

Quartermile Ventures Limited

Annual report and financial statements for the year ended 31 December 2018

Company number: SC210170

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Quartermile Ventures Limited

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Quartermile Ventures Limited

Company information

Directors

Paul Curran

Michael Milligan

Registered office

2 Lister Square

Edinburgh

EH3 9GL

Registration number

SC210170

Solicitor's address

Brodies LLP

15 Atholl Crescent

Edinburgh

EH3 8HA

Banker's address

HSBC Bank

4 Hardman Square

Spinningfields

Manchester

M3 3EB

Quartermile Ventures Limited

Strategic report for the year ended 31 December 2018

The directors present their strategic report on the Company for the year ended 31 December 2018. In this report, the term 'Group' refers to QM Edinburgh Limited and its subsidiary undertakings. The term 'Company' refers to Quartermile Ventures Limited.

Review of the business

The statement of total comprehensive income is set out on page 5 and shows a profit on ordinary activities before taxation for the year of £17,055,000 (2017: £11,754,000).

Interim dividends of £41,006,000 (2017: £4,000,000) were paid during the year.

The directors do not recommend the payment of a final dividend (2017: £nil). Accordingly, the profit for the financial year of £14,375,000 (2017: £11,579,000) has been transferred to reserves.

During the year the Company completed the sale of the last remaining residential units at the Quartermile Development. In addition, the company sold its interest in the retail units to a local investor and also sold development land to University of Edinburgh for a new Business School. This largely completes the development on the Quartermile site. The company has retained part of the grade A listed building for future retail units.

The Company entered into a forward funding agreement with M&G Real Estate for two commercial offices at Quartermile. The first, Quartermile 4, completed in May 2016 and was fully let at practical completion. The second, Quartermile 3, completed in February 2018 and was 90% pre-let, then subsequently achieved 100% let post practical completion.

In April 2018, the Group was purchased by Qmile Group Ltd, a company owned by the directors Paul Curran and Michael Milligan. The buyout from the previous private equity fund allows the company to seek new equity partners and development opportunities.

Subsequently, in November 2018, the company was appointed as development manager by M&G Real Estate on a development scheme in Edinburgh, Haymarket. This is another high-profile strategic development within the City, delivering three office buildings and two hotels, together with retail space.

The Company provides development and construction management services to both commercial and residential property projects and continues to seek new opportunities.

Principal risks and uncertainties

The Company is a member of the QM Edinburgh Limited group of companies and its risks, which are managed on a Group basis, are disclosed in the consolidated financial statements of QM Edinburgh Limited.

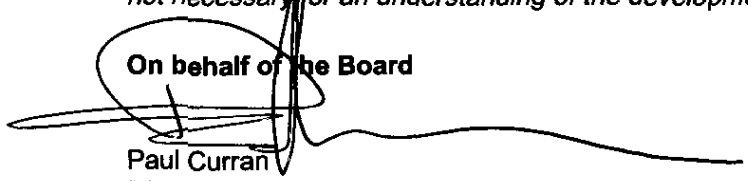
Financial instruments and risk management

Working capital requirements are principally satisfied from cash generated by the Company and through equity funding.

Key performance indicators (KPIs)

Given the straightforward nature of the business, the directors are of the opinion that analysis using KPIs is not necessary for an understanding of the development, performance or position of the business.

On behalf of the Board


Paul Curran

Director

9 October 2019

Quartermile Ventures Limited

Directors' report for the year ended 31 December 2018

The directors present their report and the audited financial statements of the Company for the year ended 31 December 2018.

Future developments

The development management appointment at Haymarket is a significant achievement as the company seeks new opportunities. The project is anticipated to be on site at the end of 2019 and completed within five years.

The company continues to actively pursue new development opportunities and funding solutions to build on the success of the Quartermile development.

Directors

The directors of the Company who were in office during the year and up to the date of signing the financial statements were:

Paul Curran
Michael Milligan
Steven Hall (resigned 26 April 2018)

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- 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.

The directors 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.

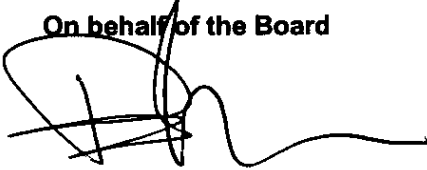
Quartermile Ventures Limited

Directors' report for the year ended 31 December 2018 (continued)

Advantage has been taken of the audit exemption available for subsidiary companies conferred by section 479A of the Companies Act 2006 on the grounds:

- that for the year ended 31 December 2018 the company was entitled to the exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies; and
- the members have not required the company to obtain an audit in accordance with section 476 of the Companies Act 2006; and
- the directors acknowledge their responsibility for complying with the requirements of the Act with respect to accounting records and for the preparation of accounts.

