

Registration number: 08698172

# TIAA International Holdings 2 Limited

Annual Report and Consolidated Financial Statements

for the Year Ended 31 December 2019



## **TIAA International Holdings 2 Limited**

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## **TIAA International Holdings 2 Limited**

### **Company Information**

<b>Directors</b>	G.E. Brightman M.J.L. Sales
<b>Company secretary</b>	Cornhill Secretaries Limited
<b>Registered office</b>	150 Aldersgate Street London EC1A 4AB
<b>Bankers</b>	Citibank London NA CGC Centre Canary Wharf London E15 5LB
<b>Independent Auditors</b>	PricewaterhouseCoopers LLP 7 More London Riverside London SE1 2RT

## **TIAA International Holdings 2 Limited**

### **Strategic Report for the Year Ended 31 December 2019**

The Directors present their strategic report on TIAA International Holdings 2 Limited ("TIH 2" or the "Company") for the year ended 31 December 2019.

#### **Business Review**

The Company is a wholly owned subsidiary of Nuveen Real Estate Global, LLC, a limited liability company incorporated in the United States of America. The Company's parent changed its name on 4 January 2019 from TH Real Estate Global, LLC to Nuveen Real Estate Global, LLC.

TIH 2 was incorporated in the United Kingdom on 19 September 2013 by Teachers Insurance and Annuity Association ("TIAA"), the ultimate controlling party of the Company at the Statement of Financial Position date, to act as a holding company for TIAA's joint venture investment in TIAA Henderson Real Estate Limited ("TH RE"). On 1 April 2015 TIAA International Holdings 3 Limited, a wholly owned subsidiary of the Company, and TIAA International Holdings 1 Limited, a fellow subsidiary, acquired the remaining 40% holding in TH RE held by Henderson Global Investors (Holdings) Limited resulting in TIAA owning 100% overall. On 3rd April 2017 TH RE changed its name to Nuveen Real Estate Limited ("NRE").

Throughout this report, reference is made to the "Group" which refers to TIH 2 and its subsidiary companies.

The Group's consolidated revenue is primarily derived from global real estate investment management from the underlying operating subsidiaries. The Directors do not envisage a change of activities in the foreseeable future.

At 31 December 2019 the Group's Assets Under Management ("AUM") was £26.4bn (2018: £28.5bn).

#### **Principal risks and uncertainties**

The Group has a risk management framework in place to ensure that it meets its objectives within acceptable risk parameters. This framework is reviewed regularly so that new and emerging risks are identified early on. The Group's culture embeds the management of risk at all levels within the organisation. The framework under which it operates also ensures that the business is capable of meeting its business objectives within its risk appetite and is subject to continuous review. The main risks the Group faces are market liquidity, foreign currency and credit, which are discussed further in note 4 to the financial statements.

#### **Future developments**

The UK departed the European Union on 31 January 2020. The terms of the departure have not yet been agreed and the impact it will have on the UK financial services sector remains unclear. The Company anticipates a more challenging market for commercial property in the UK and will continue to measure strategic performance alongside the Key Performance Indicators highlighted below.

## **TIAA International Holdings 2 Limited**

### **Strategic Report for the Year Ended 31 December 2019**

#### **Our approach to Brexit**

In preparing for the UK's exit from the European Union (Brexit), the Group has worked closely with our external advisors to develop a plan to ensure we are able to operate without interruption regardless of the final terms of the eventual exit.

Following the advice received, the Group established two new entities in Luxembourg to enable uninterrupted trade post-Brexit. This was required on the assumption that, despite ongoing uncertainty, there will be a hard Brexit, losing the ability for the Group to distribute funds from the UK into the EU and from managing EU Alternative Investment Funds from the UK. The new entities include a European Alternative Investment Fund Managers (AIFMs) that will manage the Alternative Investment Funds (AIFs) originally managed in the UK, and a European Markets in Financial Instruments Directive (MiFID) firm that would allow cross border marketing (via a MiFID marketing passport) and the provision of MiFID services through newly established German and Danish branches.

During the year, we transitioned our AIF Contracts from the UK AIFM (Nuveen Management AIFM Limited) to Luxembourg AIFM (Nuveen Alternatives Europe Sarl). We also transferred our German Branch business from UK MiFID parent (Nuveen Real Estate Management Limited) to Luxembourg MiFID parent (Nuveen Asset Management Europe Sarl) and transferred our Danish Branch business from UK MiFID parent (Nuveen UK Limited) to Luxembourg MiFID parent (Nuveen Asset Management Europe Sarl).

