

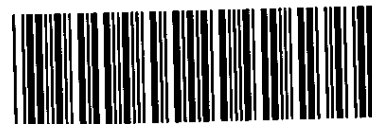
Company Number: 07640912 (England & Wales)

INNOVATION CITY (LONDON) LIMITED

**DIRECTORS' REPORT AND
AUDITED FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 MARCH 2017

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INNOVATION CITY (LONDON) LIMITED

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INNOVATION CITY (LONDON) LIMITED

Company Information

Directors	DV4 Administration Limited P J Goswell J W J Ritblat T Haden-Scott C B Wagman
Company number	07640912
Registered office	6th Floor Lansdowne House Berkeley Square London W1J 6ER
Auditor	Ernst & Young LLP 1 More London Place London SE1 2AF

INNOVATION CITY (LONDON) LIMITED

Directors' Report

The directors present their report and financial statements for the year ended 31 March 2017.

Principal activities

The principal activity of the Company is the development of property for investment purposes.

During the year the Company incurred costs of £10m (2016: £87m) in relation to the development of the former Broadcast Centre and Press Centre at Queen Elizabeth Olympic Park in London. These were mainly financed by drawing down on the development facility. Rent of £13m (2016: £3m) was earned during the year.

Results and dividends

The loss for the year amounted to £2,031,826 (2016: profit of £18,158,218).

The directors are unable to recommend payment of an ordinary dividend (2016: £nil).

The Company's key performance indicators are:

	31 March 2017 £	31 March 2016 £
(Loss) / profit for the year	(2,031,826)	18,158,218
Net assets	98,126,007	100,157,833

Principal risks and uncertainties

The Company's strategic aim is to create an innovation and enterprise centre on the Queen Elizabeth Olympic Park. The principal risks and uncertainties on the project relate to the successful letting of the space. These continuing risks are mitigated by the experience of the property advisors, the significant level of pre-lets and the quality of the asset.

Directors

The following directors held office during the year:

DV4 Administration Limited
P J Goswell
J W J Ritblat
T Haden-Scott
C B Wagman

Going concern

The financial statements have been prepared on a going concern basis, although the Company has net current liabilities. The ultimate parent undertaking has indicated its willingness to provide support to the Company for at least one year after the date of signing the accounts to meet its liabilities as they fall due.

INNOVATION CITY (LONDON) LIMITED

Directors' Report (continued)

Post balance sheet events

In the post year end period, the Company obtained and drew on a new loan facility totalling £160m, repayable in May 2022. The existing bank loan was repaid in full upon obtaining the new loan.

Additionally, in the post year end period the company subscribed to deep discount bonds held by DV4 Properties iCity Co. Limited, the immediate parent undertaking. The deep discount bonds held by DV4 Limited at the year end were redeemed upon this subscription.

Disclosure of information to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing their report, of which the auditor is unaware. Having made enquiries of fellow directors and the group's auditor, each director has taken all the steps that they are obliged to take as a director in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

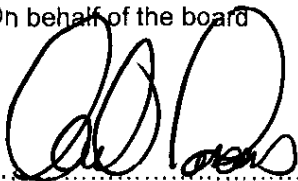
Auditor

In accordance with section 485 of the Companies Act 2006, a resolution is to be proposed at the Annual General meeting for reappointment of Ernst & Young LLP as auditor of the Company.

Small companies provision

This report has been prepared in accordance with the provisions applicable to companies entitled to the small companies exemptions provided by section 415A of the Companies Act 2006.

On behalf of the board



.....
DV4 Administration Limited

Andrew Roberts, for and on behalf of

Director

19 SEP 2017

Date:

INNOVATION CITY (LONDON) LIMITED

Statement of Directors' Responsibilities

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with 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 and loss of the Company for that year.

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

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- 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.

INNOVATION CITY (LONDON) LIMITED

Independent Auditor's Report To The Members of Innovation City (London) Limited

We have audited the financial statements of Innovation City (London) Limited for the period ended 31 March 2017 which comprise the Income Statement, Statement of Financial Position and the related notes 1 to 14. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

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

Respective responsibilities of Directors and Auditor

As explained more fully in the Statement of Directors' Responsibilities set out on page 4, the Company's directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors' Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements;

- give a true and fair view of the state of the Company's affairs as at 31 March 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

INNOVATION CITY (LONDON) LIMITED

**Independent Auditor's Report To The Members of Innovation City (London) Limited
(continued)**

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.
- the Directors' Report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have identified no material misstatements in the 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, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- The directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies exemption from the requirements to prepare a Strategic Report and take advantage of the small companies exemption in preparing the Directors' Report.

