) during the period, net of capitalised interest of £57.1m (2018: £43.8m).

A tax credit for the year of £10.0m (2018: charge £30.0m) was incurred largely by virtue of deferred tax on the revaluation deficit on investment properties.

4. Analysis of rental income

Rental income grew during the year as significant milestones were reached in Tipi leasing. Net rental income fell however due to the number of assets in the lease up phase, requiring significant expenditure on marketing in particular.

Rental income

	2019 £m	2018 £m
Gross rental income		
Direct owned	23.9	17.2
Joint venture and associates properties	1.3	0.2
	25.2	17.4
 Group net rental income	 3.2	 8.4
Share of joint venture and associates net rental income	0.3	(0.3)
Combined net rental income	3.5	8.1

5. Valuation

As at 31 December 2019, the valuation of the Group's properties was £2,179.7m, an increase of £478.0m on the prior year. The increase in the current year has been driven by capital expenditure after the significant revaluation uplifts in 2018.

		2019 £m	2018 £m	% Movement ⁽¹⁾
Wembley	Investment and BtR assets	866.9	543.1	25.4
	Development land	1,321.8	1,167.6	(9.3)
Non-core	Investment assets, development land	6.9	13.1	-
Total		2,195.6⁽²⁾	1,723.8⁽²⁾	(0.5)

(1) Like for like movement excluding capitalised interest

(2) Includes trading property carried at £15.6m (2018: £16.6m)

6. Investment assets

	2018 £m	Additions ⁽¹⁾ £m	Disposals £m	Valuation/ impairment £m	Other £m	2019 £m
Investment properties	1,696.5	545.6	(0.1)	(65.4)	-	2,176.6
Joint ventures and associates	5.8	1.1	(3.4)	-	(2.3)	1.2
Other non-current assets	7.6	6.6	-	(1.8)	(1.6)	10.8
	1,709.9	553.3	(3.5)	(67.2)	(3.9)	2,188.6

(1) Including capitalised interest

The increase in investment properties is due to levels of capital expenditure. The associates figure fell due to the divestment of certain assets in the Aqua fund. Other non-current assets rose due to right of use assets arising by virtue of IFRS16.

7. Cash flow

Summary cash flow statement

	2019 £m	2018 £m
Net cash flow from operating activities	(55.4)	(22.4)
Net cash flow from investing activities	(494.9)	(398.6)
Net cash flow from financing activities	586.6	380.2
Net increase/(decrease) in cash	36.3	(40.8)
Increase in loans	(668.8)	(439.3)
Fair value adjustment to loans	55.0	34.9
(Increase)/decrease in net debt	(577.5)	(445.2)

Debt summary

	2019 £m	2018 £m
Net cash/(overdraft)	30.8	(5.5)
Bank and other loans < 1 year	-	-
Bank and other loans > 1 year	(1,992.4)	(1,378.6)
Net debt	(1,961.6)	(1,384.1)

Key Performance Indicators

Bailey takes a long term view of performance and following the acquisition of Quintain has adopted the following key performance indicators to reflect the priorities of the business:

Key Performance Indicators	December 2019	December 2018
Stabilised BtR occupancy rate ⁽¹⁾	90%	90%
Net external debt	£1,156.8	£802.1m
Like For Like valuation movement	(0.5%)	45.0%
RIDDOR reportable accidents ⁽²⁾	3	6

(1) Buildings are considered to be stabilised having been operational for 18 months.

(2) None (2018: none) of the reportable accidents involved Quintain employees; the total consists of accidents reported by other employers on the Wembley Park estate.

Risk Management

In addition to economic, security and regulatory risks that are part of the general commercial environment and faced by a wide range of companies, we consider there to be a number of financial and non-financial risks specific to our Company. In managing the business, the identification and monitoring of risk is crucial to enable the Group to deliver its strategic objectives.

How we manage risk

The Board has overall responsibility for managing risk and regularly reviews principal risks and uncertainties. Our approach has applied a consistent and robust methodology across the business to identify, assess, manage, mitigate and report risk from the bottom up, establishing clear ownership of risk management.

A risk register is maintained for each business area: Wembley Development, Finance and Transactions, Operations, and Tipi. The most significant risks are reported to the Board. This approach ensures that all risks are fully considered in determining the risk appetite and strategy of the business.

All risks are recorded in a risk register and assessed for impact (using financial and non-financial measures) and likelihood of occurrence on a gross (before controls), net (after controls) and target basis. Set out below is management's view of the current specific principal business risks and actions taken in mitigation.

Description and implication of risk	Mitigation
Development The Group is exposed to risks associated with development projects. For example: <ul style="list-style-type: none"> Delays in obtaining planning consents. Delays could occur for regulatory or funding reasons. Counterparty risk: contractors may become bankrupt or insolvent, or development partners may fail to meet their obligations. Rapidly evolving regulatory requirements relating to building safety Control of construction phasing and costs are vital to prevent overspend or delay once contractors are on site.	Quintain's planning and project management teams manage development risk by: <ul style="list-style-type: none"> Active engagement with the Greater London Authority, local authorities and other stakeholders to ensure development proposals are in accordance with local policies and statutes. Transferring construction risk to contractors where possible, and monitoring the financial health of contractors both before and during contract. Ongoing monitoring of development progress against budget and schedule, including future capital expenditure relative to available capital. Using a range of main contractors in order to diversify its supplier base. The Group operates a robust Procurement policy, overseen by an experienced team. The main tool, SupplierPortal, is an online portal and database through which our suppliers are asked to submit their key policies in respect of environment, health and safety, labour, anti-bribery and corruption and

Description and implication of risk	Mitigation
	IT security. Upon a successful transition through SupplierPortal each supplier is awarded the status of 'preferred supplier', renewable on a three year basis.
Market	
The Group's business is dependent on the macro-economic and property market conditions in London. Deterioration in residential property markets could lead to a decline in the value of the Group's property portfolio, tenant default and a reduction in income from these properties.	Exposure to the residential property market has increased this year due to the accelerated delivery of Wembley Park. The focus is providing homes for rent (under the Tipi brand) into a maturing Build to Rent market. If the rental market weakens the Group has the option to sell the units as private sales. The Group regularly reviews the product specification to ensure it is suitable for the market to obtain better yields. Quintain has a strong focus on placemaking at Wembley Park to improve the attractiveness of the location.
Financial	
Changes in the availability of financing and/or costs of borrowing may adversely impact Quintain's ability to ensure sufficient liquidity is available to deliver the business plan.	At 31 December 2019, the Group has an intercompany loan agreement with its parent company, LSREF IV Bailey Midco Limited, which expires in 2022. Additionally the Group entered into new facilities during the year with Goldman Sachs International, AIG Asset Management and Cheyne Real Estate. This increased the weighting of the Group's debt towards investment debt with long maturities and fixed interest rates. The Group has a Development facility with AIG and Wells Fargo which expires in 2021. Conversations are ongoing regarding refinancing this facility. The Company prepares detailed cash flow forecasts to monitor whether its committed capital expenditure and other outflows can be met from its sources of liquidity. Quintain's financial modelling tool can forecast and test different business scenarios (including prospective transactions), analysing the impact on liquidity and headroom.
Operational risks	
As the Home Office's international terrorism threat level is at substantial, the Group has heightened exposure to external events that threaten or disrupt London's status as a premier destination, in particular Wembley Park.	Such events are often beyond Quintain's control and are an inherent risk in being focused on London. However, the Group has various security measures in place at Wembley Park and works closely with local authorities and police to maximise the safety of visitors. For example the Group has been upgrading its hostile vehicle mitigation measures across Wembley Park during the year.
Inability to deliver budgeted margins for Tipi as a result of cost inflation and inefficiency.	Tipi maintains strict cost control, uses good supplier relationships and seeks to benefit from economies of scale provided by critical mass at Wembley to maintain a low cost base and to mitigate unexpected cost fluctuations.
Poor service levels at Tipi would cause reputational damage, increase voids and reduce gross revenue.	Tipi seeks to respond to customer feedback and create a culture to exceed customer expectation. It offers industry standard training for all staff dependent on their role and function to offer basic training and continue professional development.

Description and implication of risk	Mitigation
Cyber security is an ever increasing threat to business in terms of both volume and complexity	The Group has engaged market-leading experts in the field to ensure that its procedures and capabilities are robust.
Personnel	
The need to retain and develop staff and ensure that high calibre people are recruited is essential to the delivery of the business strategy.	<p>Succession and resource planning is regularly reviewed by the Board as appropriate.</p> <p>Remuneration and benefits are considered competitive, strongly linked to performance and are regularly benchmarked with Quintain's peers.</p> <p>Regular formal staff meetings and informal events enable staff to talk to senior management, and weekly news updates on business developments and successes allow all employees to understand key activities around the Group.</p> <p>The Group has established a Social Committee to improve the coordination of Companywide social events.</p> <p>The HR department has been strengthened in order to meet the Group's forthcoming recruitment needs.</p>
Brexit	
Following the UK leaving the European Union, a great deal of uncertainty exists regarding future economic implications. The Group could be impacted in a number of areas but the most significant are viewed to be the following:	Management continues to closely monitor developments in the Brexit negotiations and consider the potential implications for the Group.
A fall in demand for occupation of its flats	The regeneration of Wembley Park continues apace, paired with concerted placemaking efforts. Strong attention to detail with regard to the product and innovation together with the structural shortage of housing in London leaves the Group well positioned to respond to any fluctuation in demand.
Increased construction costs due to rising commodity prices and potential import tariffs	Wherever possible Quintain seeks to secure fixed price contracts with its contractors and engages in competitive tendering processes in order to achieve best value for money. Currently £1,049.2m of fixed price contracts are in place.
A reduction in the availability of labour for main contractors resulting in falling capacity.	Quintain has held detailed discussions with its main contractors to establish their plans regarding continuity of labour and has been assured that contingencies are being developed.
The availability of debt finance	The Group maintains regular contact with existing lenders and regularly assesses the attractiveness of future debt funding opportunities to prospective future lenders.
Covid19	
At the date of signing the extent of the impact of the Covid-19 virus is unknown and rapidly evolving. Whilst lockdown restrictions are being eased in the UK there will clearly be a significant impact to the economy.	The Group's primary focus is the health and wellbeing of its employees, residents and other stakeholders, and the continued operational readiness of the business, such that it can continue to deliver on its objectives. Whilst the Directors anticipate some short-term volatility, they

Description and implication of risk	Mitigation
	<p>are confident that the Group's scale, quality, and strength of liquidity and balance sheet will allow it to meet any short-term challenges.</p> <p>As at the date of signing these financial statements the Directors are closely monitoring the developing situation and stakeholder impacts. The Group's essential operations, including construction, have been able to continue despite disruption caused by Covid-19. The Directors are making required changes to comply with Government guidance and adjusting operating practices accordingly.</p>

Sustainability and stakeholder engagement

Sustainability

In 2019 a Sustainability Committee was formed and reporting targets and team objectives are in place. Membership of the committee covers every facet of the business from funding and development to marketing and leasing. This is the first step of our aim to evaluate and improve engagement and performance with regard to sustainability across our business.

