# QDD Athletes Village UK Limited

## Annual report and financial statements

For the year ended 31 March 2018

Company Registration No. 07503926

# Contents

# Company Information

### Directors

DV4 Administration Limited
Sir John Henry Ritblat
Jeremy Martin Holmes

### Secretary

DV4 Administration Limited

### Registered office

6th Floor Lansdowne House
Berkeley Square
London
W1J 6ER

### Auditors

Ernst & Young LLP
1 More London Place
London
SE1 2AF

# Strategic Report

### Principal activities

The principal activity of the Group in the year under review is the ownership and management of Build to Rent (BtR) properties in East Village London E20, and the ongoing management of BtR development opportunities, including acting as advisors on other development opportunities.

### Review of business

The Group is now operating at a 'steady state' basis for its built units in East Village. At 31 March 2018, leases were agreed on 96% of the East Village portfolio, of which 78% were three year Assured Shorthold Tenancy (AST) Agreements.

Group revenue was £40.3m (2017: £35.0m) in the year ended 31 March 2018 of which £35.5m (2017: £34.5m) was rental income. Net assets of the Group are £430.8m (2017: £304.0m) on an IFRS basis and £281.1m (2017: £336.4m) on an EPRA basis.

The Directors do not recommend the payment of a dividend (2017: £nil).

As at 1 April 2017, QDD Athletes Village UK Limited (QDDAV) recognised control of the estate management company for East Village, East Village Management Limited (EVML). Due to QDDAV's increasing management influence over the operations of EVML, it has been determined that in addition to holding the majority shareholding, QDDAV also has control and power over the variable returns of EVML's operations, and therefore EVML has been consolidated into the Group.

Additionally, the maintenance service provided to private rental residents is now operated through the subsidiary Get Living London Limited from 1 April 2017, where previously this service was operated by EVML.

The subsidiary Get Living London Limited is also operating as agent for the Tribeca Square LLP entities in Elephant and Castle, with 278 student units and 374 BtR units.

### Principal risks and financial risk management objectives and policies

The Group's activities expose it to a number of risks, both business and financial, principally the impact of changes in political policy regarding BtR homes, the potential impact of competition and interruptions due to development activities, and potential lack of customer satisfaction leading to levels of 'resident churn' at higher than anticipated rates. These risks are mitigated by management by ensuring regular communication to residents regarding developments, investment in marketing campaigns to ensure a clear and competitive market position, and by developing solid relationships with political policy groups to ensure the business maintains its strong position in the sector. Financial risks include interest risk, credit risk and liquidity risk. These risks are described further in note 21 to the financial statements.

Approved by the Board of Directors and signed on behalf of the Board.

Jeremy Holmes

Director

Date: 9 August 2018

# Directors' Report

The Directors present the annual report and the audited Group financial statements for the year ended 31 March 2018.

**Directors**

The Directors who served during the year were:

- DV4 Administration Limited
- Sir John Henry Ritblat
- Sheikh Jassim Hamad Al-Thani (resigned 27 February 2018)
- Jeremy Martin Holmes

**Audit Committee**

The Audit Committee is responsible for making recommendations to the Board on a range of matters including relevant management accounts information and the annual financial statements, the appropriateness of the Group's accounting policies and practices and the effectiveness of the Group's internal control and risk management systems.

**Future developments**

In the coming year the Directors will continue the proactive management of the BtR scheme at East Village, and will continue to work on the planning and initial building phases of its new developments on plots under the ownership of its subsidiary, Stratford Village Development Partnership (SVDP). The work on the plot known as N08 is progressing well with practical completion expected in December 2018 and the first tenants expected to move in during April 2019. The plot known as N06 is currently at the design stage, with construction expected to commence in late 2018.

**Going concern**

The financial statements have been prepared on a going concern basis even though the Group has net current liabilities. The Directors have referred to cash flow forecasts for the coming year in order to understand the capital requirements of the Group. In considering whether this is appropriate, the Directors have taken into account the following:

- the Group has received confirmation from its ultimate parent entity, East Village London LLP, that the immediate Parent Company QDD Limited, does not intend to seek repayment of the Deep Discount Bonds within 12 months of the date of approval of these financial statements;
- funding facilities secured for development spend consisting of senior debt from the Homes England Build to Rent scheme of £181m and mezzanine bank debt of £140m;
- the Group has substantial net assets of £431m and held unrestricted cash of £19m at 31 March 2018, therefore giving the group flexibility to obtain additional financing facilities if necessary.

The Directors therefore have a reasonable expectation that the Group has adequate financial resources to continue in operational existence for the foreseeable future, and consider it appropriate to prepare the financial statements on a going concern basis.

# Directors' Report (continued)

### Staff policies

The Group seeks to involve all employees in the development of the Group's business. The Group undertakes to provide employees with information of concern to them that is likely to affect their interests.

The Group supports the principle of equal opportunities in employment and opposes all forms of discrimination. Every step is taken to ensure that individuals are treated equally and fairly, and decisions on recruitment, training, promotion and career development are based only on objective and job-related criteria. The Group gives full and fair consideration to applications for employment from disabled persons and also seeks to continue to employ, with suitable training, if appropriate, any person who becomes disabled whilst employed by the Group.

### Charitable and political donations

The Group made charitable donation contributions of £61,000 (2017: £20,000) and political donations of £nil (2017: £nil) during the year.

### Directors' statement as to disclosure of information to auditors

The Directors who were members of the Board at the time of approving the Directors' Report are referred to on page 2 . Having made enquiries of fellow Directors and of the Group's auditor, each of these Directors confirms that:

- to the best of each Director's knowledge and belief, there is no information (that is, information needed by the Group's auditor in connection with preparing their report) of which the Group's auditor is unaware; and
- each Director has taken all the steps a Director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Group's auditor is aware of that information.

### Auditors

In accordance with section 485 of the Companies Act 2006, a resolution for the re-appointment of Ernst & Young LLP as auditor of the Group is to be proposed at the forthcoming Annual General Meeting.

### Subsequent events

On 11 July 2018, DV4 Limited exchanged contracts with Oxford Properties, a Canadian global real estate investor, to form a co-investment vehicle called Delancey Oxford Residential ("DOOR"). DOOR will now take a shareholding of East Village London LLP, with the existing shareholder Stichting Depositary APG Strategic Real Estate Pool increasing its shareholding, and QD Triangle (East Village) Limited reducing its shareholding in the group.

Approved by the Board of Directors and signed on behalf of the Board.

Jeremy Holmes

Director

Date: 9 August 2018

## Statement of Directors' Responsibilities

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 consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs and applicable law), as adopted by the European Union.

Under company law the Directors must not approve the consolidated financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the profit or loss of the Group for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable International Financial Reporting 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 Group will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group 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 Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF QDD ATHLETES VILLAGE UK LIMITED

**Opinion**

We have audited the financial statements of QDD Athletes Village UK Limited for the year ended 31 March 2018 which comprise Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Parent Company Statement of Financial Position, the Consolidated and Parent Company Statement of Changes in Equity, the Consolidated Cash Flow Statement and the related notes 1 to 31 for the consolidated Financial Statements and the related notes 1 to 14 for the Parent Company Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the Group's and of the Parent Company's affairs as at 31 March 2018 and of the Group's loss for the year then ended;
- the financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the financial statements 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 under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Group and Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

**Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the Parent Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

**Other information**

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF QDD ATHLETES VILLAGE UK LIMITED (continued)

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

In our opinion:

- the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements;

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

In the light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or Directors' report.

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 by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company 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.

**Responsibilities of directors**

As explained more fully in the directors' responsibilities statement set out on page 6 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the 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 the directors 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 for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

**Use of our report**

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.

Daniel Saunders (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
Date: 16 AUGUST 2018

# Consolidated statement of comprehensive income

| | Notes | 2018 £000 | 2017 £000 |
|---|---|---|---|
| Rental income | | **35,494** | 34,503 |
| Other income | | **4,831** | 498 |
| **Total revenue** | | **40,325** | 35,001 |
| Direct property costs | | **(8,354)** | (7,184) |
| **Gross profit** | | **31,971** | 27,817 |
| Administrative expenses | | **(20,388)** | (16,139) |
| Valuation loss on investment property | 11 | **(7,010)** | (8,777) |
| **Operating profit** | 7 | **4,573** | 2,901 |
| Finance costs | 8 | **(51,381)** | (57,838) |
| Finance income | 9 | **-** | 22 |
| **Loss before taxation** | | **(46,808)** | (54,915) |
| Tax (charge)/credit | 10 | **(2,286)** | 12,714 |
| **Loss for the year** | | **(49,094)** | (42,201) |
| Other comprehensive income | | - | - |
| **Total comprehensive expense for the year** | | **(49,094)** | (42,201) |
| Attributable to: | | | |
| Equity holders of the parent | | (49,109) | (42,201) |
| Non-controlling interests | | 15 | - |
| Total comprehensive expense for the year | | (49,094) | (42,201) |

