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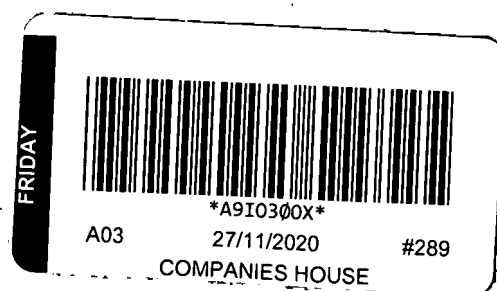
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QUINTAIN LDO (NO.2) LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019



QUINTAIN LDO (NO.2) LIMITED

COMPANY INFORMATION

Directors	J M E Saunders M B Jenkins P S Slavin
Company secretary	F V Heazell
Registered number	08441276
Registered office	180 Great Portland Street London W1W 5QZ
Independent auditor	KPMG LLP 15 Canada Square Canary Wharf E14 5GL

QUINTAIN LDO (NO.2) LIMITED

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QUINTAIN LDO (NO.2) LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

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

Directors

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

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

Disclosure of information to auditor

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

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

Auditor

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

Small companies note

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

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


Philip Slavin; Oct 21, 2020 18:29 GMT

P S Slavin
Director

Date:

QUINTAIN LDO (NO.2) LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 Reduced Disclosure Framework.

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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

QUINTAIN LDO (NO.2) LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF QUINTAIN LDO (NO.2) LIMITED

Opinion

We have audited the financial statements of Quintain LDO (No.2) Limited ("the company") for the year ended 31 December 2019 which comprise the statement of comprehensive income, the balance sheet, statement of changes in equity and the related notes, including the accounting policies in note 1.

In our opinion the financial statements:

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

Basis for opinion

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

Material uncertainty related to going concern

We draw your attention to note 1.1 in the financial statements which describes uncertainties related to the possibility of covenant breaches of loans held by the Group which may result in those loans being immediately repayable, and the continued availability of sufficient funding to the Group through debt refinancing or an equity injection. These events and conditions, along with other matters explained in note 1.1, constitute material uncertainties that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other matter - prior period financial statements

We note that the prior period financial statements were not audited. Consequently ISA's (UK) require the auditor to state that the corresponding figures contained within these financial statements are unaudited. Our opinion is not modified in this matter.

Directors' report

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

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

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

Matters on which we are required to report by exception

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

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

QUINTAIN LDO (NO.2) LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF QUINTAIN LDO (NO.2) LIMITED

- 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 small companies regime, take advantage of the small companies exemption in preparing director's report and take advantage of the small companies exemption from the requirement to prepare a strategic report.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 2, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.


Auditor's responsibilities

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

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

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

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



Richard Long (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
KPMG LLP
Canary Wharf
E14 5GL

Date: 3 November 2020

QUINTAIN LDO (NO.2) LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 £	Unaudited 2018 £
Tax credit	5	256,609	-
Profit for the financial year		256,609	-
Other comprehensive income:		-	-
		-	-
Total comprehensive income for the year		256,609	-

The notes on pages 8 to 13 form part of these financial statements.

QUINTAIN LDO (NO.2) LIMITED
REGISTERED NUMBER: 08441276

BALANCE SHEET
AS AT 31 DECEMBER 2019

	Note	2019 £	Unaudited 2018 £
Investments	6	1	1
		<u>1</u>	<u>1</u>
Current assets			
Debtors: amounts falling due within one year	7	256,609	-
		<u>256,609</u>	<u>-</u>
Creditors: amounts falling due within one year	8	(11,602,239)	(11,602,239)
Net current liabilities		<u>(11,345,630)</u>	<u>(11,602,239)</u>
Total assets less current liabilities		<u>(11,345,629)</u>	<u>(11,602,238)</u>
Net liabilities		<u>(11,345,629)</u>	<u>(11,602,238)</u>
Capital and reserves			
Called up share capital	9	1	1
Profit and loss account		(11,345,630)	(11,602,239)
Shareholder's deficit		<u>(11,345,629)</u>	<u>(11,602,238)</u>

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

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

Philip Slavin
Philip Slavin, Oct 27, 2020 18:29 GMT

P S Slavin
Director

Date:
The notes on pages 8 to 13 form part of these financial statements.

QUINTAIN LDO (NO.2) LIMITED

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

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 January 2019	1	(11,602,239)	(11,602,238)
Comprehensive income for the year			
Profit for the year	-	256,609	256,609
Total comprehensive income for the year	-	256,609	256,609
At 31 December 2019	1	(11,345,630)	(11,345,629)

**STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 DECEMBER 2018 (UNAUDITED)**

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 January 2018	1	(11,602,239)	(11,602,238)
Total comprehensive loss for the year	-	-	-
At 31 December 2018	1	(11,602,239)	(11,602,238)

The notes on pages 8 to 13 form part of these financial statements.