Aims for 2020:

- Develop long term targets for reduction of Greenhouse Gas (GHG) emissions
- Build a methodology for incorporating GHG assessment into building project appraisal
- Evaluate carbon offsetting opportunities across the Wembley Estate
- Develop strategies to encourage environmental consciousness amongst Tipi tenants.

Streamlined Energy and Carbon Reporting (SECR)

Following the Government announcing the replacement of the CRC Energy Efficiency Scheme, we now report under the new SECR regulations, which are provided below:

	2019				2018			
	Scope 1 emissions (kg CO ₂)	Scope 2 emissions (kg CO ₂)	Energy consumption (kWh)	Emissions/ m ²	Scope 1 emissions (kg CO ₂)	Scope 2 emissions (kg CO ₂)	Energy consumption (kWh)	Emissions /m ²
Office operations	-	145	568,171		-	150	572,581	
Wembley Park estate	1,479	719	10,857,721		1,598	759	11,371,034	
Wembley Park commercial	-	73	259,651		-	-	-	
Wembley Park retail	-	490	1,916,349		-	593	2,096,597	
Wembley Park residential	-	586	2,291,457		-	415	1,468,517	
<i>Of which Tipi</i>	-	370	1,446,740		-	289	1,019,378	
Total	1,479	2,013	15,893,241	14.8	1,598	1,917	15,058,729	17.8

s172 Companies Act 2006

Whilst the Company is not subject to UK company law, we have voluntarily included our compliance with the requirements of s.172 of the Companies Act 2006.

Below we set out our key stakeholder groups and how we engage with them. By understanding our stakeholders informed decisions can be made at Board level to ensure that mutually beneficial relationships can be fostered in accordance with s172 of the Companies Act 2006.

Stakeholder	Their issues	How we engage
Occupiers	<ul style="list-style-type: none"> - Fair and convenient leases - Well-designed buildings - A vibrant and engaging estate to live and work on 	The dedicated and responsive Tipi team is available 24 hours a day to service residents' needs. The Events team has a mandate to focus on world-class enlivenment of the Estate. Retail occupiers are offered fair leases, including turnover based elements.
Employees	<ul style="list-style-type: none"> - Opportunities for development - Flexibility in working - The chance to make a difference 	A comprehensive development review process and supportive of flexible working where possible. A social committee was formed in 2018.
Local communities	<ul style="list-style-type: none"> - Disruption and inconvenience - Improvement to Wembley Park - Quintain being a responsible neighbour 	The Company established the Yellow Pavilion - a state of the art community events space. The Wembley Park Community Fund was set up in July 2017 to support a range of locally lead initiatives aimed at people in need who live in the local borough of Brent. Local volunteering is done across Brent by members of staff and the Community Engagement team has built strong links with numerous local charities and organisations. Additionally the Group is a member of the Considerate Construction Scheme, aimed at minimising disruption and inconvenience to local communities.
Suppliers	<ul style="list-style-type: none"> - Fair payment terms - Prompt settling of debt 	We aim to build long term relationships with suppliers through prompt payment and use of our Supplier Portal, which ensures regulatory compliance throughout our supply chain.
Government	<ul style="list-style-type: none"> - A collaborative and responsible approach - Transparency and compliance with regulation 	A constructive long-term relationship has been built with Brent. Open dialogue is kept at all levels of both organisations.
Debt providers	<ul style="list-style-type: none"> - Financial performance meeting expectations - Openness and collaboration 	Debt facilities have been arranged with a wide variety of organisations. Regular meetings, presentations and communication is kept with all of them.

Major investment properties at 31 December 2019

Area	Property description	Category	Principal tenants/occupier
Wembley Park, London, HA9	Alameda 340 unit private residential rental asset	BtR	Individual residential tenants
	Landsby 295 unit private residential rental asset	BtR	Individual residential tenants
	Ferrum 188 unit private residential rental asset, one block of an eventual three	BtR	Individual residential tenants
	Emerald Gardens 141 unit private residential rental asset	BtR	Individual residential tenants
	Alto 120 unit private residential asset	BtR	Individual residential tenants
	Canada Gardens 222 unit private residential asset, three completed blocks of an eventual seven	BtR	Individual residential tenants
	London Designer Outlet 280,000 sq ft of retail and leisure units	Retail	Cine UK Nike Retail BV Addidas AG Marks & Spencer plc C-Retail Ltd
	The SSE Arena, Wembley (formerly Wembley Arena) Iconic 1930s building fully renovated as a 21st Century music, sporting and family entertainment venue	Leisure	AEG Facilities (UK) Ltd
	Red multi-storey car park 9 storey, 724-space car park located between Wembley Stadium and the London Designer Outlet	Leisure	Visitors to London Designer Outlet, Stadium and Arena
	Pink multi-storey car park 7 storey car and coach park with 290 coach spaces and 734 car spaces.	Leisure	Visitors to London Designer Outlet, Stadium and Arena
	Stadium Retail Park Retail warehouse park comprising 4 retail units and a restaurant	Retail	DSG Retail Ltd Lidl UK John David Sport

Governance

Directors' Report

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

Strategic Report

Bailey Acquisitions Limited is a Jersey registered holding company for subsidiaries involved in transforming Wembley Park into London's most exciting mixed-use destination and newest residential neighbourhood in the UK.

The operational management and governance of the Group has been delegated by Bailey to its direct subsidiary Quintain Limited, a London-focused regeneration specialist registered in the UK.

The Group's Strategic Report for the year ended 31 December 2019 on pages 3 to 13 contains the following information, which is not included in this Report:

- the Strategic Review, including the Group's principal activities and future developments;
- the risks and uncertainties facing the business; and
- the Group's approach to sustainability and stakeholder engagement

Ownership

Bailey is a wholly owned subsidiary of Quintain Bailey Holdings Limited, an investment vehicle indirectly controlled by Lone Star Real Estate Fund IV.

Board of Directors

The directors and officers who served during the financial year and up to the date of signing the financial statements are as follows:

Timothy Beaulac (appointed 14 November 2019)

Angus Dodd (resigned 7 November 2019)

Michael Jenkins (resigned 25 February 2020)

James Riddell

James Saunders

Philip Slavin (appointed 25 February 2020)

Other Officers

Intertrust Real Estate Services (Jersey) Limited, Company Secretary

The appointment and replacement of directors is governed by the Companies (Jersey) Law 1991 and the Company's Memorandum and Articles of Association.

Board of Quintain

The directors and officers who served on the Board of Quintain during the financial period and up to the date of signing the financial statements are as follows:

Non-Executive Directors

Timothy Beaulac	(appointed 14 November 2019)
Olivier Brahın	(resigned as Chairman 03 December 2019)
Jérôme Foulon	
John Herbert	
George Kountouris	(resigned 14 November 2019)
Donald Quintin, Chairman	(appointed as Chairman 03 December 2019)
James Riddell	
Greg Spezzano	(appointed 26 November 2019)
Ofer Yardeni	(appointed 25 November 2019)

Executive Directors

Angus Dodd	(resigned 7 November 2019)
Michael Jenkins, Finance Director	(resigned 25 February 2020)
James Saunders, Chief Executive	
Philip Slavin, Chief Financial Officer	(appointed 25 February 2020)

Other Officers of Quintain

Frances Victoria Heazell, Company Secretary

The appointment and replacement of directors of Quintain is governed by UK legislation, the Companies Act 2006, and the Company's Articles of Association.

Board Governance and Committees

The Group Audit, Nomination and Remuneration Committees operated in accordance with their revised terms of reference most recently updated and approved by the Board of Quintain in September 2017, as summarised on the Group's website. The Group Audit Committee continues to meet and review the Company's and the Group's consolidated financial statements, the external auditor's work and risk management actions and controls. The Board of Quintain approved the current Committee members in December 2018:

Audit	Remuneration	Nomination
John Herbert (Chairman) Jérôme Foulon James Riddell	John Herbert (Chairman) Jérôme Foulon	John Herbert (Chairman) Jérôme Foulon James Riddell

In addition, the Board of Quintain approved Terms of Reference which set out matters requiring shareholder, Board or Executive Committee approval on behalf of the Group. The Board's Terms of Reference enables the effective day to day management of the Group's business whilst maintaining effective financial control and accountability to its shareholder.

Directors' Indemnity

The Company's Articles of Association provide that, to the extent permitted by law, directors may be indemnified out of the Company's assets against any liability incurred by that director in connection with any negligence, default, breach of duty or breach of trust in relation to the Company or an associated company. The directors have purchased and maintain insurance, at the expense of the Company and the Group, for the benefit of any relevant director in respect of any relevant loss.

Dividend

No dividend was proposed during the course of the period under review (2018: £nil).

Key contractual arrangements

The Group has a number of joint venture arrangements, as detailed in note 3.3 on page 38 of the financial statements.

Going concern

The Group financial statements have been prepared on a going concern basis, which assumes that the Group will continue to meet its liabilities as they fall due. Based on the analysis set out in note 1.2 of the financial statements, the directors believe it is appropriate to prepare the financial statements on a going concern basis.

Auditor

KPMG LLP was appointed as auditor for the year.

Statement of disclosure to auditor

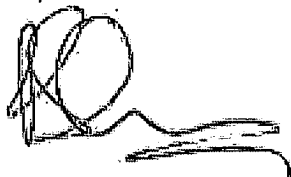
Each director at the date of this report confirms that:

- so far as he or she is aware, there is no information, which would be needed by the Company's auditor in connection with preparing their audit report, of which the auditor is not aware; and
- each director has taken all steps necessary to make him or herself aware of any such information and to establish that the auditor is aware of it.

Directors' Responsibility Statement

The directors' responsibilities for the financial statements contained within this Report are set out on page 17.

By order of the Board



Philip Slavin
Director
19 June 2020

Statement of Directors' responsibilities in respect of the financial statements

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

Company law requires the directors to prepare Group financial statements for each financial year. Under that law they have elected to prepare the Group financial statements in accordance International Financial Reporting Standards as adopted by the EU and applicable law and have elected to prepare the Parent Company financial statements in accordance with UK Accounting Standards including FRS 101 *Reduced Disclosure Framework* and applicable law.

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 Group and Parent Company and of the profit or loss of the Group and Parent 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 estimates that are reasonable and prudent;
- for the Group and Parent Company financial statements, state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Group and Parent 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 Group or Parent 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 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.

Independent auditor's report to the members of Bailey Acquisitions Limited

Opinion

We have audited the consolidated financial statements of Bailey Acquisitions Limited ("the Parent Company") and its subsidiaries (together, "the Group") for the year ended 31 December 2019 which comprise the consolidated and company balance sheet, the consolidated and company income statement, the consolidated and company statement of other comprehensive income, the consolidated and company statement of changes in equity and consolidated cash flow and the related notes, including the accounting policies in notes 1 and 7.6.

In our opinion:

- the financial statements give a true and fair view of the state of the Group and Parent Company's affairs as at 31 December 2019 and of the Group and Parent Company's loss for the year then ended;
- the Group financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU;
- the Parent Company financial statements are prepared in accordance with the United Kingdom accounting standards, including FRS 101 Reduced Disclosure Framework; and
- the financial statements have been properly prepared in accordance with the Companies (Jersey) Law 1991.