## Consolidated statement of financial position

| | Notes | 2018 £000 | 2017 £000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Investment property | 11 | **1,276,500** | 1,191,800 |
| Property, plant and equipment | 12 | **3,849** | 6,320 |
| **Total non-current assets** | | **1,280,349** | 1,198,120 |
| **Current assets** | | | |
| Inventory | 13 | **97** | - |
| Trade and other receivables | 14 | **5,157** | 3,788 |
| Cash and cash equivalents – non-restricted | 15 | **19,155** | 12,358 |
| Cash and cash equivalents – restricted | 15 | **7,677** | 3,941 |
| **Total current assets** | | **32,086** | 20,087 |
| **Total assets** | | **1,312,435** | 1,218,207 |
| **Current liabilities** | | | |
| Trade and other payables | 16 | **24,675** | 18,718 |
| Loans and borrowings | 18 | **112,743** | 496,176 |
| **Total current liabilities** | | **137,418** | 514,894 |
| **Non-current liabilities** | | | |
| Long-term other payables | 17 | **4,957** | 2,218 |
| Loans and borrowings | 18 | **713,057** | 364,739 |
| Derivative financial instruments | 19 | **5,108** | 13,558 |
| Deferred tax liabilities | 10 | **21,098** | 18,812 |
| **Total non-current liabilities** | | **744,220** | 399,327 |
| **Total liabilities** | | **881,638** | 914,221 |
| **Net assets** | | **430,797** | 303,986 |
| **Equity attributable to equity shareholders** | | | |
| Share capital | 22 | **10** | 10 |
| Capital contribution reserve | 23 | **175,890** | - |
| Retained earnings | 24 | **254,875** | 303,976 |
| **Total equity attributable to equity holders of the parent** | | **430,775** | 303,986 |
| Non-controlling interests | 29 | **22** | - |
| **Total equity** | | **430,797** | 303,986 |

The financial statements on pages 9 to 36 were approved by the Board of Directors for issue on and were signed on its behalf by:

Jeremy Holmes
Director

Date: 9 August 2018

## QDD Athletes Village UK Limited

*Annual report and financial statements for the year ended 31 March 2018*

# Consolidated statement of changes in equity

| | | Attributable to equity holders of the parent | | | | | |
|---|---|---|---|---|---|---|---|
| | Note | Issued capital | Retained earnings | Capital contribution reserve | Total | Non-controlling interests | Total equity |
| | | £000 | £000 | £000 | £000 | £000 | £000 |
| As at 1 April 2016 | | 10 | 346,177 | - | **346,187** | - | **346,187** |
| Total comprehensive expense for the year | | - | (42,201) | - | **(42,201)** | - | **(42,201)** |
| As at 31 March 2017 | | 10 | 303,976 | - | **303,986** | - | **303,986** |
| As at 1 April 2017 | | 10 | 303,976 | - | **303,986** | - | **303,986** |
| Gain in control of subsidiary | 29 | - | 8 | - | **8** | 7 | **15** |
| Fair value adjustment to Shareholder Loan | 23 | - | - | 175,890 | **175,890** | - | **175,890** |
| Total comprehensive expense for the year | | - | (49,109) | - | **(49,109)** | 15 | **(49,094)** |
| **As at 31 March 2018** | | **10** | **254,875** | **175,890** | **430,775** | **22** | **430,797** |

# Consolidated cash flow statement

| | Notes | 2018 £000 | 2017 £000 |
|---|---|---|---|
| **Operating activities** | | | |
| Loss before taxation | | **(46,808)** | (54,915) |
| *Adjustments to reconcile loss before taxation to net cash flows* | | | |
| Depreciation | 12 | **3,767** | 3,551 |
| Loss on disposal of fixed assets | 7 | **-** | 4 |
| Valuation loss on investment property | 11 | **7,010** | 8,777 |
| Finance income | 9 | **-** | (22) |
| Finance costs | 8 | **51,381** | 57,838 |
| Consolidation of EVML | | **(406)** | - |
| *Working capital adjustments:* | | | |
| Inventory | | **(97)** | - |
| (Increase)/decrease in trade and other receivables | | **(1,369)** | 1,357 |
| Increase/(decrease) in trade and other payables | | **3,892** | (7,026) |
| **Net cash inflow from operating activities** | | **17,370** | 9,564 |
| | | | |
| **Investing activities** | | | |
| Purchase of property, plant and equipment | 12 | **(875)** | (1,520) |
| Development expenditure | | **(89,360)** | (52,348) |
| Interest received | | **-** | 22 |
| Increase in restricted cash | | **3,736** | - |
| **Net cash outflow from investing activities** | | **(86,499)** | (53,846) |
| | | | |
| **Financing activities** | | | |
| Drawdown of deep discount bonds | | **-** | 40,000 |
| Drawdown on Shareholder loan | | **10,000** | - |
| Drawdown of Mezzanine loan facility | | **47,420** | 17,560 |
| Drawdown of Senior loan facility | | **39,594** | - |
| Loan and hedge fees | | **(186)** | (3,691) |
| Profit paid on Murabaha loan | | **(16,589)** | (16,544) |
| Interest rate swap losses | | **(398)** | - |
| Other financing (costs)/income | | **(179)** | 149 |
| **Net cash inflow from financing activities** | | **79,662** | 37,474 |
| | | | |
| **Net increase/(decrease) in cash and cash equivalents** | | **10,533** | (6,808) |
| Cash and cash equivalents at the start of the year | | **16,299** | 23,107 |
| | | | |
| **Cash and cash equivalents at end of the year** | 15 | **26,832** | 16,299 |

# Notes to the financial statements

## 1. Corporate information

The consolidated financial statements of QDD Athletes Village UK Limited for the year ended 31 March 2018 were authorised for issue in accordance with a resolution of the Directors on 9 August 2018.

The Company is incorporated in England and Wales.

## 2. Basis of preparation

The financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

The financial statements are presented in Sterling and all values are rounded to the nearest thousand (£000), except where otherwise indicated.

The financial statements have been prepared on an historical cost basis except for investment property and derivatives which are measured at fair value.

*Going concern*

The financial statements have been prepared on a going concern basis even though the Group has net current liabilities. Considering whether this is appropriate, the Directors have referred to cash flow forecasts in order to understand the requirements of the Group and also taken into account the following:

- the Group has received confirmation from its ultimate parent entity, East Village London LLP, that the immediate Parent Company QDD Limited, does not intend to seek repayment of the Deep Discount Bonds within 12 months of the date of approval of these financial statements;
- funding facilities secured for development spend consisting of senior debt from the Homes England Build to Rent scheme of £181m and mezzanine bank debt of £140m;
- the Group has substantial net assets of £431m and held unrestricted cash of £19m at 31 March 2018, therefore giving the Group flexibility to obtain additional financing facilities if necessary.

The Directors therefore have a reasonable expectation that the Group has adequate financial resources to continue in operational existence for the foreseeable future, and consider it appropriate to prepare the financial statements on a going concern basis.

*Estimates*

The preparation of financial statements in conformity with IFRS requires the use of critical judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Estimates and assumptions concerning the future, and the accounting results of those estimates may not equal the related actual results.

The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in the relevant notes forming part of these financial statements as discussed below.

# Notes to the financial statements (continued)

**2. Basis of preparation (continued)**

*Fair value of investment property - estimate*

The fair value of the Group's investment property is a key source of estimation uncertainty, however, in accordance with the accounting policy of the Group, investment property is revalued at each reporting date by the Directors after consideration of a third party assessment of the market value.

Market value is defined as the estimated amount for which a property should exchange on the date of valuation between willing buyer and seller in an arm's length transaction without compulsion. The Group considers the use of professional external valuers, in accordance with the RICS Valuation Standards, Sixth Edition in the United Kingdom sufficient to reduce but not eliminate the uncertainty.

Refer to note 11 for more information.

*Fair value of interest free shareholder loan*

The fair value of the interest free shareholder loan is derived from the present value of future cash flows discounted at the Group's cost of equity. The capital asset pricing model method has been used to determine the cost of equity using comparable real estate market data to understand the risk in the sector (see note 18).

*Derivatives*

The Group has entered financing facilities where the interest expense is based on LIBOR rates. This provides a key source of estimation uncertainty. However, the Group has entered derivatives to minimise the volatility of its exposure to these interest rate movements. The derivatives are valued at the reporting date by an external consultant using a discounted cash flow model and market information (see note 19).

*Trade receivables*

The Group must make judgements on the recoverability of its trade receivables at the reporting date. It continually assesses the aging profile and history of its receivables and as described in note 3(i), it has a policy of providing for impairment in trade receivables based on the age of the receivable.

*Leases*

The Group has entered into residential property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the residential property and the present value of the minimum lease payments not amounting to substantially all of the fair value of the residential property, that it retains all the significant risks and rewards of ownership of the properties and accounts for the contracts with tenants as operating leases.

**3. Summary of significant accounting policies**

**a) Consolidation**

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting policies. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

The list of subsidiaries of the Group is included in note 31.

# Notes to the financial statements (continued)

**3. Summary of significant accounting policies (continued)**

**a) Consolidation (continued)**

*Subsidiaries*

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to manage the financial and operating policies of an entity so as to obtain benefit from its activities. Control is presumed to exist when the parent owns more than half of the voting power of the an entity, through its direct or indirect subsidiaries.

Non-controlling interests represent the portion of a subsidiary's equity which is not attributable to the Group. They are presented separately in the Consolidated Financial Statements (note 29).

**b) Investment property**

Investment property is initially recognised at cost and subsequently measured at fair value. Gains or losses arising from changes in fair value of investment property are included in the statement of comprehensive income in the period in which they arise. No depreciation or amortisation is provided in respect of investment property.

**c) Revenue recognition**

Rental income from operating leases is recognised in the income statement on a straight-line basis over the term of the lease.

Other income represents fees receivable for provision of property management services to companies controlled by the ultimate controlling parties. They are recognised in the period in which the services are provided.

Interest income is recognised using the effective interest rate approach.

Service charge income is recognised in line with the recognition of expenditure which is funded by the service charge. Service charge income received to provide funds to meet the costs of future major repairs, replacement and scheduled works is recognised as invoiced.

**d) Taxes**

**Current tax**

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date.

**Deferred tax**

Deferred tax is provided on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences, the carry forward of unused tax credits and any unused tax losses to the extent that it is probable that they can be utilised against taxable profits. However, deferred tax assets are not recognised where they relate to the deductible temporary difference arising from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

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

# Notes to the financial statements (continued)

**3. Summary of significant accounting policies (continued)**

**d) Taxes (continued)**

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

**e) Property, plant and equipment**

Property, plant and equipment are measured at cost less accumulated depreciation. Depreciation of residential fixture and fittings, retail assets, and office fixtures and fittings is charged at 25% per annum on a straight line basis. Plant and machinery is depreciated between 10%-25% on cost per annum, dependent on the asset's useful life. The carrying values of tangible fixed assets are reviewed for impairment if events or changes in circumstances indicate the carrying value may be greater than its value in use.

