

Manchester Life Development Company Limited

Annual report and financial statements for the year ended 31 May 2017

Registered number: 08800093



Manchester Life Development Company Limited

Directors' report

The directors present their annual report on the affairs of the Company, together with the financial statements and auditor's report, for the reporting year to 31 May 2017. The Company's registered address is Unit 5, Royal Mill, 17 Redhill St, Manchester M4 5BA.

This Directors' Report has been prepared, and the Strategic Report exemption taken, in accordance with small companies exemption under section 414(B) of the Companies Act 2006.

Principal Activities

The principal activities of the company is to provide services under the Pre-Construction Services Agreements ('PCSA') and the Design and Build Contracts ('D&B') in respect of six Phase One projects in the Manchester Life initiative. During the year planning consent was secured for the remaining two of the six projects. The Company also entered into building contracts in respect of three of the six projects, meaning that building contracts were in place for all six projects at year end.

All PCSA and D&B contracts are with related party entities based in Jersey. Under the terms of the PCSA the Company is entitled to recover all professional fees, site protection costs, statutory applications and office set up costs. The Company receives a fee based upon a percentage of such costs incurred.

Under the D&B contracts the Company receives a development management fee which varies according to the scope of services provided.

Business review

The 2017 financial year was a successful year for Manchester Life Development Company Limited. The annual result showed a profit after tax of £873,000 (2016: Loss £733,000). As a result of the profit for the year, the net liability position of the company has decreased to £150,000 (2016: £1,180,000).

The increased level of construction activity in this financial year has generated increased turnover for the Company and this trend is expected to continue in the next financial year. The results for the year are in line with forecasts and expectations. The Directors expect the Company to continue to make a profit in the next financial year.

On the 29 March 2017, the United Kingdom invoked Article 50 of the Treaty of Lisbon, beginning the process of withdrawing from the European Union. The directors are currently considering the impact of Brexit on the business but at the date of this report do not expect there to be a significant impact from it.

Future developments

Since 1 June 2017 Manchester Life Development Company Limited first Phase One building has welcomed its first residents.

Going concern

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future based on the operational forecasts and a letter of support from one of the Joint Venture parties. Thus they continue to adopt the going concern basis in preparing the annual financial statements.

Further details regarding the adoption of the going concern basis can be found in the significant accounting policies in the notes to the financial statements.

Manchester Life Development Company Limited

Directors' report

Financial risk management objectives and policies

The Company's activities expose it to a number of financial risks including credit risk and cash flow risk.

Cash flow risk

The Company's turnover is derived from contracts with other related party companies. The Company has a loan agreement with the immediate controlling party (Loom Holdings Limited) that provides working capital funding in sterling. The company is not exposed to foreign exchange or interest rate swap contracts.

Credit risk

The Company's trade receivables are generated from contracts with other related party companies. The Company's principal financial assets are bank balances and cash, amounts receivable from related parties and trade and other receivables.

Dividends

The directors are unable to recommend a dividend (2016: same).

Directors

The directors, who served throughout the year except as noted, were as follows:

Ali Alfrayhat

Sir Howard Bernstein (resigned 31 March 2017)

Martin Lee Edelman

Sir Richard Leese

Edward Ashley Lote Smith (appointed 1 April 2017)

Simon Pearce

Directors' indemnities

The Company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report.

Auditor


Each of the persons who is a director at the date of approval of this report confirms 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 he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

A resolution to reappoint Deloitte LLP will be proposed at the forthcoming board meeting.

Approved by the Board and signed on its behalf by:



Martin Lee Edelman

Director

15 February 2018

Manchester Life Development Company Limited

Manchester Life Development Company Limited

Directors' responsibilities statement

The directors are responsible for preparing the Annual 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". 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; 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. 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent auditor's report to the members of Manchester Life Development Company Limited

We have audited the financial statements of Manchester Life Development Company Limited for the year ended 31 May 2017 which comprise the Profit and loss account, the Balance sheet, the Statement of changes in equity, the Cash flow statement 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 Directors' Responsibilities Statement, the 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 applicable law and 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 annual 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 May 2017 and of the company's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 Director's Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Director's Report has been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Director's Report.

Independent auditor's report to the members of Manchester Life Development Company Limited (continued)

Matters on which we are required to report by exception

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 take advantage of the small companies' exemption from preparing the Strategic Report or in preparing the Directors' Report.