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 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 1.2 to the financial statements which describes uncertainties related to the possibility of covenant breaches of loans held by the Group which may result in those loans being immediately repayable, and the continued availability of sufficient funding to the Group through debt refinancing or an equity injection. These events and conditions, along with other matters explained in note 1.2, constitute material uncertainties that may cast significant doubt on the Group'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 presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

Our responsibility is to read the other information 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 other information.

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:

- proper accounting records have not been kept by the company, or
- proper returns adequate for our audit have not been received from branches not visited by us; or
- the company's accounts are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 17, the directors are responsible for: the preparation of financial statements which 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 Group and Parent 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 Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

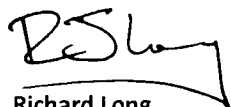
Auditor's responsibilities

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 Parent 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 Parent 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 Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Richard Long
for and on behalf of KPMG LLP
Chartered Accountants
15 Canada Square, London
E14 5GL
22 June 2020

Introduction

The notes to the financial statements have been grouped together under the following headings:

- Preparation of financial statements
- Performance for the year
- Property assets, joint ventures and associates
- Other assets and liabilities
- Funding
- Staff costs, key management and employee benefits
- Company financial statements

Accounting policies are set out in the relevant sections of the notes to the financial statements for relevance and ease of reference, as are the key judgements and estimates used.

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**Consolidated Statement of Comprehensive Income
For the year ended 31 December 2019**

	Notes	2019 £m	2018 £m
Revenue	2.1	38.5	59.1
Cost of sales	2.1	(33.7)	(42.4)
Gross profit		4.8	16.7
Administrative expenses	2.2	(23.1)	(25.9)
Operating loss before recognition of results from joint ventures and associates, non-current asset sales and revaluation		(18.3)	(9.2)
Share of loss from joint ventures	3.3	(0.8)	(0.3)
Share of (loss)/profit from associates	3.3	(1.5)	0.3
Operating loss before non-current asset sales and revaluation		(20.6)	(9.2)
(Loss)/profit from sale of non-current assets		(0.4)	0.6
(Deficit)/surplus on revaluation of investment properties	3.1	(65.4)	273.6
Operating (loss)/profit		(86.4)	265.0
Finance income	2.3	0.6	1.3
Finance expenses	2.3	(71.1)	(51.0)
(Loss)/profit before tax		(156.9)	215.3
Tax credit/(charge) for the year	2.4	10.0	(30.0)
(Loss)/profit for the financial year		(146.9)	185.3
Other comprehensive income		-	-
Total comprehensive (loss)/income for the year		(146.9)	185.3

The notes on pages 26 to 57 are an integral part of these consolidated financial statements.

All the results shown are for continuing operations.

Consolidated Balance Sheet
As at 31 December 2019

	Notes	2019 £m	2018 £m
Non-current assets			
Investment properties	3.1	2,176.6	1,696.5
Owner-occupied properties, plant and equipment		6.3	5.1
Investment in joint ventures	3.3	0.9	0.6
Investment in associates	3.3	0.3	5.2
Non-current receivables	4.1	4.5	2.5
Total non-current assets		2,188.6	1,709.9
Current assets			
Trading properties	4.5	15.6	16.6
Trade and other receivables	4.2	33.8	30.5
Cash and cash equivalents		30.8	4.7
Total current assets		80.2	51.8
Total assets		2,268.8	1,761.7
Current liabilities			
Trade and other payables	4.4	(67.8)	(66.3)
Bank loans and other borrowings	5.1		(10.2)
Current tax liability		(0.5)	(0.5)
Total current liabilities		(68.3)	(77.0)
Non-current liabilities			
Bank loans and other borrowings	5.1	(1,992.4)	(1,378.6)
Obligations under finance leases	2.6	(7.2)	(3.3)
Deferred tax liability	2.4	(21.0)	(31.0)
Total non-current liabilities		(2,020.6)	(1,412.9)
Total liabilities		(2,088.9)	(1,489.9)
Net assets		179.9	271.8
Equity			
Share capital	5.5		-
Share premium		1.0	1.0
Fair value reserve		389.5	334.5
Retained earnings		(210.6)	(63.7)
Equity shareholder's funds		179.9	271.8

The notes on pages 26 to 57 are an integral part of these consolidated financial statements.

Approved by the Board of Directors on 19 June 2020 and signed on its behalf by:

Philip Slavin
Director



Consolidated Statement of Changes in Equity
For the year ended 31 December 2019

Balance 1 January 2019
Loss for the year
Other comprehensive income
for the year, net of tax
Total comprehensive loss
for the year
Fair value adjustment of parent company loan note (note 5.1)
Balance as at 31 December 2019

Share capital	Share premium	Fair value reserve	Retained earnings	Equity shareholders' funds
£m	£m	£m	£m	£m
	1.0	334.5	(63.7)	271.8
			(146.9)	(146.9)
			(146.9)	(146.9)
		55.0		55.0
	1.0	389.5	(210.6)	179.9

Balance 1 January 2018
Profit for the year
Other comprehensive income
for the year, net of tax
Total comprehensive income
for the year
Fair value adjustment of parent company loan note (note 5.1)
Balance as at 31 December 2018

Share capital	Share premium	Fair value reserve	Retained earnings	Equity shareholders' funds
£m	£m	£m	£m	£m
-	1.0	299.6	(249.0)	51.6
-	-	-	185.3	185.3
-	-	-	185.3	185.3
-	-	34.9	-	34.9
-	1.0	334.5	(63.7)	271.8

The notes on pages 26 to 57 are an integral part of these consolidated financial statements.

Consolidated Cashflow Statement
For the year ended 31 December 2019

	2019 £m	2018 £m
Operating activities		
(Loss)/profit for the financial year	(146.9)	185.3
Adjustments for:		
Depreciation of plant and equipment	1.5	3.1
Impairment of investments	0.1	-
Net finance expenses	70.5	49.7
Loss/(gain) on sale of non-current assets	0.4	(0.6)
Deficit/(surplus) on revaluation of investment properties	65.4	(273.6)
Share of loss from joint ventures	0.8	0.3
Share of loss/(profit) from associates	1.5	(0.3)
Tax (credit)/charge	(10.0)	30.0
	(16.7)	(6.1)
(Increase)/decrease in trade and other receivables	(3.9)	13.4
Increase/(decrease) in trade and other payables	9.2	(17.3)
Decrease in trading properties	1.0	23.4
Cash received from operations	(10.4)	13.4
Interest paid	(45.4)	(36.1)
Interest received	0.4	0.3
Net cashflow used in operating activities	(55.4)	(22.4)
Investing activities		
Proceeds from sale of investment properties	0.4	40.2
Purchase and development of investment properties	(495.8)	(438.8)
Purchase of owner-occupied properties, plant and equipment	(3.2)	(0.2)
Proceeds from sale of other non-current investments	3.2	-
Capital and loan payments advanced to joint ventures	(1.1)	(3.6)
Capital and loan repayments received from joint ventures	-	3.6
Capital and loan repayments from other investments	1.6	0.7
Distributions received from joint ventures	-	-
Investment in joint ventures	-	(0.5)
Net cashflow used in investing activities	(494.9)	(398.6)
Financing activities		
Parent company loan received	213.6	106.9
Proceeds from new borrowings	379.9	297.6
Repayment of other borrowings	-	(20.9)
Payment of loan issue costs	(6.9)	(3.3)
Payment of finance lease liabilities	-	(0.1)
Net cashflow from financing activities	586.6	380.2
Net decrease in cash and cash equivalents	36.3	(40.8)
Cash and cash equivalents at start of year	(5.5)	35.3
Cash and cash equivalents at end of year	30.8	(5.5)
Comprising:		
Cash at bank	30.8	4.7
Overdrafts	-	(10.2)
	30.8	(5.5)

The notes on pages 26 to 57 are an integral part of these consolidated financial statements.

Notes to the accounts
For the year ended 31 December 2019

Section 1: Preparation of financial statements

1.1 Basis of preparation

The financial statements are presented for the year ended 31 December 2019. The Board approved the Group financial statements on 19 June 2020. They have been prepared in accordance with International Financial Reporting Standards and Interpretations issued by the International Financial Reporting Interpretations Committee as adopted by the European Union ('IFRS') and those parts of the Companies (Jersey) Law 1991 applicable to companies reporting under IFRS. The financial statements are presented in Sterling and have been prepared on a historical cost basis except that investment properties, other non-current investments and certain financial instruments have been stated at fair value.

The principal accounting policies applied in the consolidated financial statements are set out in each note to the financial statements.

1.2 Going concern

The Directors have prepared cash flow forecasts for the Group for a period of 12 months from the date of approval of these financial statements. These forecasts include the Directors' assessment of the impact of Covid-19 on the Group, including severe but plausible downside scenarios. The going concern assessment considers the Group's principal risks (see page 8) and is most significantly impacted by the timing and magnitude of development expenditure, continued compliance with covenants within the Group's existing loan facilities, future access to capital through a combination of refinancing of loans and equity from its ultimate shareholder. Each is described further below.

As described in note 3.2, the Group had contracted capital commitments of £326.7m as at the yearend, including £226.9m due within one year. These commitments continue to be closely monitored as is their timing. As at 31 March 2020, the Group held £116.3m in free cash reserves and £129.7m in undrawn facilities with which to fund its capital expenditure requirements. The Group has continued with its program of affordable housing plot sales generating additional funds to use in its development program.

The cash flow forecasts show that, before consideration of the loan refinancing described below, additional equity will be required from the Group's parent. The parent indicated to the Directors that they intend to provide such financial support to the Group. As with any company placing reliance on other entities for financial support, the Directors acknowledge that there can be no certainty that this support will continue, although, at the date of approval of these financial statements, they have no reason to believe that it will not do so. The cashflow forecasts have been prepared and reviewed in consultation with the Group's shareholder.

The Group has a range of loan facilities which are described in note 5.1 to the financial statements. Each loan is secured on specific property assets held by the Group. The most significant loan is the Group's Development Facility of £800m (comprising £560.0m of senior financing and £240.0m of mezzanine). 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 27 March 2020 was 30.2% 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 discussions to date, the Directors are confident that a refinancing can be achieved. However, there can be no certainty this will be the case. Should this not be the case then the Directors 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 LTV covenant which may result in the Development Facility being

Notes to the accounts continued

Section 1: Preparation of financial statements continued

1.2 Going concern continued

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 Group'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.

1.3 Significant judgements, estimates and assumptions

The preparation of financial statements under IFRS requires the Board 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 key area where management has made significant estimates is the valuation of properties on the balance sheet. Estimates are discussed in more detail in the relevant notes to these financial statements.

All 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.

1.4 Basis of consolidation

The Group's financial statements consolidate those of the Company and its subsidiaries, together referred to as the Group, and equity account for the Group's interest in joint ventures and associates.

Subsidiaries are those entities controlled by the Group. Control exists when the Group has power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The assessment of control is performed on a continuous basis. In assessing control, potential voting rights that are currently exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date it ceases.