**f) Cash and short-term deposits**

Cash and cash equivalents in the balance sheet comprise cash at bank and on hand and short-term deposits with a maturity of three months or less.

Restricted cash comprises cash held by the Group in designated accounts, which are held on behalf of tenants for the purpose of security deposits, and restricted funds for future major repairs for the properties managed by EVML within East Village.

**g) Interest-bearing and profit-bearing loans and borrowings**

Obligations for loans and borrowings are recognised when the Group becomes party to the related contracts and are measured initially at the fair value of consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing and profit-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. The discount between the redeemable amount and the net proceeds is accreted over the term of the loan and charged to the statement of comprehensive income.

**h) Interest free shareholder loans**

Obligations for interest free shareholder loans are recognised when the Group becomes party to the related contracts and are measured initially at the fair value of the present value of future cash flows discounted at the Group's cost of equity. An equity capital contribution is recognised, being the difference between the above and the consideration advanced.

After initial recognition, interest free shareholder loans are subsequently measured at amortised cost using the Group's cost of equity, the total being the equal to the amount of the capital contribution. The finance charge is expensed to the statement of comprehensive income.

**i) Receivables**

Receivables are initially recognised on the balance sheet at fair value when the Group has become party to the contractual provisions of the instruments.

They are subsequently carried at amortised cost using the effective interest method if the time value of money may have a significant impact on their value.

A provision for impairment in trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due. A 50% provision is made for receivables over one month old (but less than two months) and 100% provision for receivables over two months old. At that point, the Group will commence legal proceedings.

# Notes to the financial statements (continued)

**3. Summary of significant accounting policies (continued)**

**i) Receivables (continued)**

The amount of the provision is the difference between the asset's carrying amount and the estimated future cash flows. The movement in the provision is recognised in the statement of comprehensive income.

**j) Derivative financial instruments**

The Group uses interest rate derivative financial instruments to hedge its exposure to movements in interest rates. All classes of derivatives are initially recognised at fair value and subsequently re-measured to their prevailing fair value at each balance sheet date. Changes in the fair value of derivative financial instruments are recognised as income or expense in the consolidated statement of comprehensive income as they arise.

The Group does not apply hedge accounting.

**k) Borrowing costs**

The Group recognises borrowing costs that are directly attributable to the acquisition, construction or development of an investment property as part of the cost of that asset. Other borrowing costs are recognised as an expense.

**4. Accounting Standards**

**a) Amendments effective in the current financial period**

The following amendments are effective for the first time for the current financial period:

**IAS 7 *Statement of Cash Flows*** amendment is effective for annual periods beginning on or after 1 January 2017. The amendment requires entities to disclose changes in liabilities arising from financing activities, including changes arising from both cash and non-cash flow changes. The amendment is intended to help users of the financial statements gain a better understanding of changes in an entity's debt. Comparative information for preceding periods is not required on initial application of the amendment (note 20).

**b) Standards issued but not yet effective**

The future standards and interpretations listed below are those that the Group reasonably expect will have an impact on disclosures, financial position or performance when applied at a future date.

**IFRS 9 *Financial Instruments: Classification and Measurement***

IFRS 9 applies to classification and measurement of financial assets and financial liabilities with a mandatory effective date beginning on or after 1 January 2018. The Directors are currently assessing the impact of IFRS 9, prior to implementation from 1 April 2018.

**IFRS 15 *Revenue from Contracts with Customers***

The standard establishes a single principles-based five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, which will be effective for accounting periods commencing on or after 1 January 2018, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The standard does not apply to gross rental income. The Directors do not expect adoption of IFRS 15 to have a material impact on the measurement of the revenue recognition, but additional disclosures may be required with regards to other sources of income.

# Notes to the financial statements (continued)

## 4. Accounting Standards (continued)

**IFRS 16 *Leases***

The standard makes substantial changes to the recognition and measurement of leases by lessees. On adoption of the standard, lessees, with certain exceptions for short term or low value leases, will be required to recognise all leased assets on their balance sheet as 'right-of-use assets' with a corresponding lease liability. The requirements for lessors are substantially unchanged. The standard is effective for periods beginning on or after 1st January 2019. On application of the standard the disclosures are likely to increase for both lessors and lessees. The standard includes principles on disclosing the nature, amount, timing and variability of lease payments and cash flows, by providing qualitative and quantitative information.

The Group has performed an initial evaluation of the impact that the standard will have on its financial statements, and concluded that the standard will have minimal impact on the consolidated financial statements.

Other changes to IFRS (including IFRS 1, IFRS 2, IAS 28 and IAS 40) have been issued but are not yet effective for the Group. However, they are either not expected to have a material impact to the financial statements or they are not currently relevant for the Group.

## 5. Fair value hierarchy

IFRS 13 sets out a three-tier hierarchy for financial assets and liabilities valued at fair value. These are as follows:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

*Derivatives*

The fair value of the swaps and caps entered into in relation to the Murabaha loan, Mezzanine loan and Senior debt, are derived from the present value of future cash flows discounted at rates obtained by means of the current yield curve appropriate for those instruments. As all significant inputs required to value the swaps and caps are observable, they all fall within Level 2. Information in respect of the fair value of financial instruments is included in note 19 and 21.

*Loans and Receivables*

The fair value of the Shareholder loan (loan and capital contribution portion) is derived from the present value of future cash flows discounted at the Group's cost of equity. The capital asset pricing model method has been used to determine the cost of equity using comparable real estate market data to understand the risk in the sector. The valuation of the shareholder loan includes unobservable inputs, therefore falls with Level 3.

The fair value of the loan portion is recognised on a recurring basis and the capital contribution portion is measured at fair value on a non-recurring basis in the statement of financial position. Information in respect of the fair value of loans and borrowings is included in note 18 and 21.

*Investment Property*

Investment property falls within Level 3. The investment property valuation is prepared by the Directors after consideration of a third party valuation, which is based on discounted cash flow model in accordance with RICS valuation Standards, Sixth Edition in the United Kingdom, includes a number of unobservable inputs and other valuation assumptions. Further details of these assumptions and significant unobservable inputs is included in note 11 and 21.

# Notes to the financial statements (continued)

## 6. Revenue

Rental income primarily arises from private tenant leases under Assured Shorthold Tenancy (AST) agreements. These lease agreements range from 1 to 3 years in tenure with a 6 month break clause on the tenant side. The terms of these tenancies are regularly reviewed by management. The Group has also issued leases for retail units, having terms of between 5 and 25 years with agreed break clauses, which are located within the investment properties and undeveloped plots.

| | **2018** | 2017 |
|---|---|---|
| | **£000** | £000 |
| *Minimum lease receivable*: | | |
| Within one year | **11,274** | 10,761 |
| Between two and five years | **1,719** | 2,576 |
| After more than 5 years | **1,516** | 2,183 |
| | **14,509** | 15,520 |

## 7. Staff and other administrative expenses

Operating profit is stated after charging:

| | **2018** | 2017 |
|---|---|---|
| | **£000** | £000 |
| Salaries and wages | **5,150** | 3,739 |
| Social security costs | **463** | 481 |
| Employer's pension contribution | **98** | 43 |
| Auditor's remuneration | **202** | 198 |
| Depreciation | **3,767** | 3,551 |
| Loss on disposal of fixed assets | **-** | 4 |

The Group passed its auto-enrolment staging date in July 2017 and established an auto-enrolment pension scheme for qualifying employees with a minimum 3% matched contribution from the business. As a retention mechanism, the Group offers matched contributions of 3%, 5%, 7% or higher depending on seniority and tenure.

The average number of employees in the Group during the year was 83 (2017: 63).

The Directors are remunerated for their services to their respective parent groups, or advisors thereto, as a whole. Their total remuneration is not allocated between the services they provide to this joint venture company and its subsidiaries and the various other joint ventures in their respective parent groups. Consequently, the Directors received no remuneration or reimbursements from QDD Athletes Village UK Limited or any of its subsidiaries (2017: £nil).

**Key Management Personnel**

The Directors have reviewed the scope of responsibilities and authority levels in the business and have concluded that all strategic and directional decisions for the business as a whole are conducted by the Directors through the Board meetings of the business.

# Notes to the financial statements (continued)

## 8. Finance costs

| | 2018 | 2017 |
|---|---|---|
| | £000 | £000 |
| Interest on Deep discount bonds | **12,743** | 40,295 |
| Change in fair value of Shareholder loan | **28,974** | - |
| Profit payable on Murabaha loan | **16,589** | 16,589 |
| Change in fair value of derivatives | **(8,450)** | (2,401) |
| Derivative transaction fee | - | 2,360 |
| Amortised arrangement fees | **1,301** | 1,144 |
| Other finance costs | **224** | (149) |
| | **51,381** | 57,838 |

## 9. Finance income

| | 2018 | 2017 |
|---|---|---|
| | £000 | £000 |
| Bank interest | - | 22 |
| | - | 22 |

## 10. Taxation

| | 2018 | 2017 |
|---|---|---|
| | £000 | £000 |
| Current tax charge | - | - |
| Deferred tax charge/(credit) | **2,286** | (12,714) |
| Tax charge/(credit) | **2,286** | (12,714) |

| | 2018 | 2017 |
|---|---|---|
| **Factors affecting the tax charge/(credit) for the year** | | |
| Loss before taxation | **(46,808)** | (54,915) |
| Loss before taxation multiplied by standard rate of UK corporation tax of 19% (2017: 20%) | **(8,894)** | (10,983) |
| *Effect of:* | | |
| Non-deductible expenses | **9,294** | 663 |
| Movement in difference between accounting and adjusted tax base cost of investment properties | **(3,092)** | (3,373) |
| Utilisation of losses brought forward | **(485)** | (511) |
| Excess of capital allowances recognised over depreciation | **(854)** | 710 |
| Effects of movement in future tax rates | **98** | (1,459) |
| Other tax adjustments | **(32)** | (112) |
| Movement in recognised losses | **6,251** | 2,351 |
| Tax charge/(credit) | **2,286** | (12,714) |

# Notes to the financial statements (continued)

**10. Taxation (continued)**

The carrying value of the investment properties owned by the group is £529.2m higher than the tax base cost. This represents a temporary difference for tax purposes and a deferred tax liability is recognised. However, this liability may be reduced by losses arising in the Group and members of the Group have undertaken to make these losses available as necessary to cover the reversal of the temporary differences. The Group has unrecognised deferred tax assets at 31 March 2018 in respect of tax losses carried forward and other temporary differences of £8.4m (2017: £3.1m). These deferred tax assets were not recognised at 31 March 2018 on the basis that it was not sufficiently certain that suitable taxable profits would arise against which they could be utilised.