Ernst & Young, LLP

Matthew Williams (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London

19/9/17

INNOVATION CITY (LONDON) LIMITED
Company Number: 07640912
Income Statement
For the year ended 31 March 2017

	Notes	2017 £	2016 £
Turnover		14,903,018	3,088,490
Cost of sales		(7,445,606)	(2,947,974)
Gross profit		7,457,412	140,516
Administrative expenses		(2,842,018)	(502,524)
Valuation gains from property		5,032,992	22,769,526
Operating profit		9,648,386	22,407,518
Other interest receivable and similar income	2	384,034	459,103
Interest payable and similar charges	3	(15,516,134)	(8,801,568)
(Loss) / profit on ordinary activities before taxation		(5,483,714)	14,065,053
Taxation	4	3,451,888	4,093,165
(Loss) / profit for the year	11	(2,031,826)	18,158,218

INNOVATION CITY (LONDON) LIMITED
Company Number: 07640912
Statement of Financial Position
As at 31 March 2017

	Notes	2017 £	2016 £
Fixed assets			
Investment property	5	268,239,601	253,216,304
Current assets			
Debtors	6	25,011,858	16,958,976
Cash at bank		749,356	2,263,881
		<u>25,761,214</u>	<u>19,222,857</u>
Creditors: amounts falling due within one year	7	(82,723,552)	(79,270,196)
Net current liabilities		<u>(56,962,338)</u>	<u>(60,047,339)</u>
Creditors: amounts falling due after one year	8	(106,151,256)	(82,559,244)
Provisions for liabilities and charges	9	(7,000,000)	(10,451,888)
Net assets		<u>98,126,007</u>	<u>100,157,833</u>
Capital and reserves			
Called up share capital	10	1,000	1,000
Profit and loss reserve	11	98,125,007	100,156,833
Shareholder's funds		<u>98,126,007</u>	<u>100,157,833</u>

The financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime in accordance with the provisions of FRS 102 Section 1A - small entities.

19 SEP 2017

The financial statements were approved by the board on



.....
 DV4 Administration Limited
 Director

ANDREW PARSONS, FOR AND ON BEHALF OF

The notes on pages 9 to 15 form part of these financial statements.

INNOVATION CITY (LONDON) LIMITED

Notes to the Financial Statements For the year ended 31 March 2017

1.1 Basis of preparation

The financial statements have been prepared in accordance with UK Generally Accepted Accounting Practice (FRS 102). The entity meets the criteria of a 'small entity' in accordance with Section 1A of the standards and has chosen to apply the small entities regime.

1.2 Accounting convention

The financial statements are prepared under the historical cost convention, except for the revaluation of investment properties.

1.3 Going concern

The financial statements are prepared on a going concern basis, although the Company has net current liabilities. The ultimate parent undertaking has indicated its willingness to provide support to the Company for at least one year after the date of signing the accounts to meet its liabilities as they fall due.

1.4 Turnover

Turnover comprises service charges and rent received from properties and is recognised on a straight-line basis over the lease term. All turnover arises in the UK. Lease incentives are recognised over the lease term on a straight line basis.

1.5 Taxation

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

Deferred tax is recognised in respect of all timing differences which are differences between taxable profits and total profit that arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

1.6 Investment properties

Investment properties are revalued annually on an open market basis by the directors, having had reference to valuations carried out by appropriately qualified independent valuers. Any revaluation surplus or deficit arising is recognised in the Income Statement. *No depreciation or amortisation is provided in respect of investment properties.*

1.7 Short-term debtors and creditors

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the Income Statement under other operating expenses.

1.8 Bank loans

Bank loans are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

INNOVATION CITY (LONDON) LIMITED

Notes to the Financial Statements (continued) For the year ended 31 March 2017

1.9 Loan notes

Loan notes are initially recorded at the present value of future payments, discounted at a market rate of interest for a similar loan. Subsequently, they are measured at amortised cost using the effective interest method. Loan notes that are receivable within one year are not discounted.