The acquisition or disposal of shares in subsidiaries and interests in joint ventures, where investment properties constitute the only or main asset, are accounted for as property transactions unless the fair values attributed to other assets and liabilities within the entity differ from their carrying values.

1.5 Newly effective accounting standards

New standards adopted during the period

The following standards, amendments and interpretations endorsed by the EU are effective for the first time for the Group's 31 December 2019 year end:

- IFRS 16 'Leases'
- IFRIC 23 "Uncertainty over Income Tax Treatments"
- Prepayments Features with Negative Compensation (Amendments to IFRS 9)
- Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)
- Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)
- Annual Improvements to IFRS Standards 2015-2017 Cycle
- Amendments to References to the Conceptual Framework in IFRS Standards
- Definition of a Business (Amendments to IFRS 3)
- Definition of Material (Amendments to IAS 1 and IAS 8)

None of the standards above has had a material impact on the Group, with the exception of the adoption of IFRS 16 which led to a number of new right of use assets and corresponding lease liabilities being recognised as a result of the modified retrospective approach (see note 4.1).

Notes to the accounts continued

Section 1: Preparation of financial statements continued

1.5 Newly effective accounting standards continued

Standards and interpretations in issue but not yet effective

The following standards, amendments and interpretations relevant to the Group have been issued but are not yet effective. None of these standards or interpretations has been early adopted by the Group.

- Amendments to References to the Conceptual Framework in IFRS Standards
- Definition of a Business (Amendments to IFRS 3)
- Definition of material (Amendments to IAS1 and IAS8)
- Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)

The Group has assessed the impact of the new standards on its financial reporting and does not believe they will have a material impact on the Group's existing operations.

Section 2: Performance for the year

2.1 Revenue, cost of sales and gross profit

Accounting policy – Revenue, cost of sales and trading property sales

Revenue is stated net of VAT and comprises rental income, proceeds from sales of trading properties, fees, commissions and other income.

Rental income from investment properties leased out under operating leases is recognised in the Consolidated Income Statement on a straight-line basis over the term of the lease. Contingent rents, which comprise turnover rents, are recognised as income in the periods in which they are earned. Rent reviews are recognised when such reviews have been agreed with tenants. Surrender premiums received are considered a component of rental income and are recognised over the remainder of the revised lease term.

Lease incentives are recognised as an integral part of the net consideration for use of the property and amortised on a straight-line basis over the term of lease, or the period to the first tenant break, if shorter, unless there is reasonable certainty that the break will not be exercised.

Property operating costs are recognised on an accruals basis including any element of service charge expenditure not recovered from tenants.

Sales of trading properties are recognised in the financial statements on the date of unconditional exchange or, where an exchange is conditional, on the date that conditions have been satisfied and where there is a confirmed date for completion.

Fees from asset and development management relate to base and performance fees receivable in respect of asset and development management together with property procurement fees. Performance fees are recognised when it is probable that performance criteria have been met. All other fees are recognised on a receivable basis.

Other income comprises commercialisation income, insurance commission, car parking receipts, property management fees and miscellaneous income and is recognised on an accruals basis in accordance with the substance of the transaction.

Notes to the accounts continued

Section 2: Performance for the year continued**2.1 Revenue, cost of sales and gross profit continued**

	Revenue	Cost of sales	2019 Gross profit/(loss)	Revenue	Cost of sales	2018 Gross profit/(loss)
	£m	£m	£m	£m	£m	£m
Rental income	23.9	(20.7)	3.2	17.2	(8.8)	8.4
Income from sale of trading properties	0.9	(0.9)	-	26.5	(23.3)	3.2
Fees from asset and development management	5.5	(1.0)	4.5	7.0	-	7.0
Other income	8.2	(11.1)	(2.9)	8.4	(10.3)	(1.9)
	38.5	(33.7)	4.8	59.1	(42.4)	16.7

Contained within fee income is £1.2m (2018: £nil) received by Quintain Developments Ireland Limited from various Lone Star funds for development management services. These fees represent related party transactions. All other income has been received from the United Kingdom.

Net rental income

	2019 £m	2018 £m
Group net rental income	3.2	8.4
Share of joint venture and associates net rental income/(loss)	0.3	(0.3)
Combined net rental income	3.5	8.1

2.2 Administrative expenses

The analysis of the Group's administrative expenses was as follows:

	2019 £m	2018 £m
Directors' remuneration	3.2	2.4
Administrative staff costs	12.8	12.7
Total staff costs	16.0	15.1
Legal and other professional fees	3.4	4.5
Office and IT costs	1.6	2.2
Depreciation of property, plant and equipment	1.3	2.2
Operating lease expense	-	0.7
General expenses	0.8	1.2
	23.1	25.9

Notes to the accounts continued

Section 2: Performance for the year continued**2.3 Net finance expenses****Accounting policy – Capitalisation of borrowing costs**

Net borrowing costs in respect of capital expenditure on properties under development are capitalised. Interest is capitalised using the Group's weighted average cost of borrowing from the commencement of development work until the date of practical completion. Only external loans are included in the determination of the weighted average borrowing cost. The capitalisation of finance costs is suspended if there are prolonged periods when development activity is interrupted. Tax relief on applicable interest capitalised on investment properties is reflected in the Consolidated Income Statement. All other borrowing costs are recognised in the Consolidated Income Statement in the period in which they are incurred.

	2019 £m	2018 £m
Recognised in Income Statement:		
Interest expense on bank debt and associated swaps	44.3	29.1
Interest expense on parent entity debt	82.9	65.2
Interest on obligations under finance leases	0.4	0.1
Change in fair value of ineffective caps	0.6	0.4
	128.2	94.8
Interest capitalised	(57.1)	(43.8)
Finance expenses	71.1	51.0
Finance income		
Interest income on loans and receivables	(0.3)	(0.3)
Change in fair value of financial assets		(0.2)
Change in fair value of ineffective swap	(0.2)	(0.8)
Dividends received	(0.1)	-
	(0.6)	(1.3)
Net finance expenses	70.5	49.7

The interest capitalised relates to investment properties in the course of construction. The average rate of interest used for capitalisation was 6.1% (2018: 6.2%).

2.4 Taxation**Accounting Policy**

Tax is recognised in the Consolidated Income Statement except to the extent that it relates to items recognised in Other Comprehensive Income, in which case the related tax is recognised under that heading. Current tax is the expected tax payable on the taxable income for the year using tax rates applicable at the balance sheet date.

Deferred tax is provided using the balance sheet liability method in respect of all temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amount used for tax purposes.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities at the relevant tax rates which have been substantively enacted at the balance sheet date.

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

Notes to the accounts continued

Section 2: Performance for the year continued**2.4 Taxation continued****i) Tax charge for the year**

	2019 £m	2018 £m
UK current tax at 19.0%	-	(1.0)
Deferred tax:		
On investment properties	(18.4)	67.7
Capital allowances	(2.7)	(7.8)
Utilisation of tax losses	-	-
Revenue losses	10.8	(29.3)
Other temporary differences	0.3	0.4
Total deferred tax (credit)/charge	(10.0)	31.0
Tax (credit)/charge	(10.0)	30.0

ii) Tax credit reconciliation

	2019 £m	2018 £m
(Loss)/profit before tax	(156.9)	215.3
Tax applied at UK corporation tax rate of 19 % (2018: 19.0%)	(29.8)	40.9
Non-deductible expenses and non-taxable items	18.6	9.1
Capital gains	-	(0.9)
Unrecognised losses utilised	-	(14.5)
Change in tax rate	0.9	(3.6)
Payment for consortium relief by joint venture	-	(1.0)
Prior year adjustment to deferred tax	0.3	-
Tax (credit)/charge	(10.0)	30.0

iii) Deferred tax movements

The Group has measured the deferred tax assets and liabilities as at 31 December 2019 using the enacted rate of 17% (2018: 17%).

	1 January 2019 £m	Recognised in Income Statement £m	31 December 2019 £m
Capital gains less capital losses	68.4	(18.4)	50.0
Capital allowances	(2.8)	(2.7)	(5.5)
Other temporary differences	-	0.3	0.3
Revenue tax losses	(34.6)	10.8	(23.8)
Deferred tax liability	31.0	(10.0)	21.0

	1 January 2018 £m	Recognised in Income Statement £m	31 December 2018 £m
Capital gains less capital losses	0.7	67.7	68.4
Capital allowances	5.0	(7.8)	(2.8)
Other temporary differences	(0.4)	0.4	-
Revenue tax losses	(5.3)	(29.3)	(34.6)
Deferred tax liability	-	31.0	31.0

Notes to the accounts continued

Section 2: Performance for the year continued**2.5 Fees paid to auditors and their affiliates**

	2019 £000	2018 £000
Fees payable to the Company's auditor for the audit of the Company's annual report	153	152
Fees payable to the Company's auditor and its associates for other services:		
The audit of the Company's subsidiaries pursuant to legislation	76	76

2.6 Leases**Accounting Policy**

Properties leased out to tenants under operating leases are included in investment properties in the Consolidated Balance Sheet with rental income recognised on a straight-line basis over the lease terms.

Leases in which the Group assumes substantially all of the risks and rewards of ownership of the leased asset are classified as finance leases. For leasehold properties that are classified as investment properties, the associated leasehold obligations are accounted for as finance lease obligations.

The Group earns rental income by leasing its investment properties to tenants under non-cancellable operating leases. Standard commercial and retail lease provisions include service charge recovery and upward only rent reviews every five years. On review, rents are increased either by a contractual formula, mainly linked to RPI, or to current market rent (estimated rental value or ERV). Typically, single let properties are leased on terms where the tenant is responsible for repair, insurance and running costs while multi-let properties are leased on terms which include recovery of a share of service charge expenditure and insurance. The Group also let tenancies on terms which include a turnover based element of £1.7m (2018: £2.2m) during the year. Residential properties are let on variable lease lengths, generally of less than one year, with rents being inclusive of utilities and broadband costs.

Future minimum lease payments receivable by the Group under such leases were as follows:

	2019 £m	2018 £m
Within one year	20.6	13.3
From one to two years	12.8	10.6
From two to three years	12.2	9.8
From three to four years	10.6	9.1
From four to five years	7.2	7.8
After five years	44.5	30.3
	107.9	80.9

The Group has lease liabilities as a lessee in relation to leasehold investment property of £3.3m, owner occupied property of £3.1m, and other assets of £0.8m. For future contractual cash flows on these leases refer to note 5.2. The right of use balance for leases of owner occupied property (and other assets) is included in note 4.1

An interest expense of £0.3m was recognised on right of use lease liabilities.

Notes to the accounts continued

Section 3: Property assets, joint ventures and associates

3.1 Investment properties

Accounting policy

Investment properties

Investment properties are properties owned or leased by the Group which are held either for long term rental growth or for capital appreciation or both. Investment property is initially recognised at cost including related transaction costs and valued annually by the Directors. Any increases or decreases in value are taken directly to the Consolidated Income Statement in the period in which they arise.