Deferred tax is recognised at a rate of 17% (2017:17%). The Finance (No.2) Act 2015 was enacted on 18 November 2015, which introduced a reduction in the headline rate of corporation tax from 20% to 19% from 1 April 2017 and to 18% from 1 April 2020. The Finance Act 2016 was enacted on 15 September 2016, and introduced a further reduction of the headline rate of corporation tax to 17% from 1 April 2020.

| | **2018** | 2017 |
|---|---|---|
| | **£000** | £000 |
| **Deferred tax liabilities** | | |
| At 1 April | **18,812** | 31,526 |
| Charged/(credited) to the statement of comprehensive income | **2,286** | (12,714) |
| At 31 March | **21,098** | 18,812 |

| | **2018** | 2017 |
|---|---|---|
| **Deferred tax liability comprises** | **£000** | £000 |
| Revaluation of investment property | **75,120** | 76,459 |
| Future capital allowances | **(1,443)** | (29,501) |
| Unutilised tax losses | **(52,579)** | (28,146) |
| | **21,098** | 18,812 |

# Notes to the financial statements (continued)

**11. Investment Property**

| | **2018** | 2017 |
|---|---|---|
| | **£000** | £000 |
| At 1 April | **1,191,800** | 1,141,600 |
| Provision for additional acquisition cost (ODA overage) | **-** | (982) |
| Capital expenditure | **89,360** | 58,896 |
| Capitalised borrowing costs | **2,350** | 1,063 |
| Fair value loss on investment property | **(7,010)** | (8,777) |
| At 31 March | **1,276,500** | 1,191,800 |

The fair values of the investment property held by the Group are Directors' valuations, after consideration of a third party valuation of the freehold site at 31 March 2018 in accordance with RICS Valuation Standards, Sixth Edition in the United Kingdom. This valuation comprises residential units of £917.7m (2017: £917.0m), development land of £346.0m (2017: £262.0m) and retail units of £10.0m (2017: £10.0m).

The properties in the portfolio were valued on a Discounted Cash Flow (DCF) basis using a 10 year quarterly cash flow model and a residual value appraisal approach.

The key unobservable inputs into the valuation are as follows:

| | **2018** | 2017 |
|---|---|---|
| Estimated rental values (ERV) on vacant space | **£30 - £31sq.ft** | £29 - £31sq.ft |
| Capital expenditure | **£252 – £341/sq.ft** | £189 – £346/sq.ft |
| Discount rate | **5.23%** | 5.85% |

In addition, sundry retail property was valued at £2.8m (2017: £2.8m) using the Group's weighted average cost of capital.

**Sensitivity to key unobservable inputs**

An increase in the discount rate or decrease in ERV would result in a reduction in the valuation of the Group's investment properties. Similarly, a decrease in the discount rate or increase in ERV would result in an increase in valuation of the investment properties.

# Notes to the financial statements (continued)

**12. Property, plant and equipment**

| | Residential fixture and fittings | Retail assets | Office fixtures and equipment | Plant and machinery | Total |
|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 |
| **Cost** | | | | | |
| At 1 April 2016 | 7,778 | 2,063 | 4,030 | - | 13,871 |
| Additions | 382 | 672 | 466 | - | 1,520 |
| Disposal | (5) | - | (388) | - | (393) |
| At 31 March 2017 | 8,155 | 2,735 | 4,108 | - | 14,998 |
| Additions | 267 | 220 | 388 | - | 875 |
| Consolidation of EVML | - | - | - | 671 | 671 |
| Disposal | - | - | - | - | - |
| **At 31 March 2018** | **8,422** | **2,955** | **4,496** | **671** | **16,544** |
| **Depreciation** | | | | | |
| At 1 April 2016 | (3,150) | (256) | (2,110) | - | (5,516) |
| Depreciation charge for the year | (1,984) | (630) | (937) | - | (3,551) |
| Eliminated on disposals | 1 | - | 388 | - | 389 |
| At 31 March 2017 | (5,133) | (886) | (2,659) | - | (8,678) |
| Depreciation charge for the year | (2,038) | (706) | (1,023) | - | (3,767) |
| Consolidation of EVML | - | - | - | (250) | (250) |
| Eliminated on disposals | - | - | - | - | - |
| **At 31 March 2018** | **(7,171)** | **(1,592)** | **(3,682)** | **(250)** | **(12,695)** |
| **Net book value** | | | | | |
| **Balance at 31 March 2018** | **1,251** | **1,363** | **814** | **421** | **3,849** |
| Balance at 31 March 2017 | 3,022 | 1,849 | 1,449 | - | 6,320 |

**13. Inventories**

| | 2018 | 2017 |
|---|---|---|
| | £000 | £000 |
| *Consumables and spare parts* | **97** | - |
| | **97** | - |

Since 1 April 2017, the maintenance service provided to private rental residents is operated by the subsidiary Get Living London Limited. This service was previously provided by EVML. Inventories are measured at the lower of cost and net realisable value.

# Notes to the financial statements (continued)

## 14. Trade and other receivables

| | 2018 | 2017 |
|---|---|---|
| | £000 | £000 |
| Trade receivables | 1,244 | 435 |
| Allowance for doubtful debts | (62) | (93) |
| | 1,182 | 342 |
| Other taxes | 196 | 418 |
| Other receivables | 423 | 135 |
| Amount due from parent undertaking | - | 1,123 |
| Amounts due from related parties | 1,437 | - |
| Accrued income | 484 | 616 |
| Prepayments | 1,435 | 1,154 |
| | 5,157 | 3,788 |

Trade receivables are non-interest bearing.

Trade receivables are provided for as follows:

- 50% of debt over one month old (but less than two months)
- 100% provision for debts over two months old. At this point, legal proceedings will commence.

Management seeks to collect all trade receivables.

The receivables, aged one month, past due but not impaired amounted to £27k (2017: £101k)

## 15. Cash and cash equivalents

| | 2018 | 2017 |
|---|---|---|
| | £000 | £000 |
| Cash at bank – unrestricted | 19,155 | 12,358 |
| Restricted cash (tenants deposits) | 2,073 | 3,941 |
| Restricted cash (EVML sinking fund) | 5,604 | - |
| | 26,832 | 16,299 |

Included in cash and cash equivalents are monies held for tenant deposits and the sinking fund. These cash and cash equivalent have restricted use, and are considered to be cash and cash equivalents as they are available for immediate use.

Restricted cash (tenant deposits) consists of: amounts paid over by tenants of the properties where security deposits are required by tenancy agreements. The monies held in respect of tenant deposits are immediately available to repay deposits to tenants as and when required. Since June 2017, the Group has introduced a 'no deposits' scheme for its residential tenants, whereby if they successfully pass referencing or have a guarantor, they are no longer required to pay a deposit. Deposits are in the process of being returned to existing tenants that meet the qualifying criteria.

Restricted cash (sinking fund) consists of: amounts paid over by tenants of Get Living London and Triathlon Homes LLP for future major repair works that will be required on the properties in East Village. The monies held in respect of the sinking fund are immediately available for use for major repairs, replacement and scheduled works should they arise.

# Notes to the financial statements (continued)

### 16. Trade and other payables: due within one year

| | **2018** | 2017 |
|---|---|---|
| | **£000** | £000 |
| Trade payables | **446** | 405 |
| Deferred income | **3,736** | 2,890 |
| Amounts owed to related parties | **2,293** | - |
| Other payables | **15,813** | 15,423 |
| Other payables – retention | **2,387** | - |
| | **24,675** | 18,718 |

The retention liabilities are due to the contractor of the development property currently under construction, and are liable to be settled as 50% upon practical completion (expected in December 2018) and 50% a year following (expected in December 2019, see note 17).

Trade payables are non-interest bearing and are normally settled in accordance with the Group's terms of business.

### 17. Trade and other payables: due after more than one year

| | **2018** | 2017 |
|---|---|---|
| | **£000** | £000 |
| Other payables – retention | **2,387** | 2,218 |
| Sinking fund | **2,570** | - |
| | **4,957** | 2,218 |

The sinking fund is held by the subsidiary, East Village Management Limited, to provide funds to meet the costs of future major repairs, replacement and scheduled works. Significant capital expenditure is not expected to occur until 2021. The balance represents the contribution made to sinking fund by Triathlon Homes LLP, who hold a non-controlling interest in East Village Management Limited. The funds are held in a separate restricted bank account as disclosed in note 15.