1.10 Significant accounting estimates and assumptions

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Valuation of property

The fair value of investment property (Note 5) is determined by reference to professional external valuations using recognised valuation techniques.

The determination of the fair value of investment property requires the use of estimates such as future cash flows from the asset (such as lettings, tenants' profiles, future revenue streams, capital values of fixtures and fittings, plant and machinery, any environmental matters and the overall repair and condition of the property) and the discount rates applicable to the asset. Future revenue streams, inter alia, comprise contracted rent (passing rent) and estimated rental income (ERV) after the contract period. In estimating ERV, the potential impact of future lease incentives to be granted to secure new contracts is taken into consideration. All these estimates are based on local market conditions existing at the reporting date.

1.11 Cash flow statement

The Company has taken advantage of the exemption in Section 1A of FRS 102 from the requirement to produce a cash flow statement on the grounds that it is a small Company.

2 Other interest receivable and similar income

	2017 £	2016 £
Interest on amounts due from ultimate parent undertaking	383,695	458,959
Other interest receivable	339	144
	<u>384,034</u>	<u>459,103</u>

3 Interest payable and similar charges

	2017 £	2016 £
Unwinding of discount on deep discount bonds	8,973,150	7,958,626
Interest on bank loan	5,393,931	-
Commitment fees and amortisation of finance costs	1,149,053	842,942
	<u>15,516,134</u>	<u>8,801,568</u>

INNOVATION CITY (LONDON) LIMITED

Notes to Financial Statements (continued)
For the year ended 31 March 2017

4 Taxation

	2017	2016
(a) Analysis of tax charge on loss on ordinary activities		
Current tax	£	£
UK corporation tax	-	-
Current tax charge	-	-
Deferred tax		
Origination and reversal of timing differences	(3,451,888)	(4,093,165)
Total deferred tax charge credit	(3,451,888)	(4,093,165)
Tax on profit on ordinary activities	(3,451,888)	(4,093,165)
(b) Factors affecting the total tax charge for the year		
(Loss) / profit on ordinary activities before taxation	(5,483,714)	14,065,053
(Loss) / profit on ordinary activities before taxation multiplied by the main rate of UK corporation tax of 20% (2016: 20%)	(1,096,743)	2,813,011
Effects of:		
Other adjustments	-	45,780
Non deductible expenses	-	1,828
Group relief surrendered	-	7,292
Tax deductions in respect of capitalised expenditure	(1,938,996)	(6,679,774)
Effect of different rates of tax	(416,149)	(281,302)
Total tax credit	(3,451,888)	(4,093,165)

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. 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, therefore deferred tax is calculated at 17% (2016: 18%).

INNOVATION CITY (LONDON) LIMITED

Notes to Financial Statements (continued) **For the year ended 31 March 2017**

4 Taxation (continued)

Deferred tax liability

The deferred tax liability is included in the balance sheet is as follows:

	2017	2016
	£	£
Deferred tax liability brought forward	10,451,888	14,545,053
Deferred tax credited to the profit and loss account	(3,451,888)	(4,093,165)
Deferred tax liability carried forward	<u>7,000,000</u>	<u>10,451,888</u>

The deferred tax liability comprises:

	2017	2016
	£	£
Revaluation of investment property to fair value	22,340,000	22,783,753
Unutilised losses and other timing difference	(4,340,000)	(2,859,591)
Tax credits available	(11,000,000)	(9,472,274)
Closing balance (note 9)	<u>7,000,000</u>	<u>10,451,888</u>

5 Investment property

	£
At 1 April 2016	253,216,304
Additions	9,990,305
Revaluation	5,032,992

At 31 March 2017	<u>268,239,601</u>
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Reconciliation of fair value at 31 March 2017

Market value	281,150,000
Lease incentives	(12,910,399)

Fair value	<u>268,239,601</u>
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Reconciliation of fair value at 31 March 2016

Market value	255,000,000
Lease incentives	(1,783,696)

Fair value	<u>253,216,304</u>
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Valuation methodology

The valuations were undertaken in accordance with RICS Valuation Standards, Sixth Edition in the United Kingdom by independent third party valuers, who are qualified for the purpose of the valuation in accordance with the RICS valuation standard.

