

Registered number: 02950066

QUINTAIN SERVICES LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019



QUINTAIN SERVICES LIMITED

COMPANY INFORMATION

Directors	J M E Saunders M B Jenkins P S Slavin
Company secretary	F V Heazell
Registered number	02950066
Registered office	180 Great Portland Street London W1W 5QZ
Independent auditor	KPMG LLP 15 Canada Square Canary Wharf London E14 5GL

QUINTAIN SERVICES LIMITED

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QUINTAIN SERVICES LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

Principal activities and business review

The principal activity of the Company is the provision of management services to the Quintain group under an agreement with a parent company, Quintain Limited.

The results for the year and the financial position at the year end were considered satisfactory by the directors.

Key performance indicators, principal risks and uncertainties

The key risk facing the Company is the loss of key individuals employed by the company who perform services for the Quintain group ("the group"). The group's ongoing recruitment programme and long term incentive and remuneration packages seek to mitigate this.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company has amounts due from a parent Quintain Limited, which has net assets of £745.1m. The Company monitors this risk in line with its internal framework and takes necessary action where required.

Going concern

As described in note 1.1 there is a material uncertainty over the Company continuing as a going concern. The net assets of the Company form part of the security held by lenders of the Quintain group. Given the potential impacts of COVID19 and the requirement for the group to refinance certain debt facilities there is an increased risk regarding the continued availability of sufficient funding to the group, and therefore the Company.

Liquidity risk

Liquidity risk is the risk that the Company and the assets of the Company are finite. The Company has no debt instruments. The Company has taxation and trade creditor obligations, of which the current asset position is greater in the event of a liquidity call. The Company monitors this risk in line with its internal framework and takes necessary action where required.

QUINTAIN SERVICES LIMITED

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019**

Market risk

Currency risk:

The Company is not exposed to currency risk as all its financial instruments are denominated in Pounds Sterling.

Interest rate risk:

Intercompany debtors are interest free and therefore the Company is not exposed to interest rate risk.

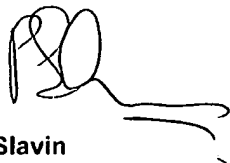
Brexit risk:

Following the UK's decision to leave the European Union and subsequent ongoing negotiations, a great deal of uncertainty exists regarding the future economic implications. The Directors have evaluated the risks to the Company and do not believe them to be significant, however they continue to closely monitor developments and consider the potential implications.

Covid19:

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

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



P S Slavin
Director

Date: 17 July 2020

QUINTAIN SERVICES LIMITED

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

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

Results and dividends

The profit for the year, after taxation, amounted to £1,611,043 (2018 - £915,833).

During the year the Directors recommended the dividend payment of £nil (2018 - £4,861,394).

Directors

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

A A Dodd (resigned 7 November 2019)
J M E Saunders
M B Jenkins
P S Slavin (appointed 13 February 2020)

Disclosure of information to auditor

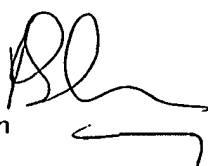
Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- 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

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

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


P S Slavin
Director

Date: 17 July 2020

QUINTAIN SERVICES LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

The directors are responsible for preparing the Strategic report, 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 FRS 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;
- assess the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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

QUINTAIN SERVICES LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF QUINTAIN SERVICES LIMITED

Opinion

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

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit for the period then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Material uncertainty related to going concern

We draw your attention to note 1.1 in 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 1.1, constitute material uncertainties that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Strategic report and directors' report

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

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

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

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

QUINTAIN SERVICES LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF QUINTAIN SERVICES LIMITED

Directors' responsibilities

As explained more fully in their statement set out on page 4, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

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

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



Richard Long (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
15 Canada Square
Canary Wharf
London
E14 5GL

Date: 31 July 2020

QUINTAIN SERVICES LIMITED

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

	Note	2019 £	2018 £
Turnover	3	28,614,443	19,400,842
Cost of sales		<u>(25,843,997)</u>	<u>(18,487,895)</u>
Gross profit		2,770,446	912,947
Interest receivable and similar income		1,068	2,886
Interest payable and expenses	7	<u>(226,496)</u>	<u>-</u>
Profit before tax		2,545,018	915,833
Tax on profit	8	<u>(933,975)</u>	<u>-</u>
Profit for the financial year		1,611,043	915,833
Other comprehensive income		-	-
Total comprehensive income for the year		<u>1,611,043</u>	<u>915,833</u>


The notes on pages 10 to 22 form part of these financial statements.