# Notes to the financial statements (continued)

## 18. Loans and borrowings

| | 2018 | 2017 |
|---|---|---|
| | £000 | £000 |
| Deep discount bonds | **112,743** | 496,176 |
| Shareholder loan | **258,236** | - |
| Murabaha loan | **350,000** | 350,000 |
| Deferred Murabaha loan arrangement fees | **(855)** | (1,395) |
| Mezzanine loan | **67,769** | 18,623 |
| Deferred Mezzanine loan arrangement fees | **(1,289)** | (2,489) |
| Senior loan facility | **39,820** | - |
| Deferred Senior loan arrangement fees | **(624)** | - |
| | **825,800** | 860,915 |
| Less: | | |
| Current portion of loans and borrowings | **(112,743)** | (496,176) |
| | **713,057** | 364,739 |

On 1 April 2017, the funding from the immediate parent was restructured. The deep discount bond was reduced to a subscription price of £100m (2017: £415.9m) and a discount rate of 12% (2017: 8.75%). It is redeemable on 29 March 2018 and includes rolled up finance charges for the year of £12.7m (2017: £40.2m). The Group has received confirmation from its ultimate parent entity, East Village London LLP, that the immediate Parent Company QDD Limited, does not intend to seek repayment of the Deep Discount Bonds within 12 months of the date of approval of these financial statements;

The immediate parent also issued an interest-free Shareholder loan of £395.1m on 1 April 2017 which has a 6 year term expiring 29 March 2023. In November 2017, a further £10.0m was advanced to the Group. The loan has been fair valued at the Group's cost of equity of 10%, with £258.2m recognised as a loan payable and £175.9m credited to a capital contribution reserve. In the year, £29.0m of finance charges has been expensed in the income statement (see note 8).

The Group has entered into a Murabaha loan to finance the purchase of the investment property, secured by fixed and floating charges. The quarterly profit element payable on this transaction is treated as interest payable within these financial statements, in accordance with recommended accounting practice. The Group is compliant with loan covenants.

The Murabaha loans are non-amortising and due for repayment in September 2019. Profit payable on the Murabaha loan is calculated based on LIBOR+ 2.60%, the floating rate being hedged by derivatives.

A Mezzanine loan facility has been entered into by the Group to finance the development of certain investment property. Non-utilisation fees are calculated at 0.60% of the unutilised loan balance. Interest payable on the Mezzanine loan is calculated based on LIBOR+ 1.95%, the floating rate being hedged by derivatives. The non-utilisation fees and interest payable are capitalised and added to the principal. The Mezzanine loan is non-amortising and due for repayment in September 2020.

A Senior loan facility has been entered into by the Group to finance the development of certain investment property. Interest payable on the Senior loan is calculated as the EC Reference rate + 2.2%, the floating rate being hedged by derivatives. The interest payable is capitalised and added to the principal. The Senior loan is non-amortising and due for repayment in September 2020.

# Notes to the financial statements (continued)

### 19. Derivative financial instruments

The movement in the fair value of the derivative financial instruments is as follows:

| | 2018 | 2017 |
|---|---|---|
| | **£000** | £000 |
| At 1 April | **13,558** | 15,959 |
| Change in fair value of derivatives | **(8,450)** | (2,401) |
| **At 31 March** | **5,108** | 13,558 |

In the year ended 31 March 2015 the Group entered into a swap arrangement to swap floating rate profit payable on its Murabaha loan to a fixed rate. The swap has a non-amortising notional principal of £350m from inception in August 2014 through to maturity in September 2019 and fixes the profit at an effective rate of 4.67%.

In the year ended 31 March 2017 the Group entered into a swap arrangement for 80% of the accreting loan balance payable on its Mezzanine loan to a maximum notional principal of £58.9m. This is to swap the floating rate interest payable to a fixed rate. The swap has an effective rate of 3.41% and matures in September 2020.

The Group has also entered into the following interest rate caps:

| Maximum Notional amount | Effective Date | Termination Date | Cap Rate | Facility |
|---|---|---|---|---|
| £14,736,000 | 31 December 2016 | 30 September 2020 | 1.5% | Mezzanine Loan |
| £73,680,000 | 30 September 2020 | 31 March 2021 | 2.0% | Mezzanine Loan Guarantee period |
| £104,576,000 | 31 July 2017 | 31 March 2020 | 2.0% | Senior Loan |
| £100,000,000 | 31 March 2020 | 30 September 2022 | 2.5% | Senior Loan Guarantee period |

All of the financial derivatives included in the above table were valued by an external consultant using a discounted cash flow model and market information.

In the absence of hedge accounting, movements in fair value are taken directly to the consolidated statement of comprehensive income.

## Notes to the financial statements (continued)

**20. Liabilities – reconciliation of cash and non-cash movements**

| | | Cash flows | | | Non-cash changes | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | 1 April 2017 | Drawdown/ repayment | Loan fees | Interest costs | Fair value changes | Amortisation | Capitalised Borrowing Costs | Interest accrued | 31 March 2018 |
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| **Long-term liabilities** | | | | | | | | | |
| Murabaha loan | 350,000 | - | - | (16,589) | - | - | - | 16,589 | 350,000 |
| Murabaha loan arrangement fees | (1,395) | - | - | - | - | 540 | - | - | (855) |
| Mezzanine loan | 18,623 | 47,420 | - | - | - | - | 1,726 | - | 67,769 |
| Mezzanine loan arrangement fees | (2,489) | - | (146) | - | 831 | 515 | - | - | (1,289) |
| Senior loan | - | 39,594 | - | - | - | - | 226 | - | 39,820 |
| Senior loan arrangement fees | - | - | (40) | - | (831) | 247 | - | - | (624) |
| Shareholder loan | - | 405,152 | - | - | (175,890) | - | - | 28,974 | 258,236 |
| | **364,739** | **492,166** | **(186)** | **(16,589)** | **(175,890)** | **1,302** | **1,952** | **45,563** | **713,057** |
| **Short-term liabilities** | | | | | | | | | |
| Deep discount bonds | 496,176 | (396,176) | - | - | - | - | - | 12,743 | 112,743 |
| **Assets used to hedge long-term borrowings** | | | | | | | | | |
| Derivative financial instruments | 13,558 | - | - | - | (8,450) | - | - | - | 5,108 |
| **Total liabilities from financing activities** | **874,473** | **95,990** | **(186)** | **(16,589)** | **(184,340)** | **1,302** | **1,952** | **58,306** | **830,908** |

# Notes to the financial statements (continued)

### 21. Risk and financial instruments

The Group's key financial risks arising from its operating activities and its financial instruments are:

- Credit risk;
- Liquidity risk;
- Market risk (including interest rate risk and currency risk).

The Directors have overall responsibility for the establishment and oversight of the risk management framework.

*Categories of financial instruments:*

| | **2018** | | 2017 | |
|---|---|---|---|---|
| | **Carrying value** | **Fair value** | Carrying value | Fair value |
| | **£000** | **£000** | £000 | £000 |
| Financial liabilities | | | | |
| *At amortised cost:* | | | | |
| Loans and borrowings | **825,800** | **825,800** | 860,915 | 860,915 |
| *At fair value through profit or loss:* | | | | |
| Derivative financial instruments | **5,108** | **5,108** | 13,558 | 13,558 |

The management assessed that the fair values of cash and short-term deposits, trade receivables, trade payables and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

Financial instruments that are measured subsequent to initial recognition at fair value, are disclosed as levels 1 to 3 based on the degree to which the fair value is observable (see note 5).

***Credit risk***

The Group services the private rental property sector as it rents its investment properties to third party private residents. The private rental property industry is highly competitive and relies on payment of financial obligations by private individuals, whose economic circumstances can alter from time to time. If a tenant experiences financial difficulties this may result in arrears which, ultimately, are pursued through a legal process which can end in repossession of the property. The Group mitigates this risk by conducting comprehensive credit checks. The Group is currently assessing options for implementing a reporting regime for credit agencies in the financial year to 31 March 2018. Currently, for those tenants that do not pass credit checks, the Group requires receipt of a deposit prior to tenancy commencement and will insist on guarantors as required.

The credit risk on liquid funds is limited because the significant counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

# Notes to the financial statements (continued)

### 21. Risk and financial instruments (continued)

***Liquidity risk***

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group aims to mitigate liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The following table represents the maturity of financial liabilities:

| 31 March 2018 | Carrying amount £000 | Contractual cash flow £000 | Less than one year £000 | One to two years £000 | Two to five years £000 | Over five years £000 |
|---|---|---|---|---|---|---|
| Trade and other payables | 28,790 | 28,790 | 20,939 | 2,387 | - | 5,464 |
| Deep discount bonds | 112,743 | 112,743 | 112,743 | - | - | - |
| Shareholder loan | 258,236 | 405,152 | - | - | 405,152 | - |
| Murabaha loan | 349,145 | 365,683 | 10,924 | 354,759 | - | - |
| Mezzanine loan | 66,480 | 140,000 | - | - | 140,000 | - |
| Senior loan facility | 39,196 | 181,000 | - | - | 181,000 | - |
| Derivative financial instruments | 5,108 | 12,194 | 7,952 | 3,894 | 348 | - |
| **Total** | **859,698** | **1,245,562** | **152,558** | **361,040** | **726,500** | **5,464** |

| 31 March 2017 | Carrying amount £000 | Contractual cash flow £000 | Less than one year £000 | One to two years £000 | Two to five years £000 | Over five years £000 |
|---|---|---|---|---|---|---|
| Trade and other payables | 15,828 | 15,828 | 13,610 | 1,109 | 1,109 | - |
| Deep discount bonds | 496,176 | 496,176 | 496,176 | - | - | - |
| Murabaha loan | 348,605 | 375,290 | 10,383 | 10,383 | 354,524 | - |
| Mezzanine loan | 16,134 | 140,000 | - | - | 140,000 | - |
| Derivative financial instruments | 13,558 | 20,086 | 7,859 | 7,974 | 4,253 | - |
| **Total** | **890,301** | **1,047,380** | **528,028** | **19,466** | **499,886** | **-** |

***Market risk***

Market risk is the risk that changes in market prices, such as interest rates will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

*Currency risk*

The Group has no significant assets or liabilities denominated in currencies other than Pounds Sterling and was therefore not exposed to currency risk at the balance sheet date.