Elizabeth Benson BSc ACA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
Manchester, United Kingdom

15 February 2018

Manchester Life Development Company Limited

Profit and loss account

For the year ended 31 May 2017

	Note	2017 £'000	2016 £'000
Turnover	2	1,821	345
Cost of sales		-	-
Gross profit		1,821	345
Administrative expenses		(789)	(989)
Operating profit/(loss)		1,032	(644)
Finance costs – related party interest		(157)	(89)
Profit/(loss) before taxation	3	875	(733)
Tax on profit/(loss)	5	(2)	-
Profit/(loss) for the financial year		873	(733)

All activities relate to continuing operations.

The company has no recognised gains or losses other than those shown in the profit and loss account for the current year and previous period. Accordingly, no separate statement of comprehensive income has been presented.

Manchester Life Development Company Limited

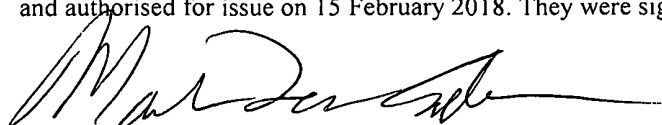
Balance Sheet

As at 31 May 2017

	Note	2017 £'000	2016 £'000
Current assets			
Amounts receivable from related parties	6	6,215	1,087
Debtors	7	38	106
Cash at bank and in hand		1,267	394
		<u>7,520</u>	<u>1,587</u>
Creditors: Amounts falling due within one year	8	<u>(7,670)</u>	<u>(2,675)</u>
Net current liabilities		<u>(150)</u>	<u>(1,088)</u>
Total assets less current liabilities		<u>(150)</u>	<u>(1,088)</u>
Creditors: Amounts falling due after more than one year	9	<u>-</u>	<u>(92)</u>
Net liabilities		<u><u>(150)</u></u>	<u><u>(1,180)</u></u>
Capital and reserves			
Called-up share capital	10	-	-
Reserves	11	<u>(150)</u>	<u>(1,180)</u>
Shareholders' deficit		<u><u>(150)</u></u>	<u><u>(1,180)</u></u>

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

The financial statements of Manchester Life Development Company Limited were approved by the board of directors and authorised for issue on 15 February 2018. They were signed on its behalf by:



Martin Lee Edelman

Director

Manchester Life Development Company Limited

Statement of Changes in Equity

For the year ended 31 May 2017

	Called-up share capital £'000	Profit and loss account £'000	Capital contribution £'000	Total £'000
Balance as at 1 June 2015	-	(537)	87	(451)
Recorded loss for the year	-	(733)	-	(733)
Capital contribution movement	-	-	3	3
	<hr/>	<hr/>	<hr/>	<hr/>
Total comprehensive income	-	(1,270)	90	(1,180)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 May 2016	-	(1,270)	90	(1,180)
	<hr/>	<hr/>	<hr/>	<hr/>
Recorded profit for the year	-	873	-	873
Capital contribution movement	-	-	157	157
	<hr/>	<hr/>	<hr/>	<hr/>
Total comprehensive income	-	873	157	1,030
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 May 2017	-	(397)	247	(150)
	<hr/>	<hr/>	<hr/>	<hr/>

The capital contribution is a result of the interest free parent loan. The present value of the future cash flows has been calculated, with the difference between this and the cash amounts received being recorded as capital contribution from the parent; in line with FRS102.11.13.

Manchester Life Development Company Limited

Cash Flow Statement

For the year ended 31 May 2017

	Note	2017 £'000	2016 £'000
Net cash flows from operating activities	12	7,055	1,560
Net cash flows from related party financing activities		(6,182)	(2,393)
Net increase in cash and cash equivalents		873	(833)
Cash and cash equivalents at beginning of year		394	1,227
Cash and cash equivalents at end of year		1,267	394
Reconciliation to cash at bank and in hand:			
Cash at bank and in hand		1,267	394
Cash equivalents		-	-
Cash and cash equivalents		1,267	394

Manchester Life Development Company Limited

Notes to the financial statements

For the year ended 31 May 2017

1. Accounting policies;

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and in the prior period.

a. General information and basis of accounting

Manchester Life Development Company Limited is a private company limited by shares incorporated in the United Kingdom under the Companies Act. The address of the registered office is the Unit 5, Royal Mill, 17 Redhill St, Manchester M4 5BA. The nature of the company's operations and its principal activities are set out in the Directors' report on pages 2 and 3.