**TIAA International Holdings 2 Limited**  
**Strategic Report for the Year Ended 31 December 2019**

**Key Performance Indicators**

The Group uses the following key performance indicators (KPIs) to assist in the understanding of the development, performance and position of the business:

*i) Assets Under Management*

During 2019, the Group continued to undertake the asset management for certain real estate investments of the affiliates of the Company located in Europe and Asia.

At 31 December 2019 AUM is £26.4bn (Plan: £29.7bn) with the loss of the AusSuper mandate (£2.0bn) and higher net outflows on HUKPAIF (£0.2bn) driving the unfavourable variance.

*ii) Cash Flow from Operations*

The Group monitors operating cash flows as a key element in understanding the performance and position of the business. Management expects to continue to have positive cash flow from operations over the next 12 months.

*iii) Operating Margin*

The Group expects to see a gradual improvement in its operating margin in the long term. Since incorporation the margin has been increasing and is seen as a key metric for the Group.

*Approved by the Board of Directors on 15 April 2020 and signed on its behalf by:*

DocuSigned by:

*michael sales*

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M.J.L Sales  
Director

## **TIAA International Holdings 2 Limited**

### **Directors' Report for the Year Ended 31 December 2019**

The Directors present their report and the audited Group and Company financial statements for the year ended 31 December 2019 which have been prepared under and comply with International Financial Reporting Standards ("IFRS") as adopted by the European Union.

Please refer to the Strategic Report on pages 2 to 3 for the activities and future developments of the Company and a discussion of the principal risks and uncertainties. For financial risk management refer to note 4.

#### **Principal activities**

The principal activity of the Company is that of a holding company. The Group has overseas branches in Sweden, Spain, Luxembourg, Germany and Denmark which were established in the year. Further details on the Group's approach to Brexit can be found on page 3 of the Strategic report.

#### **Results and Dividends**

The profit for the year ended 31 December 2019 amounted to £12,656,649 (2018: £9,893,229). The Directors do not recommend the payment of a dividend (2018: £nil).

#### **Financial instruments**

The Group and Company financial risk management objectives and policies, including exposures to risks are discussed in Capital resources and risk management, note 4 of these financial statements.

#### **Directors**

The Directors, who held office during the year ended 31 December 2019 and up to the date of signing the financial statements were as follows:

G.E. Brightman

M.J.L. Sales

#### **Directors' third party and pension scheme indemnity provisions**

NRE may indemnify the Directors to the extent permitted by United Kingdom law. NRE may indemnify the Directors against all costs, charges, losses, expenses and liabilities incurred:

- i) in the actual or purported execution and/or discharge of his duties, or in relation to them; and
- ii) in relation to the Company's (or any associated company's) activities as trustee of an occupational pension scheme (as defined in section 235(6) of the Companies Act 2006), including (in each case) any liability incurred by him in defending any civil or criminal proceedings, in which judgement is given in his favour or in which he is acquitted or the proceedings are otherwise disposed of without any finding or admission of any material breach of duty on his part or in connection with any application which grants him, in his capacity as a relevant officer, relief from liability for negligence, default, breach of duty or breach of trust in relation to the Company's (or any associated company's) affairs.

NRE may provide the Directors with funds to meet expenditure incurred or to be incurred by him in connection with any proceedings or application referred above.

## **TIAA International Holdings 2 Limited**

### **Directors' Report for the Year Ended 31 December 2019**

#### **Directors' duties**

The Directors of the Group must act in accordance with a predefined set of duties, as per S172 of the UK Companies Act 2006. A director of a Company should act in good faith, which in turn, is most likely to promote the success of the Company and benefit its stakeholders.

The Director must have regard to:

- The likely consequences of any decision in the long term;
- The interests of the Company's employees;
- The need to foster the Company's business relationships with suppliers, customers and others;
- The impact of the Company's operations on the community and the environment;
- The desirability of the Company maintaining a reputation for high standards of business conduct, and;
- The need to act fairly as between members of the Company.

The following paragraphs summarise how the Directors' fulfil their duties:

#### **Employees**

The Company is committed to its employees ensuring it attracts, retains and develops its people. The Company promotes a collaborative and inclusive work environment that encourages diversity, growth and development and rewards individual and team achievements. These attributes are embedded in the employee's values which helps guide behaviour and achieve strategic goals.