On behalf of the Board

A handwritten signature in black ink, appearing to be 'Paul Curran', written over a horizontal line.

Paul Curran
Director

9 October 2019

Quartermile Ventures Limited

Statement of comprehensive income for the year ended 31 December 2018

	Note	2018 £'000	2017 £'000
Turnover	3	35,093	58,633
Cost of sales		(16,942)	(44,237)
Gross profit		18,151	14,396
Administrative expenses		(1,129)	(2,409)
Operating profit	5	17,022	11,987
Interest receivable and similar income	6	37	34
Interest payable and similar charges	6	(4)	(267)
Profit on ordinary activities before taxation		17,055	11,754
Tax on profit on ordinary activities	7	(2,680)	(175)
Profit for the financial year		14,375	11,579
Profit for the financial year attributable to: Owners of Company		14,375	11,579
Total comprehensive income for the financial year attributable to: Owners of Company		14,375	11,579

Quartermile Ventures Limited

Statement of financial position as at 31 December 2018

	Note	2018 £'000	2017 £'000
Fixed assets			
Tangible assets	8	-	-
Investment properties	9	-	-
		-	-
Current assets			
Stock	10	895	17,860
Debtors (including £78,000 (2017: £111,000) due after one year)	11	595	12,936
Cash at bank and in hand		3,050	6,400
		4,540	37,196
Creditors: amounts falling due within one year	12	(4,184)	(10,209)
Net current assets		356	26,987
Net assets		356	26,987
Capital and reserves			
Called up share capital	13	-	-
Share premium account		22	22
Capital contribution reserve		-	38,619
Profit and loss account		334	(11,654)
Total shareholder's funds		356	26,987

Quartermile Ventures Limited

Statement of financial position as at 31 December 2018 (continued)

Advantage has been taken of the audit exemption available for subsidiary companies conferred by section 479A of the Companies Act 2006 on the grounds:

- that for the year ended 31 December 2018 the company was entitled to the exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies; and
- the members have not required the company to obtain an audit in accordance with section 476 of the Companies Act 2006; and
- the directors acknowledge their responsibility for complying with the requirements of the Act with respect to accounting records and for the preparation of accounts.

The financial statements on pages 5 to 19 were approved by the Board and authorised for issue on 9 October 2019.

A handwritten signature in black ink, appearing to read 'Paul Curran', with a long horizontal line extending to the right.

Paul Curran
Director
Quartermile Ventures Limited
Registered number: SC210170

Quartermile Ventures Limited

Statement of changes in equity for the year ended 31 December 2018

	Share premium account	Capital contribution reserve	Profit and loss account	Total shareholder's funds
	£'000	£'000	£'000	£'000
At 1 January 2017	22	38,619	(19,233)	19,408
Profit for the financial year	-	-	11,579	11,579
Dividends paid	-	-	(4,000)	(4,000)
At 31 December 2017	22	38,619	(11,654)	26,987
Profit for financial year	-	-	14,375	14,375
Dividends paid	-	(38,619)	(2,387)	(41,006)
At 31 December 2018	22	-	334	356

Quartermile Ventures Limited

Notes to the financial statements for the year ended 31 December 2018

1 General Information

Quartermile Ventures Limited ("the Company") has undertaken development activities at the prestigious Quartermile site in Edinburgh and provides development and construction management services to both residential and commercial property development activities.

The Company is a private company limited by shares and is incorporated and domiciled in Scotland. The address of its registered office is 2 Lister Square, Edinburgh, EH3 9GL.

2 Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

The financial statements have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Scotland 102, "The Financial Reporting Standards applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006. The financial statements are prepared on a going concern basis, under the historical cost convention.

(b) Exemptions for qualifying entities under FRS 102

The Company meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements. Exemptions have been taken in relation to presentation of a cash flow statement, related party transactions, financial instruments and key management personnel.

(c) Revenue recognition

Sales of residential property

Revenue on the sale of residential property is recognised when the contract has legally completed and cash has been received.

