

Registered number: 02826664

## QUONDAM ESTATES II LIMITED

### DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 DECEMBER 2016

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**QUONDAM ESTATES II LIMITED**

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**COMPANY INFORMATION**

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<b>Directors</b>	A A Dodd M B Jenkins J M E Saunders
<b>Company secretary</b>	F V Heazell
<b>Registered number</b>	02826664
<b>Registered office</b>	43-45 Portman Square London W1H 6LY
<b>Independent auditor</b>	KPMG LLP 15 Canada Square Canary Wharf London E14 5GL

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**QUONDAM ESTATES II LIMITED**

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**QUONDAM ESTATES II LIMITED**

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**DIRECTORS' REPORT  
FOR THE PERIOD ENDED 31 DECEMBER 2016**

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The directors present their report and the financial statements for the 9 month period ended 31 December 2016.

On 28 October 2016 Bailey Acquisitions Limited, a group member, undertook a refinancing. As a result of the new financing arrangements, the Company is a guarantor to the facility and the lenders have taken first charge security over the Company.

**Directors**

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

M D James (resigned 27 June 2016)  
N J Kempner (resigned 19 July 2016)  
S G Carter (appointed 26 May 2015, resigned 13 January 2017)  
A A Dodd (appointed 27 June 2016)  
M B Jenkins (appointed 13 January 2017)  
J M E Saunders (appointed 13 January 2017)

**Disclosure of information to auditor**

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

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

**Auditor**

Under section 487(2) of the Companies Act 2006, KPMG LLP are deemed to be reappointed as auditor.

**Small companies note**

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

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



**M B Jenkins**  
Director

Date: 26/9/16

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**QUONDAM ESTATES II LIMITED**

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**DIRECTORS' RESPONSIBILITIES STATEMENT  
FOR THE PERIOD ENDED 31 DECEMBER 2016**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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## QUONDAM ESTATES II LIMITED

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### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF QUONDAM ESTATES II LIMITED

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We have audited the financial statements of Quondam Estates II Limited for the period ended 31 December 2016, set out on pages 5 to 14. The relevant financial reporting framework that has been applied in their preparation is applicable law and the United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework'.

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

#### **Respective responsibilities of Directors and Auditor**

As explained more fully in the Directors' responsibilities statement on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

#### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

#### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2016 and of its loss for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### **Opinion on other matters prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial year is consistent with the financial statements.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Directors' report:

- we have not identified material misstatements in that report; and
- in our opinion, that report has been prepared in accordance with the Companies Act 2006.

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QUONDAM ESTATES II LIMITED

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF QUONDAM ESTATES II LIMITED  
(CONTINUED)

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**Matters on which we are required to report by exception**

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies' regime and take advantage of the small companies' exemption in preparing the Directors' report and take advantage of the small companies' exemption from the requirement to prepare a Strategic report.



Bill Holland (Senior statutory auditor)

for and on behalf of  
**KPMG LLP, Statutory auditor**

Chartered Accountants

15 Canada Square  
Canary Wharf  
London  
E14 5GL

Date: 29/9/2017

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**QUONDAM ESTATES II LIMITED**

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**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE PERIOD ENDED 31 DECEMBER 2016**

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	<b>Period ended 31 December 2016 £</b>	<b>Year ended 31 March 2016 £</b>
<b>Note</b>		
Income from fixed asset investments	<b>1,370,449</b>	1,701,890
Impairment of available for sale investments	-	(4,384,819)
Loss on disposal of fixed asset investments	<b>(2,103,662)</b>	-
Interest payable and similar charges	5 <b>(1,764,760)</b>	(2,328,030)
<b>Loss before tax</b>	<b>(2,497,973)</b>	(5,010,959)
Tax on loss	6 -	-
<b>Loss for the financial period/year</b>	<b>(2,497,973)</b>	(5,010,959)
<b>Other comprehensive income</b>	-	-
<b>Total comprehensive loss for the period/year</b>	<b>(2,497,973)</b>	(5,010,959)