#### **Community and the Environment**

The Group ensures it acts sustainably by integrating environmental, social and corporate goals. There are key personnel dedicated to sustainability who ensure the business is well placed to pursue growth opportunities, whilst minimising the risk of accelerated depreciation and early obsolescence within the Group's asset portfolio. The sustainability team also educate the wider Group employees and directors to guarantee the environment is at the forefront of decision making.

#### **Clients**

The Directors ensure they have open dialogue with its clients allowing the communication to be effective and efficient. Clients are expecting increased transparency in the levels of information which the company fulfils to ensure a range of products are flexible for investor's needs.

#### **Ultimate Parent**

Nuveen is part of a wider group, therefore not only do the Director's have to act in good faith for the Company but the wider group. All of TIAA's directors ensure that they promote the success of the whole group and educate Directors across the whole organisation.

#### **Risk Management**

The risk management, compliance and legal teams are essential elements to the business. These teams are partners to the investment, product and distribution teams safeguarding decisions. The group maintains a three-lines-of-defence model ensuring best practice:

- First line: Employees in the investment, product and distribution teams have a duty to supervise and follow rigorous internal compliance guidelines;
- Second line: Risk Management and Compliance teams with guidance from Legal, assisting in identifying and mitigating risks;
- Third line: Internal audit function which provides information on the adequacy and effectiveness of the risk management process.

As Directors, the intention is to act responsibly for all stakeholder groups to achieve desired long-term results.



## **TIAA International Holdings 2 Limited**

### **Directors' Report for the Year Ended 31 December 2019**

#### **Independent Auditors**

The auditors, PricewaterhouseCoopers LLP, will be proposed for re-appointment in accordance with Section 485 of the Companies Act 2006. PricewaterhouseCoopers LLP have indicated their willingness to continue in office.

#### **Directors' Confirmations**

Each person who is Director at the time when this report is approved has confirmed that:

- a) so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- b) the Director has taken all the steps that he ought to have taken as a Director, including making appropriate enquiries of the Company's auditors for that purpose, in order to make him aware of any information needed by the Company's auditors in connection with preparing their report and to establish that the Company's auditors are aware of that information.

#### **Going concern**

The Company's business activities, together with the factors likely to affect its future development, performance and position, its financial risk management objectives and its exposure to cash flow risk are included in the Strategic Report. The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company has adopted the going concern basis of accounting in preparing its annual financial statements.

#### **Post balance sheet events**

The outbreak of the novel coronavirus (also known as COVID 19) in many countries is rapidly evolving and the socio-economic impact is unprecedented. It has been declared as a global pandemic and is having a major impact on economies and financial markets. The efficacy of government measures will materially influence the length of economic disruption, but it is probable we will see a period of slow economic growth or even recession.

However, there is unlikely to be a company that is completely immune from the consequences of the outbreak and the Directors consider that the novel coronavirus presents increased uncertainty and risk with respect to the Company's performance and financial results.

Management has modelled various going concern scenarios to assess the potential impact on the future financial results of the Group.

To assess the potential impact of Covid-19, Management has:

- Produced reforecasts which consider the effects of both long-term and short-term market turmoil, limited transactional activity and a reduction in Group AUM. The Group base case scenario involves a reassessment of net flows and assumes that Real Estate valuations will experience the following reductions:
  - Retail - 20%
  - Industrial - 0%
  - Office - 10%
  - Housing - 5%
  - Debt - 0%

Potential cost savings have also been considered within the Group's variable cost base. Such initiatives would ensure that the underlying profitability of the group is maintained.

## **TIAA International Holdings 2 Limited**

### **Directors' Report for the Year Ended 31 December 2019**

- Reassessed the Group's Goodwill position by applying the latest base case reforecast (see above) to analyse whether the carrying value of goodwill remains supported by Group profitability. From this analysis there is still significant headroom of £80.0m. To recognise an impairment to Goodwill, the Group's forecasted profitability would have to fall by 38% per annum over the next 5 years.

From assessing these impacts, Management believe there are no going concern issues but will ensure the business continues to manage its cost base, and will work closely with our ultimate parent TIAA to ensure the Group is able to manage any future external pressures.