Sales of land and commercial assets

Revenue is recognised on land sales and commercial assets when contracts are exchanged and all material conditions of the contract have been met.

Long Term Contracts

The amount of profit attributable to the stage of completion of a long term contract is recognised when the outcome of the contract can be foreseen with reasonable certainty. Turnover for such contracts is stated at the cost appropriate to their stage of completion plus attributable profits, less amounts recognised in previous years. Provision is made for any losses as soon as they are foreseen.

Amounts recoverable on contracts are included in debtors and represent turnover recognised in excess of payments on account.

(d) Tangible assets

Tangible assets are stated at historic purchase cost less accumulated depreciation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

Depreciation is calculated to write off the cost of tangible assets, less their residual values, over their expected useful lives using the straight-line basis. The expected useful lives of the assets to the business are reassessed periodically in the light of experience.

Plant, machinery, fixtures, fittings, and equipment: 33 %

Quartermile Ventures Limited

Notes to the financial statements for the year ended 31 December 2018 (continued)

2 Summary of Significant Accounting Policies (continued)

(e) Investment properties

Investment properties are revalued annually by the directors to fair value with the resulting surplus or deficit arising on revaluation being recognised in the profit or loss. The amount of the revaluation is not distributable until the investment property has been sold and a note to this effect is included on the statement of changes in equity.

There are no contractual obligations on the Group to purchase, construct or develop investment properties or for repairs, maintenance or enhancements.

(f) Stock

Raw materials and consumables stock, land for development, work in progress and part exchange properties are valued at the lower of cost and estimated selling price less costs to complete and sell.

Costs include materials, labour and overheads appropriate to the relevant stage of completion in addition all relevant marketing and selling costs.

The Company's principal activity is property development. Due to the nature of this activity, much of the development entered into by the Company is speculative in nature. Accordingly, at each year-end, the Company has in its balance sheet current assets that are not covered by a forward sale. At the year-end, work in progress is assessed for impairment. This review is conducted on a site by site basis, using valuations which incorporate forecast sales rates and average selling prices that reflect both current and anticipated market conditions. If work in progress is deemed to be impaired, an impairment charge is recognised in the income statement. Where a reversal of the impairment is recognised the impairment charge is reversed, up to the original impairment loss, and is recognised as a credit in the income statement.

(g) Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

Deferred tax is not recognised on timing differences arising on revalued properties unless the Company has entered into a binding sale agreement and is not proposing to take advantage of rollover relief.

A net deferred tax asset is recognised as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted.

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

(h) Going concern

The Company meets its working capital requirements through the cash flow generated from property development revenue and equity invested by its parent company. Consequently, the directors continue to adopt the going concern basis in preparing the annual report and financial statements.

Quartermile Ventures Limited

Notes to the financial statements for the year ended 31 December 2018 (continued)

2 Summary of significant accounting policies (continued)

(i) Financial instruments

(i) Financial assets

Basic financial assets, including trade and other receivables, cash and bank balances are recognised at transaction price.

(ii) Financial liabilities

Basic financial liabilities, including trade and other payables, bank loans and loans from other Group undertakings are recognised at transaction price.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan, capitalised and amortised over the period of the facility to which it relates.

(j) Distributions to shareholders

Interim dividends and other distributions to the Company's shareholders are recognised in the financial statements in the period that they are paid. Final dividends and other distributions are recognised as a liability in the financial statements in the period in which they are approved by the Company's shareholders. These amounts are recognised in the statement of changes in equity.

(k) Related party transactions

The Company only discloses transactions with related parties which are not wholly owned within the same Group.

3 Turnover

Turnover represents amounts derived from the provision of goods and services which fall due within the Company's ordinary activities, after deduction of discounts and valued added tax. The turnover and profit on ordinary activities before taxation, all of which arises in the United Kingdom, is attributable to the Company's principal activity that of property development.

Analysis of turnover by category:

	2018	2017
	£'000	£'000
Sales of residential properties	20,386	35,054
Sales of land	7,000	-
Contracting income	3,179	19,272
Rental income	-	341
Other trading income	4,528	3,966
	35,093	58,633

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Notes to the financial statements for the year ended 31 December 2018 (continued)

4 Critical accounting estimates and judgements

Management has considered the key sources of estimation uncertainty in arriving at the financial statements as follows:

Land held for development and work in progress

The Group's principal activity is residential and commercial property development. Due to the nature of this activity, much of the development entered into by the Group is speculative in nature. Accordingly, the Group has in its balance sheet as at 31 December 2018 current assets that are not covered by a forward sale. The Group's internal controls are designed to identify any developments where the carrying value of land and work in progress is greater than the lower of cost and estimated selling price less costs to complete and sell.