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

The functional currency of Manchester Life Development Company Limited is considered to be pounds sterling because that is the currency of the primary economic environment in which the Company operates.

During the current or prior year there have been no sources of estimation uncertainty or significant judgements that are significant enough to warrant disclosure..

b. Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Directors' report. The Directors' report further describes the financial position of the Company; its liquidity position and borrowing facilities; the Company's objectives, policies and processes for managing its financial risk management objectives; and its exposure to credit risk and liquidity risk.

Whilst the Company is in a net liability position at year end the Company meets its day to day working capital requirements through a loan agreement with one of the Joint Venture parties, Loom Holdings Limited. The Company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Company should be able to operate within the level of its agreements with its Joint Venture and related parties. In addition the directors are in receipt of a letter of support from one of the Joint Venture parties (Abu Dhabi United Group) which states their intention to continue to fund the business throughout the Going Concern assessment period.

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

c. Receivables from related parties

Receivables from related parties are valued in accordance with the provisions of the Pre-Construction Services Agreements, at the amount recoverable from the client.

d. Impairment of assets

Assets, other than those measured at fair value, are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss as described below.

Non-financial assets

An asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

Financial assets

For financial assets carried at amortised cost, the amount of an impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

Manchester Life Development Company Limited

Notes to the financial statements (continued)

For the year ended 31 May 2017

1. Significant accounting policies (continued)

d. Impairment of assets (continued)

Financial assets (continued)

Where indicators exist for a decrease in impairment loss, and the decrease can be related objectively to an event occurring after the impairment was recognised, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired financial asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

e. Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

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. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of the timing difference. Deferred tax relating to property, plant and equipment measured using the revaluation model and investment property is measured using the tax rates and allowances that apply to sale of the asset.

Current tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts and the Company intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax assets and liabilities are offset only if: a) the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and b) the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

f. Turnover

The Company receives a management fee based on a percentage of all costs incurred under the Pre-Construction Services Agreements and a development management fee under each Design & Build Contract. The Company recognises its fee income on the basis of the provisions of the Pre Construction Services Agreements, which provide for the Company to receive its fee income as a percentage of all costs incurred, as these costs are incurred.

g. Financial Instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Manchester Life Development Company Limited

Notes to the financial statements (continued)

For the year ended 31 May 2017

2. Turnover

The company's turnover relates to its principal activities, which are undertaken in the United Kingdom.

3. Profit/(loss) before taxation

Profit/(loss) before taxation is stated after charging:

	2017 £'000	2016 £'000
Auditor's remuneration		
- for the statutory audit of the company	15	15
- for non-audit services	26	86
	<u>41</u>	<u>101</u>

The non-audit services including planning application and support services.

No services were provided pursuant to contingent fee arrangements.

4. Staff numbers and costs

Apart from the Directors there are no employees of the company, and Manchester Life Development Company operates with the services of consultants.

The average monthly number of employees (including executive directors) was:

	2017 Number	2016 Number
Directors	<u>5</u>	<u>5</u>

No Director received remuneration for their services to the company (2016 nil).

5. Tax on loss on ordinary activities

The tax charge comprises:

	2017 (£'000)	2016 (£'000)
Current tax on loss on ordinary activities		
UK corporation tax	<u>2</u>	<u>-</u>
Total current tax	<u>2</u>	<u>-</u>
Total deferred tax	<u>-</u>	<u>-</u>
Total tax on loss on ordinary activities	<u>2</u>	<u>-</u>

The standard rate of tax applied to the reported profit on ordinary activities is 19 per cent, changed from 20 per cent in the year. The applicable tax rate has changed following the substantive enactment of the Finance Act 2016.

There is no expiry date on timing differences, unused tax losses or tax credits.

Manchester Life Development Company Limited

Notes to the financial statements (continued)

For the year ended 31 May 2017

5. Tax on loss on ordinary activities (continued)

The differences between the total tax charge shown above and the amount calculated by applying the standard rate of UK corporation tax to the loss before tax is as follows:

	2017 (£'000)	2016 (£'000)
Profit/(loss) before tax	875	(733)
Tax on profit/(loss) at standard UK corporation tax rate of 19.83% (2016 – 20.00%)	173	(147)
Effects of:		
- Expenses not deductible for tax purposes	34	17
- utilisation of losses previously not recognised for deferred tax purposes	(205)	
- unrelieved tax losses and other deductions arising in the year		103
Total tax charge for year	<u>2</u>	<u>-</u>

A deferred tax asset of £nil (2016 - £186,000) has not been recognised due to uncertainty over the timing of availability of taxable profits.