For comparable periods for leasehold properties that are classified as investment properties, the associated leasehold obligations are accounted for as finance lease obligations. Properties held under operating leases are accounted for as investment properties as short leasehold properties where the other criteria for recognition are met. Such operating leases are accounted for as if they are finance leases.

From 1 January 2019 the right of use asset for all leasehold property that meets the definition of investment property is accounted for as investment property under the fair value model.

Property additions

Additions to investment properties consist of costs of a capital nature and, in the case of investment properties under development, capitalised interest.

Property disposals

Disposals of investment properties are recognised in the financial statements on the date of unconditional exchange or, where an exchange is conditional, on the date that conditions have been satisfied.

Profits or losses arising on disposal are calculated by reference to the carrying value of the asset at the last revaluation, adjusted for subsequent capital expenditure, less selling costs.

Significant estimates and judgements

The fair value of the Group's investment properties is the main area within the financial statements where the Board has made significant estimates. The fair value of the Group's property portfolio is based upon Directors' valuations and is inherently subjective.

Notes to the accounts continued

Section 3: Property assets, joint ventures and associates continued

3.1 Investment properties continued

	Freehold £m	Long leasehold £m	Total £m
Balance 1 January 2018	810.3	140.2	950.5
Additions – capital expenditure	458.3	1.9	460.2
Interest capitalised	43.8	-	43.8
Disposals	(18.9)	(12.7)	(31.6)
Revaluation surplus	266.7	6.9	273.6
Balance 31 December 2018	1,560.2	136.3	1,696.5
Balance 1 January 2019	1,560.2	136.3	1,696.5
Additions – capital expenditure	486.8	1.7	488.5
Interest capitalised	57.1	-	57.1
Disposals	(0.1)	-	(0.1)
Revaluation deficit	(64.5)	(0.9)	(65.4)
Balance 31 December 2019	2,039.5	137.1	2,176.6

The historical cost of the Group's investment properties as at 31 December 2019 was £1,992.9m (2018: £1,447.5m), which included capitalised interest of £244.4 m (2018: £187.3m).

The average rate used for interest capitalisation is shown in note 2.3.

The Group's properties were valued as at 31 December 2019 by the Directors. Such valuations are carried out at each period end.

Investment properties are required to be analysed by level depending on the valuation method adopted, in accordance with IFRS 13 Fair Value Measurement:

Level 1: valuation based on quoted market prices traded in active markets

Level 2: valuation based on inputs other than quoted prices included within Level 1 that maximise the use of observable data either directly or from market prices or indirectly derived from market prices.

Level 3: where one or more inputs to valuation are not based on observable market data.

All investment property held by the Group is classified as Level 3 and there have been no transfers between levels of the fair value hierarchy during the year.

The key assumptions made in the valuation of the Group's development land at Wembley are:

- future development costs including construction cost inflation;
- future residential rental values including residential rental growth rates and operating costs;
- for non-residential elements future rental values, operating income and costs;
- the implementation strategy for the relevant plots;
- the timing and conditions of planning consent; and
- the developer's profit.

Notes to the accounts continued

Section 3: Property assets, joint ventures and associates continued

3.1 Investment properties continued

The following table shows the valuation technique in measuring the fair value of development land at Wembley, as well as the significant unobservable inputs used.

Valuation technique	Significant unobservable inputs
The fair value is derived from the estimated future rental income and residential capital values (in line with the external growth forecasts) from which are deducted future costs comprising base construction, infrastructure and future planning obligations to produce a residual value. This is then cross checked against relevant land sale transactions on a per acre basis, residential land sales rates per sq. ft and land value as a percentage of Gross Development Value ('GDV').	Value of Wembley development land £1,321.8m (2018: £1,156.8m)
	Expected average private rental price inflation 3.5% (2018: 3.75%)
	Expected average private residential build cost inflation 2.0% (2018: 2.0%)
	Private residential yield 3.25% (2018: 3.25%)
	Private residential capital value; £786 to £860 (2018: £772 to £858) per sq. ft NIA.
	Private residential direct build cost; £160 to £282 (2018: £101 to £510) per sq. ft NIA.
	Future site-wide costs £134.8m (2018: £127.4m)
	Developer's profit 8.4% (2018: 8.8%)

The following table shows a sensitivity analysis of the impact on the valuation of development land at 31 December 2019 of changes in significant inputs, which in the opinion of the Directors, have the greatest estimation uncertainty and/or impact on valuations:

Significant unobservable inputs	Movement	£m
Expected average rental price inflation	Increase of 0.5%	17.7
	Decrease of 0.5%	(17.4)
Developer's profit	Increase of 2.5%	(37.5)
	Decrease of 2.5%	39.25
Yield	Increase of 0.25%	(84.0)
	Decrease of 0.25%	102.6

Notes to the accounts continued

Section 3: Property assets, joint ventures and associates continued

3.1 Investment properties continued

The key assumptions made in the valuation of the Group's investment properties are:

- the amount and timing of future income streams;
- anticipated maintenance costs and other landlord's liabilities; and
- an appropriate yield.

The following table shows the valuation technique in measuring the fair value of the investment assets, as well as the significant unobservable inputs used.

Valuation technique	Significant unobservable inputs
The valuations reflect the tenancy data gathered by the Group along with associated revenue costs and capital expenditure. The fair value of the residential and commercial investment portfolio has been derived from capitalising the future estimated net income receipts at capitalisation rates reflected by recent arm's length sales transactions and indicative offers on assets in the market, net of selling costs.	Value of Wembley BtR assets £586.3m (2018: £303.8m)
	Gross ERV: £37.6m (2018: 14.1m)
	Net Initial Yield: 3.29% (3.25%-3.37%) (2018: 2.9% (2.1% - 3.3%)).
	Exit yield: 3.25% (2018: 3.25%)
	Value of Wembley retail and other assets £271.6m (2018: £241.1m)
	Gross ERV: £14.4m (2018: £13.0m)
	Net Initial Yield: 3.8% (-2.1%-7.2%) (2018: 3.5% (-4.3% - 7.0%)).
	Exit yield: 5.5% (2018: 5.5%)

The following table shows a sensitivity analysis of the impact on the valuation of PRS and Retail assets at 31 December 2019 of changes in significant inputs, which in the opinion of the Directors, have the greatest estimation uncertainty and/or impact on valuations:

Significant unobservable inputs	Movement	£m
BtR assets		
Yield	Increase of 0.25%	(21.9)
	Decrease of 0.25%	25.5
Investment assets		
Yield	Increase of 0.25%	(4.2)
	Decrease of 0.25%	4.5

The relationship between the unobservable inputs and their impact on the fair value measurement is not certain. Changes to the tenancies and/or income profile of an investment asset may also impact the fair value outside one or more of the above inter-relationships according to individual circumstances.

Notes to the accounts continued

Section 3: Property assets, joint ventures and associates continued**3.1 Investment properties continued**

A reconciliation of the valuations carried out by the Directors to the carrying values shown in the Balance Sheet was as follows:

	2019 £m	2018 £m
Investment properties at market value	2,179.7	1,701.7
Adjustment in respect of rent-free periods and other tenant incentives	(7.0)	(8.5)
Adjustment in respect of minimum payment under head leases separately included as a liability in the Consolidated Balance Sheet	3.9	3.3
As shown in the Consolidated Balance Sheet	2,176.6	1,696.5

3.2 Capital commitments

As at 31 December 2019, the Group had capital commitments of £326.7m (2018: £560.3m) in relation to development properties. Of this £226.9m (2018: £422.0m) is due within one year.

3.3 Investments in joint ventures and associates**Accounting policy**

A joint venture is an undertaking in which the Group has a long term interest and over which it exercises joint control. An associate is an entity in which the Group has significant influence but not control over financial and operating policies. The Group equity accounts for its share of net profit after tax of its joint ventures and associates through the Consolidated Income Statement. The Group's interest in the net assets of joint ventures and associates is included in the Consolidated Balance Sheet.

Where an asset is transferred to an existing joint venture or the Group disposes of an interest in a subsidiary to a joint venture, the Group recognises a share of the profit equivalent to the interest it has sold to an external party. All such transactions occur at fair value.

The Group's interest in its joint ventures as at 31 December 2019 was as follows:

	% of ownership	Country of incorporation	Joint venture partners
BPQW LLP ('Boxpark')	50.00	United Kingdom	Boxpark
Quantum Unit Trust ('Quantum')	50.00	Channel Islands	Aviva
Crest Nicholson BioRegional Quintain LLP ('OneBrighton')	50.00	United Kingdom	Crest Nicholson

The Group's interest in its associates at 31 December 2019 was as follows:

	% of ownership	Country of incorporation	Other members
Aqua Trust ('Aqua')	50.00	United Kingdom	Aviva

Notes to the accounts continued

Section 4: Other assets and liabilities**4.1 Non-current receivables****Accounting policy**

Non-current receivables comprise loans and receivables due in more than one year and long term investments in property related structures where the Group does not have control or significant influence. Loans and receivables are held at amortised cost using the effective interest rate method. Property related investments are designated as Fair Value through the P & L, shown at fair value. Adjustments to fair value are recognised in other comprehensive income except for impairments which are reflected in the Consolidated Income Statement.

At lease commencement date, the Group recognises a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost and the Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicators exist. At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implied in the lease

Impairment

The carrying values of the Group's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If such indication becomes evident, the asset's recoverable amount is estimated and an impairment loss recognised in the Consolidated Income Statement whenever the carrying amount of the asset exceeds its recoverable amount.

The recoverable amount of an asset is the greater of its fair value less sale costs and its value-in-use. The value-in-use is determined as the net present value of the future cash flows expected to be derived from the asset, discounted using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

The movement in other non-current receivables was as follows:

	2019				2018		
	Loans and receivables	Investments at fair value	Right of use assets	Total	Loans and receivables	Investments at fair value	Total
	£m	£m	£m	£m	£m	£m	£m
Opening balance	1.6	0.9	-	2.5	2.3	1.7	4.0
Additions	-	0.5	-	0.5	-	-	-
Transition adjustments	-	-	3.6	3.6	-	-	-
Disposals	-	-	-	-	-	(0.8)	(0.8)
Revaluation deficit	-	(0.1)	-	(0.1)	-	-	-
Depreciation	-	-	(0.4)	(0.4)	-	-	-
Return of capital	(1.6)	-	-	(1.6)	(0.7)	-	(0.7)
Closing balance	-	1.3	3.2	4.5	1.6	0.9	2.5

Notes to the accounts continued

Section 4: Other assets and liabilities continued**4.2 Current trade and other receivables****Accounting policy**

Trade and other receivables are stated at amortised cost less allowance for credit losses/impairment of bad debts. The loss allowance is measured at an amount equal to lifetime expected credit losses (ECLs), which are those losses that are expected to occur over the expected life of the receivables. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

	2019 £m	2018 £m
Trade receivables	10.9	4.1
Amounts due from related parties	1.0	1.0
Other receivables	9.8	16.9
Trade and other receivables	21.7	22.0
Prepayments and accrued income	12.0	7.9
Fair value of derivative caps	0.1	0.6
	33.8	30.5

The ageing of trade and other receivables was as follows:

	2019			2018		
	Gross £m	Impairment £m	Net £m	Gross £m	Impairment £m	Net £m
Trade and other receivables:						
Not past due	19.1	-	19.1	21.1	-	21.1
Past due less than one month	1.0	-	1.0	0.1	-	0.1
Past due one to three months	1.2	-	1.2	0.1	-	0.1
Past due three to six months	0.1	-	0.1	0.2	-	0.2
Past due over six months	0.6	(0.3)	0.3	0.6	(0.1)	0.5
	22.0	(0.3)	21.7	22.1	(0.1)	22.0

The following amounts due from related parties, which are unsecured, are included in trade and other receivables:

	2019 £m	2018 £m
Quintain Bailey Holdings Limited	1.0	1.0
	1.0	1.0

4.3 Credit risk

The Group's exposure to credit risk arises from potential financial loss if a tenant or counterparty to a financial instrument fails to meet its contractual obligations. The credit rating of counterparties to financial instruments is kept under review, particularly in the light of the current economic climate.