# Notes to the financial statements (continued)

## 21. Risk and financial instruments (continued)

*Interest rate risk*
The Group's interest-bearing financial assets and liabilities expose it to risks associated with the effect of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows.

The interest rate profile of the Group's financial assets and liabilities (excluding short-term payables) as at 31 March 2018 and 2017 was:

| | **Fixed rate items** | **Floating rate items** | **Items on which no interest is paid** | **Total carrying value** |
|---|---|---|---|---|
| **31 March 2018** | **£000** | **£000** | **£000** | **£000** |
| Financial assets | - | 26,832 | - | 26,832 |
| **Cash and cash equivalents** | **-** | **26,832** | **-** | **26,832** |
| *Financial liabilities* | | | | |
| Deep discount bonds | 112,743 | - | - | 112,743 |
| Shareholder loan | 258,236 | - | - | 258,236 |
| Murabaha loan (before the effect of the derivative) | - | 350,000 | - | 350,000 |
| Mezzanine loan (before the effect of the derivative) | - | 67,769 | - | 67,769 |
| Senior loan (before the effect of the derivative) | - | 39,820 | - | 39,820 |
| **Total** | **370,979** | **457,589** | **-** | **828,568** |

| | Fixed rate items | Floating rate items | Items on which no interest is paid | Total carrying value |
|---|---|---|---|---|
| 31 March 2017 | £000 | £000 | £000 | £000 |
| Financial assets | | | | |
| **Cash and cash equivalents** | - | 16,299 | - | 16,299 |
| *Financial liabilities* | | | | |
| Deep discount bonds | 496,176 | - | - | 496,176 |
| Murabaha loan (before the effect of the derivative) | - | 350,000 | - | 350,000 |
| Mezzanine loan (before the effect of the derivative) | - | 18,623 | - | 18,623 |
| **Total** | **496,176** | **368,623** | **-** | **864,799** |

The Group makes use of derivative financial instruments where possible to minimise the Group's overall exposure to interest rates.

# Notes to the financial statements (continued)

### 21. Risk and financial instruments (continued)

*Cash flow sensitivity analysis for variable rate instruments*
The Group pays fixed rate interest on its deep discount bonds. There is a swap arrangement in place to fix the profit rate on its Murabaha loans and the interest on the Mezzanine and Senior loans. Therefore the Group's loans and borrowings as at 31 March 2018, are not subject to changes in interest rate movements. However, the profit interest rate swaps are subject to movements in floating interest rates based on LIBOR. The impact on the fair value of the derivative financial instruments if interest rates increase/decrease by 50 basis points would be a decrease/increase in financial liability and a corresponding increase/decrease in the gain on derivative financial instruments of £2.5 million (2017: £5.2m).

*Fair value measurements*
The following table presents the Group's assets and liabilities that are measured at fair value.

| **31 March 2018** | **Assets** | **Liabilities** | **Total gains/(losses)** |
|---|---|---|---|
| **Recurring fair value measurements** | **£000** | **£000** | **£000** |
| *Level 3* | | | |
| Investment property | 1,276,500 | - | (7,010) |
| Shareholder loan | - | 258,236 | (28,974) |
| *Level 2* | | | |
| Derivative financial instruments | - | 5,108 | 8,450 |
| **Total** | **1,276,500** | **263,344** | **(27,534)** |

| 31 March 2017 | Assets | Liabilities | Total gains/(losses) |
|---|---|---|---|
| **Recurring fair value measurements** | £000 | £000 | £000 |
| *Level 3* | | | |
| Investment property | 1,191,800 | - | (8,777) |
| *Level 2* | | | |
| Derivative financial instruments | - | 13,558 | 2,401 |
| **Total** | 1,191,800 | 13,558 | (6,376) |

The total non-recurring fair value measurements categorised within Level 3 in the statement of financial position amounts to £175.9m (2017: £nil).

# Notes to the financial statements (continued)

## 22. Share capital

| | 2018 | 2017 |
|---|---|---|
| | **£** | £ |
| *Allotted, called up share capital* | | |
| 10,001 Ordinary Shares of £1 each | **10,001** | 10,001 |
| 200 B1 shares of £0.01 each | **2** | 2 |
| 100 B2 shares of £0.01 each | **1** | 1 |
| | **10,004** | 10,004 |

Holders of Ordinary Shares are entitled to one vote per share.

The B1 and B2 shares constitute separate classes of shares, carry no voting rights and have restrictions on their entitlement to distributions compared to the ordinary shareholders.

Per the Articles of Association, there is no cap on the number of shares that can be allotted and issued.

## 23. Capital contribution reserves

| | 2018 | 2017 |
|---|---|---|
| | **£000** | £000 |
| At 1 April | **-** | - |
| Capital contribution | **175,890** | - |
| **At 31 March** | **175,890** | - |

The immediate parent issued an interest-free Shareholder loan of £395.2m on 1 April 2017 which has a 6 year term expiring 29 March 2023. In November 2017, a further £10.0m was advanced to the Group. The loan has been fair valued at the Group's cost of equity of 10%, with £258.2m recognised as a loan payable and £175.9m credited to a non-distributable reserve as a capital contribution. In the year, £29.0m of finance charges has been expensed in the income statement (see note 8).

## 24. Retained earnings

The retained earnings reserve represents cumulative profits, including unrealised profit on the remeasurement of investment properties and investment properties under construction.

## 25. Related party disclosures

The Company's immediate and ultimate parent undertakings were QDD Limited and East Village London LLP respectively.

At 31 March 2018, East Village London LLP was ultimately jointly controlled as follows:

(i) By DV4 Limited, a company registered and incorporated in the British Virgin Islands; and
(ii) By Qatari Diar Real Estate Investment Company QSC, a company registered and incorporated in the State of Qatar and being a direct subsidiary of Qatar Investment Authority, a governmental authority established by the Emir of the State of Qatar; and
(iii) By Stichting Depositary APG Strategic Real Estate Pool, a pension fund asset manager based in the Netherlands.

QDD Athletes Village UK Limited is the smallest and East Village London LLP (a limited liability partnership registered in England & Wales) is the largest group to consolidate these financial statements.

# Notes to the financial statements (continued)

### 25. Related party disclosures (continued)

Transactions between the Group and other entities controlled by its ultimate controlling parties that are recognised in the statement of comprehensive income and statement of financial position are summarised below:

| | 2018 | 2017 |
|---|---|---|
| | £000 | £000 |
| **Consolidated statement of comprehensive income** | | |
| Interest charged in the year by QDD Limited on Deep discount bonds | **12,743** | 40,295 |
| Change in fair value of Shareholder Loan | **28,974** | - |
| Advisory fees payable to Qatari Diar UK Limited | **722** | 610 |
| Management fee income: | | |
| DV4 Eadon Co Limited | **(534)** | (403) |
| Tribeca Square (Raglan & Tantallon House) 175 Co Ltd | **(32)** | - |
| Tribeca Square (Portchester House) 175 Co Ltd | **(183)** | - |
| Get Living Group (Glasgow) LLP | **(330)** | - |
| Get Living Group (Leeds) LLP | **(150)** | - |
| **Consolidated statement of financial position** | | |
| Deep discount bonds due to QDD Limited | **112,743** | 496,176 |
| Shareholder loan due to QDD Limited | **258,236** | - |
| Amount due from QDD Limited | - | (1,123) |
| Net amounts due to related parties: | | |
| Tribeca Square (Portchester House) 175 Co. Ltd | **1,827** | 539 |
| Net amounts due from related parties: | | |
| DV4 Eadon Co. Limited | **(262)** | (188) |
| Tribeca Square (Raglan & Tantallon House) 175 Co Ltd | **(1)** | - |
| Tribeca Square (Portchester House) 175 Co Ltd | **(149)** | - |
| Get Living Group (Glasgow) LLP | **(340)** | - |
| Get Living Group (Leeds) LLP | **(169)** | - |

Deep discount bonds are redeemable in 2018 and carry an effective interest rate of 12.0% (2017: 8.75%). Shareholder loan is interest-free and has been fair valued at the Group's cost of equity.

The transactions with related parties are undertaken and settled at normal trading terms. No guarantees are given or received by either party.

The receivables from related parties arise due to operating expenses paid on their behalf.

The payable to related parties are funds collected on their behalf in acting as letting agent for certain properties in the Tribeca Square LLP group. The payables do not bear interest.

No provision has been made relating to balances with related parties.

### 26. Capital commitments

The Group has current commitments under one of its development projects totalling £46.2m as at 31 March 2018 (2017: £132.2m).

# Notes to the financial statements (continued)

### 27. Contingent liabilities

There were no contingent liabilities as at 31 March 2018 (2017: £nil).

### 28. Reconciliation to EPRA Net Asset Value (NAV)

The EPRA Best Practice Recommendations (EPRA BPR) was last issued by EPRA's Reporting and Accounting Committee in November 2016. The EPRA Net Asset Value measure highlights the fair value of equity on a long-term basis and so excludes items which the Directors consider to have no impact on the Group in the long term, such as fair value adjustment of the shareholder loan, derivative financial instruments and deferred tax.

| | **2018** | 2017 |
|---|---|---|
| | **£000** | £000 |
| Net asset value under IFRS | **430,797** | 303,986 |
| Fair value of shareholder loan | **(175,890)** | - |
| Deferred tax | **21,098** | 18,812 |
| Derivative financial instruments | **5,108** | 13,558 |
| **EPRA Net Asset Value (EPRA NAV)** | **281,113** | 336,356 |

### 29. Non-controlling interests

As at 1 April 2017, QDD Athletes Village UK Limited (QDDAV) recognised control of the estate management company for East Village, East Village Management Limited (EVML). QDDAV continues to hold 51% of the voting rights of the company, which is represented by one vote per unit in the village, comprising of 2,818 units in total. However, due to QDDAV's increasing management influence over the operations of EVML, it has been determined that in addition to holding the majority shareholding, QDDAV also has control and power over the variable returns of EVML's operations. In line with IFRS 10 *Consolidated Financial Statements*, QDDAV has consolidated EVML into the group with effect from 1 April 2017.