QUINTAIN SERVICES LIMITED
REGISTERED NUMBER: 02950066

BALANCE SHEET
AS AT 31 DECEMBER 2019

	Note	2019 £	2018 £
Tangible assets	9	2,942,028	-
		<u>2,942,028</u>	<u>-</u>
Current assets			
Debtors: amounts falling due within one year	10	17,747,927	10,135,113
Bank and cash balances			638
		<u>17,747,927</u>	<u>10,135,751</u>
Creditors: amounts falling due within one year	11	(15,013,772)	(8,602,014)
Net current assets		<u>2,734,155</u>	<u>1,533,737</u>
Total assets less current liabilities		<u>5,676,183</u>	<u>1,533,737</u>
Creditors: amounts falling due after more than one year	12	(2,531,402)	-
		<u>3,144,781</u>	<u>1,533,737</u>
Net assets		<u><u>3,144,781</u></u>	<u><u>1,533,737</u></u>
Capital and reserves			
Called up share capital	14	2	2
Profit and loss account		<u>3,144,779</u>	<u>1,533,735</u>
Shareholder's funds		<u><u>3,144,781</u></u>	<u><u>1,533,737</u></u>

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



P S Slavin
Director

Date: 17 July 2020

The notes on pages 10 to 22 form part of these financial statements.

QUINTAIN SERVICES LIMITED

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

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 January 2019	2	1,533,735	1,533,737
Comprehensive income for the year			
Profit for the year	-	1,611,043	1,611,043
Total comprehensive income for the year	-	1,611,043	1,611,043
At 31 December 2019	2	3,144,778	3,144,780

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

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 January 2018	2	5,479,296	5,479,298
Comprehensive income for the year			
Profit for the year	-	915,833	915,833
Total comprehensive income for the year	-	915,833	915,833
Dividend paid	-	(4,861,394)	(4,861,394)
Total transactions with owners	-	(4,861,394)	(4,861,394)
At 31 December 2018	2	1,533,735	1,533,737

The notes on pages 10 to 22 form part of these financial statements.

QUINTAIN SERVICES LIMITED

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

1. Accounting policies

1.1 Basis of preparation of financial statements

The financial statements have been prepared 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 financial statements have been prepared under the historical cost convention. The prior year figures have been reclassified to disclose the administrative expenses as part of cost of sale in the current year. The reclassification of the prior year figures has had no impact on the total comprehensive income and/or shareholders' funds.

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

- the requirements of paragraphs 45(b) and 46-52 of IFRS 2 Share based payment
- the requirements of IFRS 7 Financial Instruments: Disclosures
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
 - paragraph 79(a)(iv) of IAS 1;
 - paragraph 73(e) of IAS 16 Property, Plant and Equipment;
- 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 Company is a member of the Bailey Acquisitions Limited group ('the Group').

As at 31 December 2019 the Company has net current assets of £2,734,155 and net assets of £3,144,781. However, the Company's only trading activity is providing services to the Group. Further the Company has receivables due from other Group companies as disclosed in note 10. Therefore, in assessing the Company's ability to continue as a going concern the Directors have therefore considered the ability of the Group to continue as a going concern.

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

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

QUINTAIN SERVICES LIMITED

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

1. Accounting policies (continued)

(continued)

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 29 June 2020 was 34.77% and is expected to increase as projects are completed over the coming year. It is possible the Group's property values will reduce, and the LTV covenant be exceeded, at a future measurement date. Should the LTV be exceeded the Group has cure rights through the injection of funds to reduce the LTV. The Group continues to closely monitor its LTV position and is in regular communication with its lenders accordingly.