QUINTAIN LDO (NO.2) LIMITED

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

1. Accounting policies

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention. The financial statements have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"). In preparing the financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("adopted IFRS"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

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

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

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

The Company is a member of the Bailey Acquisitions Limited group ('the Group').

As at 31 December 2019 the Company has net current liabilities of £11,345,630 and net liabilities of £11,345,629. Further, the Company is reliant on other members of the Group to perform certain operational and administrative functions on behalf of the Company.

Bailey Acquisitions Limited has indicated its intention to continue to make available funds as are needed by the Company for the period not less than 12 months following the approval of these financial statements. As with any company placing reliance on other group entities for financial support, the Directors acknowledge that there can be no certainty that this support will continue. However, notwithstanding the financial position of the Group, as described further below, they have no reason to believe that it will not do so.

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

The senior facility has a £300m repayment due in February 2021 and the remaining £260m is due in

QUINTAIN LDO (NO.2) LIMITED

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

1. Accounting policies (continued)

(continued)

October 2021. Furthermore the Mezzanine loan of £240m is also due for repayment in October 2021. In November 2019, the Group commenced a refinancing process sufficient to cover both facilities. However, following the onset of the COVID19 pandemic, the Group is continuing discussions with both existing and potential lenders against the revised business plan and in the light of wider macro-economic conditions.

The existing Development facility includes a Loan to Value ('LTV') covenant of 57.14% measured by reference to a quarterly valuation performed on behalf of the Lender. The LTV at the last measurement date on 28 September 2020 was 53.96% and is expected to increase as projects are completed over the coming year. It is possible the Group's property values will reduce, and the LTV covenant be exceeded, at a future measurement date. Should the LTV be exceeded the Group has cure rights through the injection of funds to reduce the LTV. The Group continues to closely monitor its LTV position and is in regular communication with its lenders accordingly.

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

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

1.2 Valuation of investments

Investments in associates are measured at cost less any provision for impairment in value.

1.3 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

QUINTAIN LDO (NO.2) LIMITED

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

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

The preparation of the financial statements under FRS101 requires the Directors to make judgements, estimates and assumptions that affect the application of accounting policies, the reported amounts of assets and liabilities as at the date of the financial statements and the reported amount of revenue and expenses during the reporting period. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements that are not readily apparent from other sources. However, the actual results may differ from these estimates.

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

3. Employees

The Company has no employees other than the directors, who did not receive any remuneration (2018 - £NIL).

4. Operating Profit

Fees of £1,061 paid to the Company's auditor, KPMG LLP, for the audit of the Company have been wholly borne by a parent company, Quintain Limited.

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

5. Taxation

	2019 £	2018 £
Group relief receivable	(256,609)	-
Total current tax	(256,609)	-

Factors affecting tax charge for the year

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

	2019 £	2018 £
Effects of:		
Share of partnership result	(256,609)	(252,632)
Surrender of group relief for nil consideration	-	252,632
Total tax credit for the year	(256,609)	-

QUINTAIN LDO (NO.2) LIMITED

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

5. Taxation (continued)

Factors that may affect future tax charges

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

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

6. Investments

	Investments in limited partnerships £
Cost	
At 1 January 2019	<u>1</u>
At 31 December 2019	<u>1</u>
Net book value	
At 31 December 2019	<u>1</u>
At 31 December 2018	<u>1</u>

The company holds an investment of £10,000,000 in London Designer Outlet Partnership ("LP"), a limited partnership registered in England and Wales with 180 Great Portland Street, London, United Kingdom, W1W 5QZ. This represents a 49.95% holding in the partnership. The LP has an accounting reference date of 31 December and reports under FRS 101. As at the year end the value of the investment had been written down to £1.

7. Debtors

	2019 £	2018 £
Group relief debtors	<u>256,609</u>	<u>-</u>
	<u>256,609</u>	<u>-</u>

QUINTAIN LDO (NO.2) LIMITED

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

8. Creditors: amounts falling due within one year

	2019	2018
	£	£
Amounts owed to group undertakings	11,602,239	11,602,239

Amounts owed to group undertakings are interest free and repayable on demand.

QUINTAIN LDO (NO.2) LIMITED

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

9. Share capital

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

10. Post balance sheet events

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

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

11. Controlling party

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