The Group's activities are focused exclusively in the United Kingdom, Channel Islands and Republic of Ireland. Within this geographical area, its exposure to credit risk arising from trade and other receivables is influenced by the individual characteristics of each tenant and debtor.

The Group operates a policy whereby the creditworthiness of each tenant is assessed prior to lease or pre-lease terms being agreed. The process includes seeking external ratings where available and reviewing financial information in the public domain. In certain cases, the Group will require collateral to support these lease obligations. This usually takes the form of a rent deposit, parent company guarantee or a bank guarantee.

Notes to the accounts continued

Section 4: Other assets and liabilities continued**4.3 Credit risk continued**

Commercial rent collection is outsourced to managing agents who report regularly on payment performance and provide the Group with intelligence on the continuing financial viability of tenants. Arrears are monitored on a weekly basis by the internal property management teams and a strategy for dealing with significant potential defaults is presented on a timely basis by the property managers. Outstanding tenant balances are reviewed on a quarterly basis for impairment.

The Group's maximum exposure to the credit risk arising from non-current and current receivables amounts to £21.8 m (2018: £22.6m). The Board does not believe there is a significant credit risk in respect of those financial assets that are not yet due and not impaired.

4.4 Current trade and other payables**Accounting policy**

Non-derivative trade and other payables are non-interest bearing and are recognised at amortised cost.

	2019 £m	2018 £m
Trade payables	8.7	0.7
Other payables	1.4	1.5
Accruals	51.1	59.0
Deferred income	6.5	4.8
Interest rate swaps at fair value	0.1	0.3
	67.8	66.3

4.5 Trading properties**Accounting policy**

Trading properties are properties acquired or developed and held for sale and are shown at the lower of cost or net realisable value. The cost of trading properties are those costs directly associated with the acquisition and development of a specific site. Net realisable value is the estimated selling price in the ordinary course of business less estimated costs to completion and the estimated costs necessary to make the sale.

Sales of trading properties are recognised in the accounts on the date of unconditional exchange or where an exchange is conditional, on the date that conditions have been satisfied and where there is a confirmed date for completion.

	2019 £m	2018 £m
Opening balance	16.6	39.9
Disposals	(1.0)	(23.3)
Closing balance	15.6	16.6

4.6 Post balance sheet events

On 24 January 2020 the Group acquired 80% of the share capital of Velocity1 Limited, having previously held 20%, for the consideration of £1. The Group's 20% investment was held at £nil at the year end.

In early 2020 a highly infectious new disease, Covid-19, emerged which was subsequently declared a pandemic. Covid-19 has caused serious disruption to economic activity globally and the Group considers its emergence to be a non-adjusting post balance sheet event. Given the inherent uncertainties, it is not practicable to provide a quantitative estimate of the impact of Covid-19 on the Group at this time. A narrative assessment of the impact can be found in the Risk section.

Notes to the accounts continued

Section 5: Funding

5.1 Bank loans and other borrowings

Accounting policy – interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Borrowings are subsequently stated at amortised cost with any difference between the amount initially recognised and the redemption value being recognised in the Consolidated Income Statement over the period of the borrowings on an effective interest rate basis.

	Available facility £m	Commencement date	Expiry date	2019 £m	2018 £m
Current liabilities:					
Bank overdrafts				-	10.2
Non-current liabilities:					
Group Development Facility	560.0	2016	2021	554.5	460.0
Emerald Gardens BtR facility	39.4	2017	2026	38.6	38.4
Alto BtR facility	38.4	2018	2023	35.7	35.3
Landsby BtR facility	115.0	2019	2026	114.0	-
Homes England facility	65.0	2018	2024	56.1	15.1
W06 facility	106.6	2018	2021	89.4	47.1
E05 facility	172.6	2019	2022	64.0	-
NW09/10 facility	164.7	2019	2023	7.3	-
Parent company loan	900.0	2016	2022	804.8	582.0
Mezzanine loan through parent	240.0	2016	2021	228.0	200.7
	<u>2,401.7</u>			<u>1,992.4</u>	<u>1,378.6</u>
				<u>1,992.4</u>	<u>1,388.8</u>
Represented by:					
Bank and other loans				2,006.5	1,400.9
Unamortised borrowing costs				(14.1)	(12.1)
				<u>1,992.4</u>	<u>1,388.8</u>

The parent company loan is a £900m facility, expiring in 2022. On 20 June 2017 the charging of interest at 10% on this loan was cancelled resulting in a fair value adjustment of £299.6m being recognised in the Consolidated Statement of Changes in Equity. This fair value adjustment is amortised through the Consolidated Income Statement over the length of the facility. Additional drawdowns on this facility during 2019 have resulted in equivalent fair value adjustments of £55.0m (2018: £34.9m).

Notes to the accounts continued

Section 5: Funding continued**5.1 Bank loans and other borrowings continued**

The maturity profile of the Group's debt was as follows:

	2019 Drawn debt £m	2019 Undrawn facilities £m	2018 Drawn debt £m	2018 Undrawn facilities £m
Within one year		20.0	10.2	9.8
From one to two years	877.6	29.0	-	-
From two to three years	1,122.3	105.5	714.0	192.5
From three to five years	100.6	167.5	896.5	106.9
After five years	154.4		39.4	-
	2,254.9⁽¹⁾	322.0	1,660.1⁽¹⁾	309.2

(1) Includes the parent company loan at a face value of £1,055.2m

The cash interest rate profile of the Group's debt before interest rate swap arrangements at the Balance Sheet date was as follows:

Percent	2019 £m	2018 £m
0.0	804.8	582.0
2.0 – 3.0	190.1	75.1
3.0 – 4.0	560.0	468.3
4.0 – 5.0		10.2
5.0 – 6.0	168.5	48.2
6.0 – 7.0	55.4	16.4
7.0 +	227.7	200.7
	2,006.5	1,400.9

After taking account of interest rate swap arrangements, the risk profile of the Group's borrowings was as follows:

	2019				2018			
	Fixed	Capped	Unhedged	Total	Fixed	Capped	Unhedged	Total
	£m	£m	£m	£m	£m	£m	£m	£m
Sterling	904.8	207.9	893.8	2,006.5	682.0	198.0	520.9	1,400.9

The weighted average interest rate and the weighted average period of the Group's fixed rate debt were as follows:

	2019 %	2019 years	2018 %	2018 years
Sterling	6.1	1.1	7.3	1

Notes to the accounts continued

Section 5: Funding continued

5.1 Bank loans and other borrowings continued

Changes in liabilities from financing activities

	Derivatives used for hedging the liabilities from financing activities			
	Loans and borrowings	Finance lease liabilities	Assets	Liabilities
	£000	£000	£000	£000
Balance at 1 January 2018				
Proceeds from loans and borrowings	404.5	-	-	-
Repayment of borrowings	(20.9)	-	-	-
Payment of finance lease liabilities	-	(0.1)	-	-
Payment of loan issue costs	(3.3)	-	-	-
Total changes from financing cash flows	380.3	(0.1)	-	-
Changes in fair value	(34.9)	-	(0.4)	(0.8)
New finance leases	-	1.6	-	-
Amortisation of capitalised borrowing costs	4.4	-	-	-
Unwinding fair value adjustment on parent company loan	49.9	0.1	-	-
Interest added to loans	4.7	-	-	-
Total other changes	59.0	1.7	-	-
Balance at 31 December 2018/1 January 2019	1,378.6	3.3	0.6	0.3
Proceeds from loans and borrowings	593.5	-	-	-
Payment of finance lease liabilities	-	(0.1)	-	-
Payment for new derivatives	-	-	0.1	-
Payment of loan issue costs	(6.9)	-	-	-
Total changes from financing cash flows	586.6	(0.1)	0.1	-
Changes in fair value	(55.0)	-	(0.6)	(0.2)
IFRS16 transition adjustment	-	4.0	-	-
Amortisation of capitalised borrowing costs	4.9	-	-	-
Unwinding fair value adjustment on parent company loan	64.2	-	-	-
Interest added to loans	13.1	-	-	-
Total other changes	82.2	4.0	-	-
Balance at 31 December 2019	1,992.4	7.2	0.1	0.1

Notes to the accounts continued

Section 5: Funding continued

5.2 Maturity of contractual cash flows of financial liabilities

As at 31 December 2019	Bank loans Including interest £m	Trade and other payables £m	Interest rate swaps £m	Obligations under finance leases £m	Total £m
Within one year	51.5	10.1	0.1	0.9	62.6
From one to two years	918.4	-	-	0.9	919.3
From two to five years	1,233.2	-	-	2.1	1,235.3
From five to 25 years	161.9	-	-	3.4	165.3
After 25 years	-	-	-	24.0	24.0
	2,365.0	10.1	0.1	31.3	2,406.5

As at 31 December 2018	Bank loans Including interest £m	Trade and other payables £m	Interest rate swaps £m	Obligations under finance leases £m	Total £m
Within one year	46.0	2.2	0.3	0.1	48.6
From one to two years	35.9	-	-	0.1	36.0
From two to five years	1,627.0	-	-	0.2	1,627.2
From five to 25 years	58.1	-	-	1.9	60.0
After 25 years	-	-	-	24.1	24.1
	1,767.0	2.2	0.3	26.4	1,795.9

As at 31 December 2019 the fair values of the Group's financial assets and liabilities were materially equal to their book values.

5.3 Financial instruments

Accounting policy**Derivative financial instruments**

The Group uses derivative financial instruments to manage its interest rate risk. These financial instruments are recognised initially at fair value and subsequently re-measured at fair value.

i) Interest rate swaps

As at 31 December 2019, the maturity profile of the Group's interest rate swaps, which were not designated as hedging instruments with therefore all fair value movements taken to the Consolidated Income Statement, was as follows:

	2019 £m	2018 £m
Within one year	100.0	-
From one to two years	-	100.0
	100.0	100.0

The weighted average contract rate was 1.18% (2018: 1.18%).

Notes to the accounts continued

Section 5: Funding continued

5.3 Financial instruments continued

ii) Interest rate caps

As at 31 December 2019, the maturity profile of the Group's interest rate caps, which were not designated as hedging instruments with all fair value movements therefore taken to the Consolidated Income Statement, was as follows:

	2019 £m	2018 £m
Within one year	-	-
From one to two years	198.0	-
From two to five years	9.9	198.0
	207.9	198.0

The weighted average contract rate was 1.5% (2018: 1.6%).