Based on inquiries the Directors have made of the Board of the Group, the Directors are confident that refinancing can be achieved. However, there can be no certainty this will be the case. Should this not be the case then the Group will request an equity injection from its ultimate parent.

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

1.2 Revenue

Turnover is stated net of VAT and comprises management fees receivable. Revenue is recognised on an accruals basis when services are provided.

QUINTAIN SERVICES LIMITED

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

1. Accounting policies (continued)

1.3 Leases

The Company has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17.

At the inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

As a lessee

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise of rental payments as per the lease agreement signed with the lessor. The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, to the extent that the right-of-use asset is reduced to nil, with any further adjustment required from the remeasurement being recorded in profit or loss.

The Company presents right-of-use assets that do not meet the definition of investment property in 'Tangible fixed assets' and lease liabilities in 'Creditors: amounts falling due within one year' and 'Creditors: Amounts falling due after more than one year' in the statement of financial position.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method. Depreciation is provided on a five year straight line basis.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of comprehensive income.

QUINTAIN SERVICES LIMITED

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

1. Accounting policies (continued)

1.4 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Office equipment	-	33% Straight line
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The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

1.5 Creditors

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

1.6 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the directors at a board meeting.

1.7 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 statement position of the subsidiary is integral in determine the ECL.

QUINTAIN SERVICES LIMITED

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

1. Accounting policies (continued)

1.8 Pensions

Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in the Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Balance sheet. The assets of the plan are held separately from the Company in independently administered funds.

1.9 Taxation

Taxation expense for the year comprises current and deferred tax recognised in the reporting period. Tax is recognised in the profit and loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively.

Current or deferred taxation assets and liabilities are not discounted.

(i) Current tax

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior periods. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end.

(ii) Deferred tax

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements.

Deferred tax is recognised on all timing differences at the reporting date except for certain exceptions. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

1.10 Taxation

Tax is recognised in the Statement of comprehensive income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

QUINTAIN SERVICES LIMITED

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

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

The preparation of the financial statements under FRS101 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. Turnover

An analysis of turnover by class of business is as follows:

	2019 £	2018 £
Management fees receivable	28,436,488	19,400,842
Insurance commission receivable	177,955	-
	<u>28,614,443</u>	<u>19,400,842</u>

All turnover arose within the United Kingdom.

4. Operating profit

Fees of £1,480 (2018: £1,480) paid to the Company's auditor, KPMG LLP, for the audit of the Company have been wholly borne by a parent company, Quintain Limited.

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

QUINTAIN SERVICES LIMITED

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

5. Employees

Staff costs, including directors' remuneration, were as follows:

	2019 £	2018 £
Wages and salaries	17,245,245	15,263,968
Social security costs	2,326,781	2,071,797
Other employment costs	875,701	56,098
Cost of defined contribution scheme	934,580	734,192
	<u>21,382,307</u>	<u>18,126,055</u>

The average monthly number of employees, including the directors, during the year was 147 (2018: 116).

6. Directors' remuneration

	2019 £	2018 £
Directors' emoluments	3,083,934	2,306,637
Company contributions to defined contribution pension schemes	77,653	69,450
	<u>3,161,587</u>	<u>2,376,087</u>

During the year retirement benefits were accruing to 2 directors (2018 - 2) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £1,733,476 (2018 - £1,038,670).

7. Interest payable and similar expenses

	2019 £	2018 £
Interest payable under IFRS16	<u>226,496</u>	<u>-</u>

QUINTAIN SERVICES LIMITED

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

8. Taxation

	2019 £	2018 £
Corporation tax		
Group relief payable	933,975	-
	<u>933,975</u>	<u>-</u>
Deferred tax		
Total deferred tax	-	-
	<u>-</u>	<u>-</u>
Tax on profit	<u>933,975</u>	<u>-</u>

QUINTAIN SERVICES LIMITED

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

8. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2018: lower than) the standard rate of corporation tax in the UK of 19.00% (2018 - 19.00%) as set out below:

	2019 £	2018 £
Profit before tax	<u>2,545,018</u>	<u>915,833</u>
Profit multiplied by standard rate of corporation tax in the UK of 19.00% (2018 - 19.00%)	483,553	174,008
Effects of:		
Impact of tax allowance/disallowance	17,940	57
Surrender of group relief for nil consideration	-	106,679
Deferred tax not recognised	386,956	(251,193)
Difference between current and deferred tax rates	<u>45,526</u>	<u>(29,551)</u>
Total tax charge for the year	<u>933,975</u>	<u>-</u>

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

The Group in which the company is a member has a policy of claiming / surrendering group relief for appropriate consideration.

The company has an unrecognised deferred tax asset of £1,051,883 (2018: £294,145) relating to the company's long term incentive plan (LTIP).

The DTA is not recognised on future tax deductions for awards paid out under LTIP due to lack of certainty over LTIP hurdle marks being met.

On 16 March 2016 the chancellor announced a reduction in the Corporation Tax rate to 17% effective from 1 April 2020. This was substantively enacted on 6 September 2016 and the deferred tax has been calculated using this rate. The chancellor announced in the 2020 budget that the tax rate will remain at 19% rather than fall to 17% as previously stated. The tax rate has substantively been enacted, however using a tax rate of 19%, the company's unrecognised deferred tax asset would be £1,175,634.

QUINTAIN SERVICES LIMITED

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9. Tangible fixed assets

	Fixtures and fittings £	Office equipment £	IFRS 16 value in use asset - leasehold office £	Total £
Cost or valuation				
At 1 January 2019	10,350	-	-	10,350
Additions	-	161,257	3,145,793	3,307,050
At 31 December 2019	<u>10,350</u>	<u>161,257</u>	<u>3,145,793</u>	<u>3,317,400</u>
Depreciation				
At 1 January 2019	10,350	-	-	10,350
Charge for the year	-	15,490	349,532	365,022
At 31 December 2019	<u>10,350</u>	<u>15,490</u>	<u>349,532</u>	<u>375,372</u>
Net book value				
At 31 December 2019	<u>-</u>	<u>145,767</u>	<u>2,796,261</u>	<u>2,942,028</u>
At 31 December 2018	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

The Company recognised £3,145,793 of right of use assets as a result of the transition to IFRS 16 with the offsetting liability recognised in long term liabilities (see note 13).

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10. Debtors

	2019 £	2018 £
Trade debtors	1,352,681	-
Amounts owed by group undertakings	15,555,089	10,050,801
Other debtors	32,043	32,702
Prepayments and accrued income	808,114	51,610
	<u>17,747,927</u>	<u>10,135,113</u>

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

11. Creditors: amounts falling due within one year

	2019 £	2018 £
Trade creditors	151,865	-
Corporation tax	933,975	-
Other taxation and social security	503,265	204,071
Finance lease liability	270,401	-
Other creditors	222,440	197,014
Accruals and deferred income	12,931,826	8,200,929
	<u>15,013,772</u>	<u>8,602,014</u>

12. Creditors: Amounts falling due after more than one year

	2019 £	2018 £
Finance lease liability	2,531,403	-
	<u>2,531,403</u>	<u>-</u>

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13. Hire purchase and finance leases

	Minimum lease payments	Interest	Present value of minimum lease payments
	December 2019 £	December 2019 £	December 2019 £
Within one year	478,737	(208,336)	270,401
Between 1-2 years	478,737	(188,867)	289,870
Between 2-3 years	478,737	(167,996)	310,741
Between 3-4 years	478,737	(145,623)	333,114
Between 4-5 years	478,737	(121,639)	357,098
Over 5 years	1,436,211	(195,632)	1,240,579
	<u>3,829,896</u>	<u>(1,028,093)</u>	<u>2,801,803</u>

14. Share capital

	2019 £	2018 £
Allotted, called up and fully paid		
2 Ordinary shares of £1 each	<u>2</u>	<u>2</u>

15. Controlling party

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

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16. Post balance sheet events

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

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