The 49% non-controlling interest represents the units operated by Triathlon Homes LLP – shared ownership and social housing.

| | **QDDAV** | **NCI** | **Total** |
|---|---|---|---|
| | **£000** | **£000** | **£000** |
| **Equity: EVML retained earnings** | | | |
| Opening balance as at 1 April 2017 | 8 | 7 | 15 |
| EVML profit for the period | 15 | 15 | 30 |
| **Closing balance as at 31 March 2018** | **23** | **22** | **45** |

The non-controlling interest reserve represents cumulative profits from EVML's company operations.

### 30. Subsequent events

On 11 July 2018, DV4 Limited exchanged contracts with Oxford Properties, a Canadian global real estate investor, to form a co-investment vehicle called Delancey Oxford Residential ("DOOR"). DOOR will now take a shareholding of East Village London LLP, with the existing shareholder Stichting Depositary APG Strategic Real Estate Pool increasing its shareholding, and QD Triangle (East Village) Limited reducing its shareholding in the group.

## Notes to the financial statements (continued)

**31. Subsidiaries**

| Subsidiaries of QDD Athletes Village UK Limited | Country of Incorporation | Status | Class of shares held | Ownership % |
|---|---|---|---|---|
| **(* Directly owned by the Company)** | | | | |
| Get Living London EV Holdco Limited | UK | | Ordinary | 100 |
| Get Living London EV N01 Limited | UK | | Ordinary | 100 |
| Get Living London EV N02 Limited | UK | | Ordinary | 100 |
| Get Living London EV N03 Limited | UK | | Ordinary | 100 |
| Get Living London EV N04 Limited | UK | | Ordinary | 100 |
| Get Living London EV N07 Limited | UK | | Ordinary | 100 |
| Get Living London EV N09 Limited | UK | | Ordinary | 100 |
| Get Living London EV N10 Limited | UK | | Ordinary | 100 |
| Get Living London EV N13 Limited | UK | | Ordinary | 100 |
| Get Living London EV N14 Limited | UK | | Ordinary | 100 |
| Get Living London EV N15 Limited | UK | | Ordinary | 100 |
| Get Living London EV N26 Limited | UK | | Ordinary | 100 |
| Get Living London EV1 Holdco Limited | UK | Dormant | Ordinary | 100 |
| Get Living London EV2 Holdco Limited | UK | | Ordinary | 100 |
| Get Living London Limited* | UK | | Ordinary | 100 |
| Newincco 1234 Limited | UK | | Ordinary | 100 |
| QDD East Village UK Limited* | UK | Dormant | Ordinary | 100 |
| QDD EV Holdco Limited | UK | Dormant | Ordinary | 100 |
| QDD EV N01 Limited | UK | | Ordinary | 100 |
| QDD EV N02 Limited | UK | | Ordinary | 100 |
| QDD EV N03 Limited | UK | | Ordinary | 100 |
| QDD EV N04 Limited | UK | | Ordinary | 100 |
| QDD EV N07 Limited | UK | | Ordinary | 100 |
| QDD EV N09 Limited | UK | | Ordinary | 100 |
| QDD EV N10 Limited | UK | | Ordinary | 100 |
| QDD EV N13 Limited | UK | | Ordinary | 100 |
| QDD EV N14 Limited | UK | | Ordinary | 100 |
| QDD EV N15 Limited | UK | | Ordinary | 100 |
| QDD EV N26 Limited | UK | | Ordinary | 100 |
| QDD EV N05 Holdco 1 Limited | UK | Dormant | Ordinary | 100 |
| QDD EV N05 Holdco 2 Limited | UK | Dormant | Ordinary | 100 |
| QDD EV N05 Limited | UK | Dormant | Ordinary | 100 |
| QDD EV N06 Limited | UK | | Ordinary | 100 |
| QDD EV N06/N08 Holdco 1 Limited | UK | | Ordinary | 100 |
| QDD EV N06/N08 Holdco 2 Limited | UK | | Ordinary | 100 |
| QDD EV N06/N08 Holdco 3 Limited | UK | | Ordinary | 100 |
| QDD EV N06/N08 Holdco 4 Limited | UK | | Ordinary | 100 |
| QDD EV N08 Limited | UK | | Ordinary | 100 |
| QDD EV1 Investment UK Limited | UK | Dormant | Ordinary | 100 |
| QDD EV2 Investment UK Limited | UK | Dormant | Ordinary | 100 |
| Stratford Village Development (GP) Limited | UK | | Ordinary | 100 |
| Stratford Village Development LP1 Limited | UK | | Ordinary | 100 |
| Stratford Village Development LP2 Limited | UK | | Ordinary | 100 |
| Stratford Village Development Partnership | UK | | Ordinary | 100 |
| Stratford Village Property Holdings 1 Limited | UK | Dormant | Ordinary | 100 |
| Stratford Village Property Holdings 2 Limited | UK | Dormant | Ordinary | 100 |
| SVDP Limited* | UK | Dormant | Ordinary | 100 |
| East Village Management Limited | UK | | Limited by guarantee | 51 |

# QDD Athletes Village UK Limited

## Company financial statements

## 31 March 2018

# Statement of Directors' Responsibilities

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 Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards 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 Company and of the profit or loss of the Company for that period. In preparing those 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;
- 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.

**Going concern**

The financial statements of the Company have been prepared on a going concern basis. The Directors have a reasonable expectation that the Company has adequate financial resources to continue in operational existence for the foreseeable future, and consider it appropriate to prepare the financial statements on a going concern basis.

## Company statement of financial position

| | Notes | 2018 £000 | 2017 £000 |
|---|---|---|---|
| **Fixed assets** | | | |
| Investment in subsidiary | 5 | **3,629** | - |
| Deferred tax assets | 4 | **6,284** | 12,712 |
| | | **9,913** | 12,712 |
| **Current assets** | | | |
| Debtors | 6 | **427,166** | 416,580 |
| Cash at bank and in hand | 7 | **2,882** | 2,959 |
| | | **430,048** | 419,539 |
| **Creditors: amounts falling due within one year** | 8 | **(118,883)** | (498,336) |
| **Net current assets/(liabilities)** | | **311,165** | (78,797) |
| **Total assets less current assets/(liabilities)** | | **321,078** | (66,085) |
| **Creditors: amounts falling due after more than one year** | 9 | **(258,236)** | - |
| **Net assets/(liabilities)** | | **62,842** | (66,085) |
| **Equity attributable to equity shareholders** | | | |
| Share capital | 10 | **10** | 10 |
| Capital contribution reserves | 11 | **175,890** | - |
| Retained earnings | | **(113,058)** | (66,095) |
| **Total equity** | | **62,842** | (66,085) |

The financial statements were approved by the Board of Directors for issue on 9 August 2018 and were signed on its behalf by:

Jeremy Holmes

Director
Company Registration No. 07503926

# Company statement of changes in equity

| | Issued share capital | Retained earnings | Capital contribution reserves | Total Equity |
|---|---|---|---|---|
| | £000 | £000 | £000 | £000 |
| As at 1 April 2016 | 10 | (44,585) | - | (44,575) |
| Total comprehensive expense for the year | - | (21,510) | - | (21,510) |
| As at 31 March 2017 | 10 | (66,095) | - | (66,085) |
| As at 1 April 2017 | 10 | (66,095) | - | (66,085) |
| Fair value of Shareholder loan | - | - | 175,890 | 175,890 |
| Total comprehensive expense for the year | - | (46,963) | - | (46,963) |
| **As at 31 March 2018** | **10** | **(113,058)** | **175,890** | **62,842** |

The Company loss for the year was £47.0m (2017: £21.5m loss). There was no other Comprehensive Income in either year.

# Notes forming part of the Company financial statements

## 1. Statement of compliance with FRS 101

These Parent Company financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101).

No profit and loss account is presented by the Company as permitted by Section 408 of the Companies Act 2006.

The results of QDD Athletes Village UK Limited, as a Company, are included in the consolidated financial statements of QDD Athletes Village UK Limited.

## 2. Basis of preparation

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 March 2018. The financial statements are prepared in Sterling and are rounded to the nearest thousand pounds (£000).

The Company has taken advantage of the following disclosure exemptions under FRS 101 and Companies Act 2006:

- the requirement under section 399, an exemption from company's individual profit and loss account;
- the requirements of IFRS 7 Financial Instruments: Disclosures; and
- 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;
- the requirements of paragraphs 10(d), 10(f), 39(c) 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 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 company, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.

*Going concern*

The financial statements of the Company have been prepared on a going concern basis. The Directors have a reasonable expectation that the Company has adequate financial resources to continue in operational existence for the foreseeable future, and consider it appropriate to prepare the financial statements on a going concern basis.

# Notes forming part of the Company financial statements (continued)

**3. Summary of significant accounting policies**

**a) Investment in subsidiary**

Investment in subsidiaries are shown at cost less provision for impairment.

**b) Revenue recognition**

Interest income is recognised using the effective interest rate approach. Revenue represents amounts received or receivable, in relation to recovery of certain costs for development and marketing of East Village, E20.

**c) Receivables**

Receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest rate (EIR) method, less impairment.

**d) Cash and short-term deposits**

*Cash and short-term deposits in the balance sheet comprise cash at bank and on hand and short-term deposits with a maturity* of three months or less.

**e) Interest bearing loans and borrowings**

Obligations for interest bearing loans and borrowings are recognised when the Company becomes party to the related contracts and are measured initially at the fair value of consideration received less directly attributable transaction costs. The difference between the fair value of consideration and the present value of future discounted cash cashflows is treated as an equity amount of capital contribution.