## **TIAA International Holdings 2 Limited**

### **Statement of Directors' Responsibilities**

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 prepared the Group financial statements in accordance with International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board (IASB) and Company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 Group and Company and of the profit or loss of the Group and Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and apply them consistently;
- state whether applicable IFRSs as issued by the International Accounting Standards Board (IASB) have been followed for the Group financial statements and IFRSs as adopted by the European Union have been followed for the Company financial statements, 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 Group and Company will continue in business.

The Directors are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The Financial Statements on pages 12 to 62 were approved by the Board of Directors on 15 April 2020 and signed on its behalf by:

DocuSigned by:  
*michael sales*  
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M.J.L. Sales  
Director

# ***Independent auditors' report to the members of TIAA International Holdings 2 Limited***

## **Report on the audit of the financial statements**

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### **Opinion**

In our opinion, TIAA International Holdings 2 Limited's group financial statements and company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2019 and of the group's and the company's profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Consolidated Financial Statements (the "Annual Report"), which comprise: the consolidated and company statements of financial position as at 31 December 2019; the consolidated statement of profit or loss, the consolidated and company statements of comprehensive income, the consolidated and company statements of cash flows, and the consolidated and company statements of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Independence**

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

### **Conclusions relating to going concern**

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

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

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's and company's ability to continue as a going concern.

### **Reporting on other information**

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

#### *Strategic Report and Directors' Report*

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

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### **Responsibilities for the financial statements and the audit**

#### *Responsibilities of the directors for the financial statements*

As explained more fully in the Statement of Directors' Responsibilities set out on page 9, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also 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 or error.

In preparing the financial statements, the directors are responsible for assessing the group's and 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 the directors either intend to liquidate the group or the company or to cease operations, or have no realistic alternative but to do so.

#### *Auditors' responsibilities for the audit of the financial statements*

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

#### *Use of this report*

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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### **Other required reporting**

#### **Companies Act 2006 exception reporting**

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

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

We have no exceptions to report arising from this responsibility.



Thomas Norrie (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London  
15 April 2020

## TIAA International Holdings 2 Limited

### Consolidated Statement of Profit or Loss for the Year Ended 31 December 2019

	Note(s)	2019 £	2018 £
Revenue	5	101,259,766	100,453,200
Administrative expenses	6	(87,840,445)	(90,178,687)
Other operating income		<u>3,949,695</u>	<u>2,316,227</u>
Operating profit		<u>17,369,016</u>	<u>12,590,740</u>
Finance income	10	60,216	49,157
Finance costs	11	<u>(317,550)</u>	<u>(204,708)</u>
Net finance cost		(257,334)	(155,551)
Share of (loss)/profit of equity accounted investees	17	<u>(1,372)</u>	<u>19,748</u>
Profit before tax		17,110,310	12,454,937
Income tax expense	12	<u>(4,453,661)</u>	<u>(2,561,708)</u>
Profit for the year		<u>12,656,649</u>	<u>9,893,229</u>
<b>Profit attributable to:</b>			
Owners of the company		11,971,004	9,625,259
Non-controlling interests		<u>685,645</u>	<u>267,970</u>
		<u>12,656,649</u>	<u>9,893,229</u>

The above results were derived from continuing operations.

The above Consolidated Statement of Profit or Loss should be read in conjunction with the accompanying notes.

The notes on pages 22 to 63 form an integral part of these financial statements.

**TIAA International Holdings 2 Limited**

**Consolidated Statement of Comprehensive Income for the Year Ended 31 December 2019**

	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
Profit for the year	12,656,649	9,893,229
<b>Items that may be reclassified subsequently to profit or loss</b>		
Currency translation differences	(982,071)	298,102
Total comprehensive income for the year	<u>11,674,578</u>	<u>10,191,331</u>
<b>Total comprehensive income attributable to:</b>		
Owners of the company	11,059,062	9,916,161
Non-controlling interests	<u>615,516</u>	<u>275,170</u>
	<u>11,674,578</u>	<u>10,191,331</u>

The notes on pages 22 to 63 form an integral part of these financial statements.

# **TIAA International Holdings 2 Limited**

## **Company Statement of Comprehensive Income for the Year Ended 31 December 2019**

	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
Administrative expenses	<u>(204,252)</u>	<u>(153,803)</u>
Operating loss	(204,252)	(153,803)
Other income	1,480,346	-
Finance costs	<u>(666)</u>	<u>(767)</u>
Profit/(loss) before tax	<u>1,275,428</u>	<u>(154,570)</u>
Profit/(loss) and total comprehensive income/(expense) for the year	<u>1,275,428</u>	<u>(154,570)</u>

The notes on pages 22 to 63 form an integral part of these financial statements.