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



**QUONDAM ESTATES II LIMITED**  
**REGISTERED NUMBER: 02826664**

**BALANCE SHEET**  
**AS AT 31 DECEMBER 2016**

	Note	31 December 2016 £	31 March 2016 £
Investments	7	75,000	19,236,810
		<u>75,000</u>	<u>19,236,810</u>
Creditors: amounts falling due within one year	8	(23,996,939)	(40,660,776)
<b>Net current liabilities</b>		<u>(23,996,939)</u>	<u>(40,660,776)</u>
<b>Total assets less current liabilities</b>		<u>(23,921,939)</u>	<u>(21,423,966)</u>
 <b>Net liabilities</b>		 <u><u>(23,921,939)</u></u>	 <u><u>(21,423,966)</u></u>
 <b>Capital and reserves</b>			
Called up share capital	10	383	383
Profit and loss account		<u>(23,922,322)</u>	<u>(21,424,349)</u>
<b>Shareholder's deficit</b>		<u><u>(23,921,939)</u></u>	<u><u>(21,423,966)</u></u>

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

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



**M B Jenkins**  
Director

Date: 26/9/17

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

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**QUONDAM ESTATES II LIMITED**

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**STATEMENT OF CHANGES IN EQUITY  
FOR THE PERIOD ENDED 31 DECEMBER 2016**

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	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 April 2016	383	(21,424,349)	(21,423,966)
<b>Comprehensive loss for the period</b>			
Loss for the period	-	(2,497,973)	(2,497,973)
<b>Total comprehensive loss for the period</b>	-	(2,497,973)	(2,497,973)
<b>At 31 December 2016</b>	<b>383</b>	<b>(23,922,322)</b>	<b>(23,921,939)</b>

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 MARCH 2016**

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	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 April 2015	383	(16,413,390)	(16,413,007)
<b>Comprehensive loss for the year</b>			
Loss for the year	-	(5,010,959)	(5,010,959)
<b>Total comprehensive loss for the year</b>	-	(5,010,959)	(5,010,959)
<b>At 31 March 2016</b>	<b>383</b>	<b>(21,424,349)</b>	<b>(21,423,966)</b>

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

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## QUONDAM ESTATES II LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2016

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#### 1. Accounting policies

##### 1.1 Basis of preparation of financial statements

The current financial period has been presented for the 9 month period ended 31 December 2016 and the comparative amounts for the statement of comprehensive income, statement of changes in equity and related notes are not entirely comparable. The financial statements have been prepared under the historical cost convention, except that available for sale investments are stated at their fair value. The financial statements have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"). In preparing the financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("adopted IFRS"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The Company proposes to continue to adopt the reduced disclosure framework of FRS 101 in its next financial statements. The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies (see note 2).

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of IFRS 7 Financial Instruments: Disclosures
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements
- the requirements of IAS 7 Statement of Cash Flows
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member
- the requirements of paragraphs 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

The financial statements have been prepared on the going concern basis, notwithstanding the Company's net liabilities and net current liabilities, which the directors believe to be appropriate for the following reasons. The Company is dependent for its working capital on funds provided to it by Bailey Acquisitions Limited, a parent undertaking. Bailey Acquisitions Limited has provided the Company with an undertaking that for at least 12 months from the date of approval of these financial statements, it will continue to make available such funds as are required by the Company and in particular will not seek repayment of the amounts currently made available. This should enable the Company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment. As with any company placing reliance on other group 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. Based on this undertaking the directors believe that it remains appropriate to prepare the financial statements on a going concern basis. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

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## QUONDAM ESTATES II LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2016

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#### 1. Accounting policies (continued)

##### 1.2 Valuation of investments

Investments in debt and equity securities held by the Company are held as being available-for-sale and are stated at fair value, with any resultant gain or loss being recognised in other comprehensive income (in the fair value reserve), except for impairment losses or the reversal of previous impairment losses which are recognised in the profit or loss.

The carrying values of the Company'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 income and loss account 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 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.

Investments in associates are held at cost less provision for impairment.

##### 1.3 Taxation

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

Current or deferred taxation assets and liabilities are not discounted.

###### (i) Current tax

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

###### (ii) Deferred tax

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

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

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## QUONDAM ESTATES II LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2016

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

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

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

#### 3. Operating profit

Fees of £1,000 (March 2016: £1,000) paid to the Company's auditor, KPMG LLP, for the audit of the Company have been wholly borne by a parent company, Quintain Limited. This cost forms part of a group management fee from the parent in the current and prior years.

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

#### 4. Employees

The Company has no employees other than the directors, who did not receive any remuneration (March 2016 - £Nil).