The Group conducted a review during the year of the fair value of its land and work in progress. This review was conducted on a site by site basis, using valuations which incorporate forecast sales rates and average selling prices that reflect both current and anticipated market conditions. In making these assessments, there is a degree of judgement and uncertainty due to the volatility and speculation that has surrounded the residential and commercial sectors.

Where the estimated fair value of the site was less than its current carrying value within the balance sheet, the Group impaired the land and work in progress value. This resulted in an impairment charge of £nil in the year to 31 December 2018 (2017: £nil).

5 Operating profit

	Note	2018	2017
		£'000	£'000
Operating profit is stated after charging:			
Depreciation:			
- owned tangible fixed assets	8	-	1
Audit fees payable to the Company's auditor		-	41

In accordance with SI 2008/489 the Company has not disclosed the fees payable to the Company's auditors for "other services" (in relation to the year to December 2017) as this information is included in the consolidated financial statements of QM Edinburgh Limited.

The Company did not have any employees during the year or prior year.

Directors' remuneration has been borne by other Group companies.

Quartermile Ventures Limited

Notes to the financial statements for the year ended 31 December 2018 (continued)

6 Interest

	2018	2017
	£'000	£'000
(a) Interest receivable and similar income		
Bank interest receivable	21	8
Other interest receivable and similar income	16	26
Total interest receivable and similar income	37	34
(b) Interest payable and similar charges		
Bank interest payable	(4)	(267)
Total interest payable and similar charges	(4)	(267)

7 Tax on profit on ordinary activities

	2018	2017
	£'000	£'000
(a) Tax charge/(credit) included in statement of comprehensive income		
Current tax:		
UK corporation tax on profit for the year	1,135	500
Adjustments in respect of previous periods	(261)	4
Total current tax charge	874	504

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Notes to the financial statements for the year ended 31 December 2018 (continued)

7 Tax on profit on ordinary activities (continued)

(a) Tax charge/(credit) included in statement of comprehensive income (continued)

Deferred tax:

	2018	2017
	£'000	£'000
<i>Effect of changes in tax rate</i>	(185)	220
Other timing differences	1,991	(549)
Total deferred tax charge/(credit)	1,806	(329)
Tax on profit on ordinary activities	2,680	175

(b) Reconciliation of tax charge/(credit)

The tax assessed for the year is lower than (2017: lower than) the standard rate of corporation tax in the UK for the year ended 31 December 2018 of 19% (2017: 19%). The differences are explained below:

	2018	2017
	£'000	£'000
Profit on ordinary activities before taxation	17,055	11,754
Profit on ordinary activities at the standard rate of corporation tax in the UK of 19% (2017: 19%)	3,240	2,262
Effects of:		
Losses recognised in year	(328)	(2,247)
Expenses not deductible	24	9
Capital allowance recognised in year	-	-
Reliefs and Land remediation relief	(43)	(73)
Change in UK tax rate	(185)	220
Adjustments in respect of previous periods	(28)	4
Total tax charge/(credit) for year	2,680	175

Quartermile Ventures Limited

Notes to the financial statements for the year ended 31 December 2018 (continued)

7 Taxation on profit on ordinary activities (continued)

(c) Tax rate changes

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2015 (on 26 October 2015) and Finance Bill 2016 (on 7 September 2016). These include reductions to the main rate to reduce the rate to 19% from 1 April 2017 and to 17% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

(d) Deferred tax

The directors consider that they cannot sufficiently forecast future profits to recognise a deferred tax asset, and therefore an asset of £nil (2017: £1,806,000) has been recognised in these financial statements.

	2018	2017
	£'000	£'000
Deferred tax asset		
Other timing differences	-	1,806
Total deferred tax asset	-	1,806
At start of year	1,806	1,477
Deferred tax (charge)/credit in profit and loss account for year	(1,806)	329
At end of year	-	1,806

There is an unrecognised deferred tax asset of £1,528,450 (2017: £1,814,299) relating to unrelieved tax losses and timing differences, and £24,469 (2017: £29,840) relating to depreciation in excess of capital allowances. The unrecognised deferred tax asset of £1,552,919 (2017: £1,844,139) has not been provided for in the financial statements as the directors of the Company feel that they cannot sufficiently forecast future profits to recover the asset.