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. The discount between the redeemable amount and the net proceeds is accreted over the term of the bonds and charged to the statement of comprehensive income.

**f) Interest free shareholder loans**

Obligations for interest free shareholder loans are recognised when the Company becomes party to the related contracts and are measured initially at the fair value of the present value of future cash flows discounted at the Company's cost of equity. An equity capital contribution is recognised, being the difference between the above and the consideration advanced.

After initial recognition, interest free shareholder loans are subsequently measured at amortised cost using the Company's cost of equity, the total being the equal to the amount of the capital contribution. The finance charge is expensed to the statement of comprehensive income.

# Notes forming part of the Company financial statements (continued)

**3. Summary of significant accounting policies (continued)**

**g) Taxes**

**Current tax**

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date.

**Deferred tax**

Deferred tax is provided on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences, the carry forward of unused tax credits and any unused tax losses to the extent that it is probable that they can be utilised against taxable profits. However, deferred tax assets are not recognised where they relate to the deductible temporary difference arising from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

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

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

**4. Taxation**

| | **2018** | 2017 |
|---|---|---|
| | **£000** | £000 |
| Deferred tax charge/(credit) | **6,428** | (3,234) |
| Tax charge/(credit) | **6,428** | (3,234) |
| **Factors affecting the tax charge/(credit) for the year** | | |
| Loss before taxation | **(40,535)** | (24,744) |
| Loss before taxation multiplied by main rate of UK corporation tax of 19% (2017: 20%) | **(7,702)** | (4,949) |
| *Effect of:* | | |
| Non-deductible expenses | **5,618** | 280 |
| Other tax adjustments | **4,060** | - |
| Movement in recognised losses | **4,451** | 908 |
| Effects of change in tax rates | **-** | 527 |
| Tax charge/(credit) | **6,428** | (3,234) |

# Notes forming part of the Company financial statements (continued)

## 4. Taxation (continued)

The Company had tax losses at the balance sheet date. These represent a temporary difference for tax purposes and a deferred tax asset is recognised as the Company has undertaken to make these losses available to its subsidiaries as necessary to cover the reversal of the temporary differences in those companies.

The Company has unrecognised deferred tax assets at 31 March 2018 in respect of tax losses carried forward of £4.9m (2017: £0.3m). These deferred tax assets were not recognised at 31 March 2018 on the basis that it was not sufficiently certain that suitable taxable profits would arise against which they could be utilised.

Deferred tax is recognised at a rate of 17% (2017: 17%). The Finance (No.2) Act 2015 was enacted on 18 November 2015, which introduced a reduction in the headline rate of corporation tax from 20% to 19% from 1 April 2017 and to 18% from 1 April 2020. The Finance Act 2016 was enacted on 15 September 2016, and introduced a further reduction of the headline rate of corporation tax to 17% from 1 April 2020.

| | **2018** | 2017 |
|---|---|---|
| | **£000** | £000 |
| **Deferred tax assets** | | |
| At 1 April | **12,712** | 9,478 |
| (Charged)/credited to profit and loss account | **(6,428)** | 3,234 |
| At 31 March | **6,284** | 12,712 |

| | **2018** | 2017 |
|---|---|---|
| | **£000** | £000 |
| **Deferred tax assets comprises:** | | |
| Unutilised tax losses | **6,284** | 12,712 |
| | **6,284** | 12,712 |

# Notes forming part of the Company financial statements (continued)

## 5. Investments

| | 2018 | 2017 |
|---|---|---|
| | £000 | £000 |
| At 1 April | - | - |
| Additional investment | 25,000 | - |
| Impairment of investment | (21,371) | - |
| At 31 March | 3,629 | - |

| | 2018 | 2017 |
|---|---|---|
| | £ | £ |
| ***Shares in group undertakings:*** | | |
| Get Living London Limited | 25,000,000 | 1 |
| QDD East Village UK Limited | 1 | 1 |
| SVDP Limited | 1 | 1 |
| | 25,000,002 | 3 |

The Company owns 100% of the ordinary share capital of the companies listed above, all of which are incorporated in England and Wales.

On 28 March 2018, the Company agreed to the novation of £15m of intercompany liabilities that Get Living London Limited had with fellow subsidiaries of the Company. The intercompany liabilities are repayable on demand and interest free. At the same time, Get Living London Limited, issued 24,999,999 ordinary shares of £1 each to the Company who relieved Get Living London Limited of £24,999,999 of intercompany liabilities.

## 6. Debtors

| | 2018 | 2017 |
|---|---|---|
| | £000 | £000 |
| Other taxes | 71 | 22 |
| Prepayments | 599 | 549 |
| Amount due from parent undertaking | - | 1,123 |
| Amounts due from subsidiary undertakings | 112,148 | 168,588 |
| Other debtors | 182 | - |
| Derivative financial instruments | 565 | 960 |
| Loan owed by subsidiary undertakings | 313,601 | 245,338 |
| | 427,166 | 416,580 |

# Notes forming part of the Company financial statements (continued)

**7. Cash at bank and in hand**

| | **2018** | 2017 |
|---|---|---|
| | **£000** | £000 |
| Cash at bank | **2,882** | 2,959 |

**8. Creditors: amounts falling due within one year**

| | **2018** | 2017 |
|---|---|---|
| | **£000** | £000 |
| Trade payables | **522** | - |
| Other creditors | **261** | 28 |
| Deferred income | **144** | 137 |
| Amounts due to subsidiary undertakings | **5,213** | 1,995 |
| Deep discount bonds | **112,743** | 496,176 |
| | **118,883** | 498,336 |

On 1 April 2017, the funding from the immediate parent was restructured. The deep discount bond was reduced to a subscription price of £100m (2017: £415.9m) and a discount rate of 12% (2017: 8.75%). It is redeemable on 29 March 2018 and includes rolled up finance charges for the year of £12.7m (2017: £40.2m).

**9. Creditors: amounts falling due after more one year**

| | **2018** | 2017 |
|---|---|---|
| | **£000** | £000 |
| Shareholder loan | **258,236** | - |
| | **258,236** | - |

The immediate parent issued an interest-free Shareholder loan of £395.2m on 1 April 2017 which has a 6 year term expiring 29 March 2023. In November 2017, a further £10.0m was advanced to the Group. The loan has been fair valued at the Group's cost of equity of 10%, with £258.2m recognised as a loan payable and £175.9m credited to a capital contribution reserve (see note 11). In the year, £29.0m of finance charges has been expensed in the income statement.

# Notes forming part of the Company financial statements (continued)

## 10. Issued share capital

| | 2018 | 2017 |
|---|---|---|
| | £ | £ |
| **Allotted, called up share capital** | | |
| 10,001 ordinary shares of £1 each | **10,001** | 10,001 |
| 200 B1 shares of £0.01 each | **2** | 2 |
| 100 B2 shares of £0.01 each | **1** | 1 |
| | **10,004** | 10,004 |

Holders of Ordinary Shares are entitled to one vote per share.

The B1 and B2 shares constitute separate classes of shares, carry no voting rights and have restrictions on their entitlement to distributions compared to the ordinary shareholders.

## 11. Capital contribution reserves

| | 2018 | 2017 |
|---|---|---|
| | **£000** | £000 |
| At 1 April | **-** | - |
| Capital contribution | **175,890** | - |
| **At 31 March** | **175,890** | - |

The immediate parent issued an interest-free Shareholder loan of £395.2m on 1 April 2017 which has a 6 year term expiring 29 March 2023. In November 2017, a further £10.0m was advanced to the Group. The loan has been fair valued at the Group's cost of equity of 10%, with £258.2m recognised as a loan payable and £175.9m credited to a capital contribution reserve. In the year, £29.0m of finance charges has been expensed in the income statement.

# Notes forming part of the Company financial statements (continued)

### 12. Related party disclosures

The Company's immediate and ultimate parent undertakings were QDD Limited and East Village London LLP respectively.

At 31 March 2018, East Village London LLP was ultimately jointly controlled as follows:

(i) By DV4 Limited, a company registered and incorporated in the British Virgin Islands; and
(ii) By Qatari Diar Real Estate Investment Company QSC, a company registered and incorporated in the State of Qatar and being a direct subsidiary of Qatar Investment Authority, a governmental authority established by the Emir of the State of Qatar; and
(iii) By Stichting Depositary APG Strategic Real Estate Pool, a pension fund asset manager based in the Netherlands.

QDD Athletes Village UK Limited is the smallest and East Village London LLP (a limited liability partnership registered in England & Wales) is the largest group to consolidate these financial statements.

Transactions between the Group and other entities controlled by its ultimate controlling parties that are recognised in the income statement and statement of financial position are summarised below:

| | **2018** | 2017 |
|---|---|---|
| | **£000** | £000 |
| **Company income statement** | | |
| Interest charged in the year | **12,743** | 40,295 |
| Change in fair value of Shareholder Loan | **28,974** | - |
| Advisory fees payable to Qatari Diar UK Limited | **1,916** | 2,113 |
| **Company statement of financial position** | | |
| Deep discount bonds due to QDD Limited | **112,743** | 496,176 |
| Shareholder loan due to QDD Limited | **258,236** | - |
| Amount due from QDD Limited | **-** | (1,123) |

### 13. Contingent liabilities

There were no contingent liabilities as at 31 March 2018 (2017: £nil).

### 14. Subsequent events

On 11 July 2018, DV4 Limited exchanged contracts with Oxford Properties, a Canadian global real estate investor, to form a co-investment vehicle called Delancey Oxford Residential ("DOOR"). DOOR will now take a shareholding of East Village London LLP, with the existing shareholder Stichting Depositary APG Strategic Real Estate Pool increasing its shareholding, and QD Triangle (East Village) Limited reducing its shareholding in the group.