The most recent valuation of the Company's property was at 31 March 2017, based on the following:

- information provided by management including confidential rent rolls, expected vacancy, break options, expiry dates, lease incentives, service charges, capital expenditure, costs to complete and expected rental income on unlet units; and
- market assumptions derived from their own independent assessment and market observations.

Key unobservable inputs into valuation are the expected rental income and the equivalent yields and cost per square foot.

INNOVATION CITY (LONDON) LIMITED

Notes to Financial Statements (continued)
For the year ended 31 March 2017

6 Debtors	2017 £	2016 £
Amounts falling due within one year		
Amounts due from ultimate parent undertaking	9,067,230	11,533,535
Other taxes	78,623	2,349,041
Prepayments and accrued income	15,035,501	1,783,696
Trade debtors	821,154	1,292,704
Other debtors	9,350	-
	25,011,858	16,958,976

The amount due from the ultimate parent undertaking comprises a balance of £550,000 (2016: £3,400,000) that is repayable on demand and bears interest at 12%, together with the accrued interest of £8,517,230 (2016: £8,133,535) on that balance.

7 Creditors: amounts falling due within one year	2017 £	2016 £
Deep discount bonds	79,364,808	70,391,658
Other creditors	163,612	-
Trade creditors	2,183,073	8,062,358
Accruals and deferred income	1,012,059	816,180
	82,723,552	79,270,196

The deep discount bonds are held by DV4 Limited, the ultimate parent undertaking. The subscription price was £78,869,004 and they were issued on 10 March 2017. The unwinding of the discount during the year ended 31 March 2017 amounted to £8,973,150 (2016: £7,958,626).

In the post year end period, the company subscribed to deep discount bonds held by DV4 Properties iCity Co. Limited, the immediate parent undertaking. The subscription price was £72,025,423, they were issued on 10 May 2017 and they are redeemable on 9 May 2018 at £81,206,836. The existing deep discount bonds held by DV4 Limited were redeemed upon this subscription.

8 Creditors: amounts falling due after one year	2017 £	2016 £
Bank loans	107,211,789	83,022,369
Less: unamortised finance costs	(1,060,533)	(1,848,752)
Trade creditors	-	1,385,627
	106,151,256	82,559,244

The bank loan was repayable in June 2018 and bore interest at 7.5%. It was secured by way of fixed and floating charges over the assets of the Company.

In the post year end period the bank loan was repaid in full upon the Company obtaining a new bank loan.

INNOVATION CITY (LONDON) LIMITED

**Notes to Financial Statements (continued)
For the year ended 31 March 2017**

9 Provisions for liabilities and charges

	2017 £	2016 £
Deferred taxation (note 4)	<u>7,000,000</u>	<u>10,451,888</u>

10 Share capital

	2017 £	2016 £
Authorised		
100,000 ordinary shares of £0.01 each	<u>1,000</u>	<u>1,000</u>
Allotted, called up and fully paid		
100,000 ordinary shares of £0.01 each	<u>1,000</u>	<u>1,000</u>

11 Statement of movements on Shareholder funds

	Profit and loss account £
At 1 April 2016	100,157,833
Loss for the year	(2,031,826)
Balance at 31 March 2017	<u><u>98,126,007</u></u>

12 Employees

The average monthly number of employees during the year was:

	2017 Number	2016 Number
Administrative	<u>5</u>	<u>4</u>

On 11 October 2016 the employees were transferred under TUPE to Here East Management Limited. The Company had no employees at 31 March 2017.

The directors did not receive emoluments or fees from the Company for their duties as Directors during the current year (2016: £nil).

INNOVATION CITY (LONDON) LIMITED

Notes to Financial Statements (continued) For the year ended 31 March 2017

13 Controlling party and parent undertaking

The Company's immediate parent undertaking is DV4 Properties iCity Co. Limited and the Company's ultimate parent undertaking and controlling party is DV4 Limited. DV4 Properties iCity Co. Limited and DV4 Limited are registered and incorporated in the British Virgin Islands. DV4 Limited is the parent Company of the largest group and the smallest group of which the Company is a member and for which group financial statements are prepared.

14 Capital commitments

At the date of the Statement of Financial Position the Company had identified capital commitments amounting to £2.0m (2016: £17.4m).