Quartermile Ventures Limited

Notes to the financial statements for the year ended 31 December 2018 (continued)

8 Tangible assets

	Plant and machinery £'000	Fixtures, fittings, tools and equipment £'000	Total £'000
Cost			
At 1 January 2018	454	1,305	1,759
Disposals in the year	(454)	(1,305)	(1,759)
A 31 December 2018	-	-	-
Accumulated depreciation			
At 1 January 2018	454	1,305	1,759
Disposals in the year	(454)	(1,305)	(1,759)
At 31 December 2018	-	-	-
Net book amount			
At 31 December 2018	-	-	-
At 31 December 2017	-	-	-

9 Investment properties

	2018 £'000	2017 £'000
At 1 January	-	389
Disposals	-	(389)
At 31 December	-	-

The Company's investment properties were valued by the directors at 31 December 2016 on an open market basis, using a relevant rental yield. The valuations were incorporated into the financial statements at 31 December 2016 resulting in no change to fair value being taken to the income statement for that year.

If the Company's freehold investment properties had not been revalued then the properties would have been included in the financial statements at their historical cost value, net of provisions, of £437,000 at 31 December 2016.

The Company's investment properties were sold in December 2017, the carrying value resulting in no gain no loss.

Quartermile Ventures Limited

Notes to the financial statements for the year ended 31 December 2018 (continued)

10 Stock

	2018 £'000	2017 £'000
Work in progress	895	17,860

Stock recognised in cost of sales during the year as an expense was £16,717,000 (2017: £43,536,000).

Work in progress is stated after provisions for impairment of £nil (2017: £740,000).

11 Debtors

	Note	2018 £'000	2017 £'000
Trade debtors		400	1,066
Amounts owed by Group undertakings		101	418
Deferred tax asset	7	-	1,806
Other debtors		16	235
Restricted cash		-	80
Prepayments and accrued income		-	9,220
Due within one year		517	12,825
Equity share receivables		78	111
Due after more than one year		78	111
Total		595	12,936

Restricted cash balances are held in escrow accounts by the Company's solicitors in respect of amounts relating to deposits held on forward residential sales.

Amounts owed by Group undertakings are interest free, carry no security, have no fixed repayment date and are repayable on demand.

Equity share receivables

The Company has entered into agreements whereby it retains a fixed proportion of the equity in a newly constructed residential property until the date of the first resale of the property or an agreed future date, when it will receive a fixed proportion of the market value of the property.

These agreements are initially measured at the fair value of the right to consideration on the date the agreement is entered into. The unwinding of the discount is credited to finance income over the life of the agreement and is recognised when it is considered probable that it will result in an inflow of economic benefit to the Company.

Quartermile Ventures Limited

Notes to the financial statements for the year ended 31 December 2018 (continued)

12 Creditors: amounts falling due within one year

	2018	2017
	£'000	£'000
Trade creditors	54	1,467
Corporation tax	735	500
Amounts owed to Group undertakings	407	202
Other creditors	13	1,116
Accruals and deferred income	2,975	6,924
Total	4,184	10,209

Amounts owed to Group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

Included within other creditors are amounts due in relation to deposits held on forward residential sales. Funds received are held in Escrow accounts by the Company's solicitors. The balance of these funds is disclosed as restricted cash in note 11 to the financial statements. There is no escrow balance within other creditors at December 2018.

13 Called up share capital

	2018	2017
	£	£
Allotted, called up and fully paid:		
105 (2017: 105) ordinary shares of £1	105	105

Dividends

	2018	2017
	£'000	£'000
Equity – ordinary		
Interim paid	41,006	4,000
Total dividends paid	41,006	4,000

There is a single class of ordinary shares. There are no restrictions on the distribution of dividends and repayment of capital.

14 Related party transactions

The Company is exempt from disclosing transactions with related parties which are wholly owned within the Group.

During the year management fees of £58,000 (2017: £nil) were paid to Qmile Group Limited.

Quartermile Ventures Limited

Notes to the financial statements for the year ended 31 December 2018 (continued)

15 Controlling parties

The immediate parent undertaking is QM Edinburgh Limited. The ultimate controlling party is PJAKC Limited. Copies of the PJAKC Limited financial statements can be obtained at Companies House, 139 Fountainbridge, Edinburgh, EH3 9FF.