6. Amounts receivable from related parties

	2017 (£'000)	2016 (£'000)
Related party receivables	<u>6,215</u>	<u>1,087</u>

Included within related party receivables is £6,088,714 receivable under the terms of the facility with Loom Holdings Limited. The remaining balance is a related party receivable from Manchester Life Development Company 2 Limited there are no terms associated with the remaining amounts receivable from related parties.

The directors consider the related party receivables to be a financial asset held at amortised cost.

7. Debtors

	2017 (£'000)	2016 (£'000)
Amounts falling due within one year:		
Other debtors	38	94
Prepayments and accrued income	-	12
	<u>38</u>	<u>106</u>

Manchester Life Development Company Limited

Notes to the financial statements (continued)

For the year ended 31 May 2017

8. Creditors – amounts falling due within one year

	2017 (£'000)	2016 (£'000)
Trade creditors	7,394	2,654
Accruals and deferred income	277	21
	<u>7,671</u>	<u>2,675</u>

9. Creditors – amounts falling due after more than one year

	2017 (£'000)	2016 (£'000)
Amounts owed to Related Parties	-	92
	<u>-</u>	<u>92</u>

The interest is accruing on the related party loan and has been imputed at a rate of 3.44% (2016 – 3.44%).

The directors consider the related party payables to be a financial liability held at amortised cost.

10. Called-up share capital

	2017 (£'000)	2016 (£'000)
Allotted, called-up and fully-paid 100 ordinary shares of £1 each	-	-
	<u>-</u>	<u>-</u>

11. Reserves

	2017 (£'000)	2016 (£'000)
Brought forward	(1,180)	(537)
Profit/(loss) for year	873	(733)
Capital Contribution	157	89
Carried forward	<u>(150)</u>	<u>(1,180)</u>

The capital contribution is a result of the interest free parent loan. The present value of the future cash flows has been calculated, with the difference between this and the cash amounts received being recorded as capital contribution from the parent; in line with FRS102.11.13.

Manchester Life Development Company Limited

Notes to the financial statements (continued)

For the year ended 31 May 2017

12. Cash flow statement

Reconciliation of operating loss to cash generated by operations:

	2017 £'000	2016 £'000
Operating profit/(loss) and operating cash outflow before movement in working capital	1,032	(644)
Decrease in amounts recoverable from related parties	960	735
Decrease in debtors	68	59
Increase in creditors	4,995	1,410
Cash inflow generated by operations	7,055	1,560

Non cash transactions

The interest charge of £157,407 (2016 - £89,000) is a non-cash flow item, included in the financial statements under FRS102.

Financial assets

The Directors consider that the cash and cash equivalents presented in the Cash Flow Statement are financial assets.

13. Related party transactions

The entity is funded by related party working capital facility from Loom Holdings Limited. The carrying value of the facility is disclosed in note 6 and is repayable on 31 December 2019. Under FRS102, interest has been imputed on this loan at a rate of 3.44%, (2016: 3.44%) the charge for the year is £157,407 (2016 - £89,000). Due to the loan agreement incorporating no interest, the imputed amount in the Profit and Loss account is not an intercompany transaction.

Manchester Life Development Company receives all of its revenue either from recharged subcontractor costs and the management fee, under the Pre Construction Services Agreements with related parties. In the current year due to the stage of construction the amount accrued in the year was £nil (2016 – £1,087,000) from Loom Cotton Developments Ltd, Silk Glass Developments Ltd, Flour Developments Ltd, Blossom Iron Developments Ltd and Glass Developments Ltd. There is also £127,000 receivable from Manchester Life Development Company 2 Limited on the current year (2016: £nil).

14. Controlling party

The company is a Joint Venture between Loom Holdings Limited and Manchester City Council. Manchester City Council hold 49% whereas Loom Holding Limited holds 51%. The Directors consider Loom Holdings Limited (in virtue of their shareholding) to have a controlling interest. The largest and smallest group in which these accounts are consolidated is that of Abu Dubai United Group. The ultimate controlling party is determined to be Abu Dubai United Group.