#### 5. Interest payable and similar charges

	Period ended 31 December 2016 £	Year ended 31 March 2016 £
On loans from group undertakings	<u>1,764,760</u>	<u>2,328,030</u>

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QUONDAM ESTATES II LIMITED

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 DECEMBER 2016

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6. Taxation

**Factors affecting tax charge for the period/year**

The tax assessed for the period/year is higher than (March 2016: higher than) the standard rate of corporation tax in the UK of 20% (March 2016 - 20%). The differences are explained below:

	<b>Period ended 31 December 2016 £</b>	<b>Year ended 31 March 2016 £</b>
Loss before tax	<b>(2,497,973)</b>	<b>(5,010,959)</b>
Loss multiplied by standard rate of corporation tax in the UK of 20% (March 2016 - 20%)	<b>(499,595)</b>	<b>(1,002,192)</b>
<b>Effects of:</b>		
Impairment of investment	-	876,964
	<b>(8,431,589)</b>	-
Tax adjustment to partnership (losses)/profits	<b>(42,607)</b>	37,300
Surrender of group relief for nil consideration	<b>8,973,791</b>	87,928
<b>Total tax charge for the period/year</b>	<b>-</b>	<b>-</b>

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QUONDAM ESTATES II LIMITED

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 DECEMBER 2016

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7. Fixed asset investments

	Investments £
<b>Cost</b>	
At 1 April 2016	46,215,997
Disposals	(46,140,997)
At 31 December 2016	75,000
<b>Impairment</b>	
At 1 April 2016	26,979,187
Impairment on disposals	(26,979,187)
At 31 December 2016	-
<b>Net book value</b>	
At 31 December 2016	75,000
At 31 March 2016	19,236,810

Quondam Estates II Limited has entered into a limited partnership agreement with Aviva known as the Quercus Property Partnership (the Partnership), a business set up for the investment purpose to acquire and hold investment properties with index-linked cash flows. On 6 July 2004, a Jersey Property Unit Trust was established with the Partners transferring their interests offshore into the Quercus Healthcare Property Unit Trust. Partners are issued units in proportion to the capital contributions they make to the Partnership via the Quercus Healthcare Property Unit Trust (the Unit Trust).

At 31 March 2016 the Company held an 11.73% interest in the Unit Trust.

On 21 October 2016 the Unit Trust was sold. Total consideration received was £17,058,148.

The Company holds a 50% associate interest in the Aqua Trust, which entitles the Company to 50% of the income stream and reversionary values of the investment properties within the Trust. The income stream due to the Company at 31 December 2016 was £Nil (March 2016: £Nil). The historical cost of the Aqua Trust investment is £75,000.

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QUONDAM ESTATES II LIMITED

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 DECEMBER 2016

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8. Creditors: amounts falling due within one year

	31 December 2016 £	31 March 2016 £
Amounts owed to group undertakings	23,996,939	40,626,542
Amounts owed to other participating interests	-	34,234
	<u>23,996,939</u>	<u>40,660,776</u>

Amounts owed to group undertakings bear interest at variable rates and are repayable on demand.

9. Deferred taxation

The Company has an unrecognised deferred tax asset made up of unrealised valuation losses of £Nil (March 2016: £5,304,563).

The deferred tax asset was not recognised to reflect the Group Policy to group relieve profits and losses for nil consideration.

The unrecognised deferred tax asset crystallised on the sale of the interest in the Quercus Healthcare Property Unit Trust.

On March 16 2016 the chancellor announced a reduction in the Corporation Tax Rate to 17% effective from 1 April 2020. This was substantively enacted 6 September 2016 this will reduce the Company's future tax liability accordingly.

10. Share capital

	31 December 2016 £	31 March 2016 £
Authorised, allotted, called up and fully paid		
38,317 Ordinary shares of £0.01 each	<u>383</u>	<u>383</u>



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**QUONDAM ESTATES II LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 DECEMBER 2016**

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**11. Controlling party**

At 31 December 2016 the Company's immediate parent was Quondam Properties Limited, registered address 43-45 Portman Square, London W1H 6LY, a subsidiary of Bailey Acquisitions Limited, registered address 44 Esplanade, St Helier, Jersey, JE4 9WG. The only group in which results of the Company are consolidated is that headed by Bailey Acquisitions Limited. Group financial statements are available on request from 43-45 Portman Square, London W1H 6LY. The ultimate controlling party is Lone Star Real Estate Fund IV, an entity incorporated in Bermuda.