5.4 Financial risk factors

The Group is exposed to the following types of risk from its use of financial instruments:

Credit risk (see note 4.3)
Liquidity risk
Market risk
Foreign exchange risk

This note presents information about the nature of the Group's exposure, its objectives, policies and processes for measuring and managing risk and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

The Board has overall responsibility for the establishment and oversight of the Group's risk management framework as described in the Risk Management section of the Annual Report.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group's Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as these fall due.

Cash levels are monitored to ensure sufficient resources are available to meet the Group's operational requirements. The Group has a £20m overdraft facility to manage day to day cash movements. Surplus cash is used to reduce the overdraft.

The Group's policy is to finance its activities using equity, debt financing from the parent and medium term external debt, the proportions depending on the profile of the operational and financial risks to the business.

Notes to the accounts continued

Section 5: Funding continued

5.4 Financial risk factors continued

Market risk

In relation to the Group, market risk arises mainly from the impact that changes in interest rates might have on the Group's cost of borrowing. Excluding amortisation of arrangement fees, the weighted average rate of interest relating to the Group's debt as at 31 December 2019 was 6.1% (2018: 7.3%).

The Group does not speculate in treasury products and only uses these to limit the impact of potential interest rate fluctuations. For borrowings at floating rates of interest, financial instruments are used to hedge the exposure to interest rate fluctuations. As at 31 December 2019 55.4 % (2018: 62.8%) of the Group's net debt was fixed or covered by interest rate swaps and caps. Further information on the Group's financial instruments is given in note 5.3.

As at the year end, the fair values of the Group's outstanding derivative financial instruments, as shown in note 4.4 and caps in note 4.2, have been estimated by Wells Fargo Securities International Limited and Goldman Sachs International, by calculating the present value of future cash flows, using appropriate market discount rates, representing Level 2 fair value measurements as defined by IFRS 13, 'Fair Value Measurements'. The investments held at fair value as presented in note 4.1 consist of investments where quoted prices are available but in markets that are not considered active; therefore these are considered Level 3 fair value measurements. All other financial liabilities and assets are deemed to be Level 3.

The corporate debt facility has a 57.14% LTV covenant which must be met. As at 31 December 2019 the LTV was 34.3% on the senior debt and 49.8% on the mezzanine (2018: 32.8% senior, 46.8% mezzanine). There is also a requirement to maintain income generating assets and before any drawdown the Group must satisfy an ongoing liquidity test to demonstrate that the Group can fund all projects where the main construction contract has been placed. The BtR debt facilities have LTV covenants and a debt service cover ratio which must be complied with. The Homes England debt has loan to infrastructure cost, loan to GDV and debt to value covenants. The W06 facility has an LTV covenant. All debt covenants have been complied with throughout the year.

Capital management

The Board's policy is to maintain a strong capital base to sustain the future development of the business. Capital consists of ordinary shares, parent company loans, other capital reserves and retained earnings.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements other than those referred to above in connection with the Group's financing arrangements.

Foreign exchange risk

The business has operations in the Republic of Ireland which transact business denominated mostly in euros, hence there is currency exposure caused by translating the local trading performance and local net assets into sterling for each financial period and at each Balance Sheet date. The exposure is not considered material to the Group's operations and no hedging of currency risk is undertaken.

5.5 Share capital

Allotted, called up and fully paid:

In issue as at 1 January 2018, 1 January 2019 and 31 December 2019

Number of Ordinary shares	Nominal value £
2	2

Notes to the accounts continued

Section 6: Staff costs, key management and employee benefits

6.1 Staff costs and numbers

Staff costs are included in both cost of sales and administrative expenses. Gross staff costs were as follows:

	2019 £m	2018 £m
Wages and salaries	18.0	15.2
Social security costs	2.4	2.0
Pension costs	1.0	0.7
Employment termination costs	0.1	0.1
Other employment costs	0.8	0.8
	22.3	18.8
Cost of sales	6.3	3.7
Administrative expenses	16.0	15.1
	22.3	18.8

Contributions to employees' personal pension plans are charged to the Consolidated Income Statement as incurred.

The average number of persons employed by the Group during the year was as follows:

	2019	2018
Total	147	116

Staff are allocated between cost of sales and administrative expenses as follows:

	2019	2018
Cost of sales	72	50
Administrative expenses	75	66
	147	116

6.2 Directors' remuneration

The remuneration of the directors, who are the key management personnel of the Group, is set out below in aggregate for each of the applicable categories specified in IAS 24, 'Related Party Disclosures'.

	2019 £m	2018 £m
Short-term employee benefits	3.1	2.3
Post-employment benefits	0.1	0.1
Directors' remuneration included in administrative expenses (note 2.2)	3.2	2.4

The members of the Board are the only key management personnel as defined under IAS 24.

Notes to the accounts continued

Section 7: Company financial statements

7.1 Company income statement

For the year ended 31 December 2019

	Notes	2019 £m	2018 £m
Revenue		13.2	-
Cost of sales		-	-
Gross profit		13.2	-
Administrative expenses		-	-
Operating profit		13.2	-
(Impairment)/write back of investment	7.8	(66.6)	182.6
Finance income	7.7	61.0	57.0
Finance expenses	7.7	(114.7)	(94.1)
(Loss)/profit before tax		(107.1)	145.5
Tax charge for the year		-	-
(Loss)/profit from continuing operations		(107.1)	145.5
(Loss)/profit for the financial year		(107.1)	145.5

The notes on pages 51 to 57 are an integral part of these financial statements.

Notes to the accounts continued

Section 7: Company financial statements continued

7.2 Company balance sheet

As at 31 December 2019

Non-current assets

Fixed asset investments

Current assets

Debtors

Cash at bank and in hand

Creditors: amounts falling due within one year

Net current assets

Total assets less current liabilities

Creditors: amounts falling due after more than one year

Net assets**Capital and reserves**

Called up share capital

Share premium account

Profit and loss account

Fair value reserve

Shareholder's funds

Notes	2019 £m	2018 £m
7.8	745.1	745.1
	745.1	745.1
7.9	1,014.3	739.5
	7.9	-
	1,022.2	739.5
7.10	(0.1)	(9.9)
	1,022.1	729.6
	1,767.2	1,474.7
7.11	(1,587.3)	(1,242.7)
	179.9	232.0
7.14	-	-
	1.0	1.0
	(210.6)	(103.5)
	389.5	334.5
	179.9	232.0

The notes on pages 51 to 57 are an integral part of these financial statements.

Approved by the Board of Directors on 19 June 2020 and signed on its behalf by:

Philip Slavin
Director


UK Establishment number: BR018903

Company number: 119100

Notes to the accounts continued

Section 7: Company financial statements continued**7.3 Company statement of changes in equity**

For the year ended 31 December 2019

	Share capital £m	Share premium £m	Fair value reserve £m	Retained earnings £m	Equity shareholders' funds £m
Balance 1 January 2019	-	1.0	334.5	(103.5)	232.0
Loss for the year	-	-	-	(107.1)	(107.1)
Total comprehensive income for the year	-	-	-	(107.1)	(107.1)
Fair value adjustment of parent company loan note	-	-	55.0	-	55.0
Balance as at 31 December 2019	-	1.0	389.5	(210.6)	179.9

	Share capital £m	Share premium £m	Fair value reserve £m	Retained earnings £m	Equity shareholders' funds £m
Balance 1 January 2018	-	1.0	299.6	(249.0)	51.6
Profit for the year	-	-	-	145.5	145.5
Total comprehensive income for the year	-	-	-	145.5	145.5
Fair value adjustment of parent company loan note	-	-	34.9	-	-
Balance as at 31 December 2018	-	1.0	334.5	(103.5)	232.0

7.4 Company Statement of Other Comprehensive Income

For the year ended 31 December 2019

	2019 £m	2018 £m
(Loss)/profit for the financial year	(107.1)	145.5
Total comprehensive (loss)/profit for the year	(107.1)	145.5

All other comprehensive income may be reclassified as profit and loss in the future.

The notes on pages 51 to 57 are an integral part of these financial statements.

Notes to the accounts continued

Section 7: Company financial statements continued

7.5 Profit for the year

Amounts paid to the Company's auditor in respect of the services to the Company, other than as the auditor of the Company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis in note 2.5 of the Group financial statements.

The Company had no employees in the year (2018: none).

7.6 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements:

i) Basis of preparation

The company financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules except that other fixed asset investments and derivative financial instruments have been stated at fair value. They have been prepared in accordance with United Kingdom Accounting Standards, including Financial Reporting Standard 101 *Reduced Disclosure Framework* ("FRS 101"). The financial statements are presented in Sterling.

The Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- a Cash Flow Statement and related notes;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;
- Disclosures in respect of the compensation of Key Management Personnel; and
- Comparative period reconciliation of Share Capital

As the consolidated financial statements of the Company include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- Certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures.

The adoption of IFRS16 has had no material impact on the financial statements.

ii) Going concern

The Company's financial statements have been prepared on a going concern basis which assumes that the Company will continue to meet its liabilities as these fall due. As the Company is party to the loan arrangements of the Group similar risks and uncertainties apply and therefore the going concern paragraphs in section 1.2 of the Group financial statements are equally relevant to the Company.

iii) Investments

Investments in subsidiaries, joint ventures and associates are held in the Company balance sheet at cost and reviewed for impairment.

Other investments are shown at fair value. Revaluation movements are recognised through other comprehensive income, unless the investment is impaired and revaluation movements are recognised in the income statement.

iv) Impairment of non-financial assets

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Notes to the accounts continued

Section 7: Company financial statements continued

7.6 Accounting policies continued

v) Revenue

Revenue represents dividend income from investments. Dividend income is recognised when the right to receive payment is established.

vi) Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred taxation is recognised, without discounting, for all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date. Deferred tax assets are recognised to the extent that they are considered recoverable.

vii) Financial instruments

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). The only material debtors held by the Company are from other Group entities and are repayable on demand. Therefore the current financial position of the subsidiary is integral in determining the ECL.

Cash at bank and in hand

Cash at bank and in hand consists of cash in hand, deposits with banks and other short term, highly liquid investments with original maturities of three months or less.

Creditors: amounts falling due within one year

Creditors due within one year are non-interest bearing and are recognised at invoiced amounts.

Creditors: amounts falling due after more than one year

These creditors consist of interest bearing borrowings, which are recognised initially at fair value less attributable transaction costs. Borrowings are subsequently stated at amortised cost with any difference between the amount initially recognised and the redemption value being recognised in the income statement over the period of the borrowings on an effective interest rate basis.

viii) Guarantees

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of obligations of its subsidiaries, the guarantee contract is treated as a contingent liability until such time as it becomes probable that the guarantor will be required to make payments under the guarantee.

Notes to the accounts continued

Section 7: Company financial statements continued**7.7 Net finance expenses**

	2019 £m	2018 £m
Interest on bank debt and associated swaps	43.9	36.5
Interest on parent entity debt	64.2	49.8
Interest paid on balances with group undertakings	6.6	7.8
	114.7	94.1
Interest received on balances with group undertakings	(61.0)	(57.0)
Net finance expenses	53.7	37.1

7.8 Fixed asset investments

Cost	2019 £m	2018 £m
Brought forward	745.1	562.5
Additions	66.6	-
Impairment (charge)/write back	(66.6)	182.6
Balance at 31 December 2019	745.1	745.1

All investments are held at cost less any impairments to date.

Subsidiaries:

	Principal activity	% of share capital held by:	
		Company	Subsidiary
Incorporated in the United Kingdom:			
BQL Limited	Dormant		100%
BQL Brighton Limited	Dormant		100%
Chesterfield Investments (No.5) Limited	Property investment		100%
Chesterfield (No.40) Limited	Dormant		100%
Chesterfield (No.41) Limited	Dormant		100%
Chesterfield Properties Limited	Property investment		100%
Chestergrove Limited	Dormant		100%
Disknote Limited	Dormant		100%
English & Overseas Investments Limited	Investment holding		100%
English & Overseas Properties Limited	Investment holding		100%
Epic Commercial Properties Limited	Dormant		100%
Estates Property Investment Company (Holdings) Limited	Dormant		100%
Estates Property Investment Company Limited	Dormant		100%
Flatplate Limited	Investment holding		100%
Fulton Road Limited	Property investment		100%
Gideon 1 Limited	Dormant		100%
Gideon 2 Limited	Dormant		100%
Gideon 3 Limited	Dormant		100%
Gideon 4 Limited	Dormant		100%
Giltvote Limited	Dormant		100%
GPRL GP Retail Limited	Dormant		100%
HHW Hotel 2 Limited	Dormant		100%
Letterbag Limited	Property investment		100%
Listed Offices Limited	Property investment		100%
London Designer Outlet Limited Partnership	Property investment		100%
Orderthread Limited	Dormant		100%

Notes to the accounts continued

Section 7: Company financial statements continued

7.8 Fixed asset investments continued

	Principal activity	% of share capital held by: Company	Subsidiary
Permitobtain Limited	Property investment		100%
QCC Holdings Limited	Investment holding		100%
QL Management Holdings Limited	Investment holding		100%
Qoin Limited	Property investment		100%
Quintain (Holdings) Limited	Investment holding		100%
Quintain (Juniper Close) Limited	Property investment		100%
Quintain (Kingston) Limited	Investment holding		100%
Quintain (Manchester) Limited	Property investment		100%
Quintain (No.18) Limited	Property investment		100%
Quintain (No.19) Limited	Dormant		100%
Quintain (Wembley) Limited	Dormant		100%
Quintain (Wembley Retail Park) Limited	Property investment		100%
Quintain Limited	Investment holding	100%	
Quintain Alto Limited	Property investment		100%
Quintain Alto Developments Limited	Property investment		100%
Quintain Alto Holdco Limited	Investment holding		100%
Quintain Alto Investor Limited	Investment holding		100%
Quintain Alto Investment Holdco Limited	Investment holding		100%
Quintain Alto Investment Company Limited	Investment holding		100%
Quintain Alto Residential Limited	Management		100%
Quintain Birmingham Limited	Investment holding		100%
Quintain City Park Gate Birmingham Limited	Property investment and trading		100%
Quintain Development Management Services Limited	Management		100%
Quintain DM Limited	Dormant		100%
Quintain Investments (04) Limited	Property investment		100%
Quintain Investments (Allen House) Limited	Asset Management		100%
Quintain LDO (No.1) Limited	Investment holding		100%
Quintain LDO (No.2) Limited	Investment holding		100%
Quintain LDO (General Partner) Limited	Investment holding		100%
Quintain LDO (Nominee) Limited	Investment holding		100%
Quintain London Limited	Property investment		100%
Quintain North West Lands Limited	Property investment		100%
Quintain NW01 Limited	Property investment		100%
Quintain NW01 Developments Limited	Property investment		100%
Quintain NW01 Holdco Limited	Investment holding		100%
Quintain NW01 Investment Holdco Limited	Investment holding		100%
Quintain NW01 Investment Company Limited	Investment holding		100%
Quintain NW01 Investor Limited	Investment holding		100%
Quintain Projects Limited	Development management		100%
Quintain Services Limited	Management		100%
Quintain W05 (Groundlease) Limited	Property investment		100%
Quintain W07 (Groundlease) Limited	Property investment		100%
Quintain W10 (Groundlease) Limited	Property investment		100%
Quintain Wembley (Holdings) Limited	Dormant		100%
Quintain Wembley Hotel Properties Limited	Dormant		100%
Quintain Wembley Trading Estates Limited	Property investment		100%
Quintain Wembley W11 Limited	Property investment		100%
Quintessential Homes (Wembley) LLP	Property investment		100%
Quondam Estates Investments Limited	Dormant		100%
Quondam Properties Limited	Investment holding		100%
QW Asset Management Limited	Investment holding		100%
QWR Investments E05 Limited	Property investment		100%

Notes to the accounts continued

Section 7: Company financial statements continued

7.8 Fixed asset investments continued

Principal activity	Company by: % of share capital held	Subsidiary
Property investment	100%	QWR Properties E01 Limited
Property investment	100%	QWR Properties E03 Limited
Property investment	100%	QWR Properties NW07 Limited
Property investment	100%	QWR Properties NW09 Limited
Property investment	100%	QWR Properties SW03a Limited
Property investment	100%	QWR Properties W03 Limited
Property investment	100%	QWR Properties W06 Limited
Property investment	100%	South East Properties (Redhill) Limited
Dormant	100%	Timberlane Limited
Property investment	100%	Tipi Homes Limited
Property management	100%	Tipi Properties Limited
Investment holding	100%	Tipi Properties Holdco Limited
Investment holding	100%	Tipi Properties NW01 Limited
Investment holding	100%	Tipi Properties NW01 Finance Limited
Investment holding	100%	Tipi Properties NW01 Holdco Limited
Investment holding	100%	Tipi Properties NW01 Investments Limited
Investment holding	100%	Tipi Properties NW06 Limited
Investment holding	100%	Tipi Properties NW06 Finance Limited
Investment holding	100%	Tipi Properties NW06 Holdco Limited
Investment holding	100%	Tipi Properties NW06 Investments Limited
Investment holding	100%	Wembley (Red House) Limited
Property investment	100%	Wembley E01 Investments Limited
Property investment	100%	Wembley E03 Energy Investments Limited
Property investment	100%	Wembley E03 Investments Limited
Property investment	100%	Wembley E03 Parking Limited
Property investment	100%	Wembley E05 Finance Holdings Limited
Property investment	100%	Wembley E05 Holdings Limited
Property investment	100%	Wembley E05 Investments Limited
Property investment	100%	Wembley E05 Parking Limited
Property investment	100%	Wembley E05 Retail Investments Limited
Property investment	100%	Wembley Groundlease Limited
Investment holding	100%	Wembley Infrastructure Finance Limited
Investment holding	100%	Wembley Infrastructure Holdings Limited
Investment holding	100%	Wembley NW07 Finance Holdings Limited
Investment holding	100%	Wembley NW07 Holdings Limited
Investment holding	100%	Wembley NW07 Investments Limited
Investment holding	100%	Wembley NW09 Finance Holdings Limited
Investment holding	100%	Wembley NW09 Holdings Limited
Investment holding	100%	Wembley NW09 Investments Limited
Property investment	100%	Wembley NW11 Investments Limited
Property investment	100%	Wembley Office Investments W06A Limited
Property investment	100%	Wembley Park Limited
Property investment	100%	Wembley Park Estate Management Company Limited
Management	100%	Wembley Park Parking Limited
Dormant	100%	Wembley Park Residential Limited
Property investment	100%	Wembley Retail Investments Limited
Property investment	100%	Wembley Retail Investments E01 Limited
Property investment	100%	Wembley Retail Investments E03 Limited
Property investment	100%	Wembley Retail Investments NW09 Limited
Property investment	100%	Wembley Retail Investments SW03 Limited
Property investment	100%	Wembley Retail Investments W06 Limited
Property investment	100%	Wembley Retail Investments W06A Limited
Property investment	100%	Bailey Acquisitions Limited

Notes to the accounts continued

Section 7: Company financial statements continued**7.8 Fixed asset investments continued**

	Principal activity	% of share capital held by: Company	Subsidiary
Wembley SE01 Investments Limited	Property investment		100%
Wembley SW03a Investments Limited	Property investment		100%
Wembley W03 Investments Limited	Property investment		100%
Wembley W03 Retail Investments Limited	Property investment		100%
Wembley W06 Finance Holdings Limited	Investment holding		100%
Wembley W06 Holdings Limited	Investment holding		100%
Wembley W06A Commercial Investments Limited	Property investment		100%
Wembley W06B Investments Limited	Property investment		100%

7.9 Debtors

	2019 £m	2018 £m
Amounts due from subsidiary undertakings	1,013.3	738.5
Amounts due from parent undertaking	1.0	1.0
	1,014.3	739.5

Amounts due from subsidiaries bear interest at variable rates and are repayable on demand.

7.10 Creditors: amounts falling due within one year

	2019 £m	2018 £m
Accruals and deferred income	0.1	-
Bank overdrafts	-	9.9
	0.1	9.9

7.11 Creditors: amounts falling after more than one year

	2019 £m	2018 £m
Group development facility	554.5	460.0
Parent company loan	804.8	582.0
Mezzanine loan through parent company	228.0	200.7
	1,587.3	1,242.7

7.12 Borrowings

	2019 £m	2018 £m
Due within one year	-	-
Between one and two years	782.5	-
Between two and five years	804.8	1,242.7
Greater than five years	-	-
	1,587.3	1,242.7

The Company's borrowings are secured by floating rate charges over the assets of its subsidiaries.

Notes to the accounts continued

Section 7: Company financial statements continued

7.13 Financial assets and liabilities

All financial assets and liabilities have the same book value and fair value. Details of financial assets and liabilities are shown in section 4.

7.14 Share capital and reserves

Share capital

	Number of Ordinary shares	Nominal value £
Allotted, called up and fully paid:		
In issue as at 1 January 2018, 1 January 2019 and 31 December 2019	2	2

7.15 Related party disclosures

The Company has taken the exemption permitted in FRS 101 not to disclose transactions with its wholly owned subsidiaries.

7.16 Commitments

The Company had no material lease or other commitments at 31 December 2019.

7.17 Directors' benefits

Details of the directors' emoluments, pension contributions and entitlements to share options and rights are set out in Note 6.2.

7.18 Controlling party

The Company was incorporated as a subsidiary of LSREF IV Bailey Midco DAC, an investment vehicle indirectly controlled by Lone Star Real Estate Fund IV. On 20 October 2016, the Company was acquired by Bailey Acquisitions Holdings Limited, another investment vehicle indirectly controlled by Lone Star Real Estate Fund IV. The groups in which the results of the Company are consolidated are those headed by Bailey Acquisitions Limited and Quintain Finance Limited.