# TIAA International Holdings 2 Limited

(Registration number: 08698172)

## Consolidated Statement of Financial Position as at 31 December 2019

	Note	31 December 2019 £	31 December 2018 £
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	14	2,584,485	1,308,968
Right-of-use assets	15	18,399,955	-
Intangible assets	16	137,852,997	141,115,677
Investments in associates	17	131,726	136,698
Other investments	18	759,656	630,876
Trade and other receivables	19	138,051	145,849
Deferred tax assets	20	276,770	986,347
		<u>160,143,640</u>	<u>144,324,415</u>
<b>Current assets</b>			
Trade and other receivables	19	54,535,547	41,709,772
Current tax asset		31,961	4,269
Cash and cash equivalents	21	<u>79,968,750</u>	<u>76,020,884</u>
		<u>134,536,258</u>	<u>117,734,925</u>
<b>Total assets</b>		<b><u>294,679,898</u></b>	<b><u>262,059,340</u></b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Called up share capital	22	600	600
Share premium	23	202,162,796	202,162,796
Retained earnings		<u>23,876,503</u>	<u>14,660,033</u>
Total equity attributable to owners of the company		226,039,899	216,823,429
Non-controlling interests	25	<u>(523,642)</u>	<u>(311,872)</u>
<b>Total shareholders' funds</b>		<b><u>225,516,257</u></b>	<b><u>216,511,557</u></b>
<b>Non-current liabilities</b>			
Lease liabilities	15	16,796,804	-
Trade and other payables	26	13,344,526	7,922,943
Provisions	27	<u>-</u>	<u>1,239,476</u>
		<u>30,141,330</u>	<u>9,162,419</u>

The notes on pages 22 to 63 form an integral part of these financial statements.

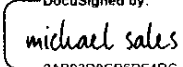
# TIAA International Holdings 2 Limited

(Registration number: 08698172)

## Consolidated Statement of Financial Position as at 31 December 2019

	Note	31 December 2019 £	31 December 2018 £
<b>Current liabilities</b>			
Trade and other payables	26	34,563,211	35,395,684
Lease liabilities	15	3,375,828	-
Current tax liability		1,061,231	964,039
Provisions	27	22,041	25,641
		<u>39,022,311</u>	<u>36,385,364</u>
<b>Total liabilities</b>		<b><u>69,163,641</u></b>	<b><u>45,547,783</u></b>
<b>Total equity and liabilities</b>		<b><u>294,679,898</u></b>	<b><u>262,059,340</u></b>

The financial statements on pages 12 to 62 are approved by the Board of Directors on 15 April 2020 and signed on its behalf by:


DocuSigned by:  
  
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 M.J.L. Sales  
 Director

The notes on pages 22 to 63 form an integral part of these financial statements.

**TIAA International Holdings 2 Limited****(Registration number: 08698172)****Company Statement of Financial Position as at 31 December 2019**

	<b>Note</b>	<b>31 December 2019 £</b>	<b>31 December 2018 £</b>
<b>Assets</b>			
<b>Non-current assets</b>			
Investments in subsidiaries	17	<u>202,163,396</u>	<u>202,163,396</u>
<b>Total non-current assets</b>		<u>202,163,396</u>	<u>202,163,396</u>
<b>Current assets</b>			
Cash and cash equivalents	21	<u>933,937</u>	<u>1,088,695</u>
<b>Total assets</b>		<u><u>203,097,333</u></u>	<u><u>203,252,091</u></u>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Called up share capital	22	600	600
Share premium	23	202,162,796	202,162,796
Retained earnings/(accumulated losses)		<u>788,185</u>	<u>(487,243)</u>
<b>Total shareholders' funds</b>		<u><u>202,951,581</u></u>	<u><u>201,676,153</u></u>
<b>Current liabilities</b>			
Trade and other payables	26	<u>145,752</u>	<u>1,575,938</u>
<b>Total current liabilities</b>		<u><u>145,752</u></u>	<u><u>1,575,938</u></u>
<b>Total equity and liabilities</b>		<u><u>203,097,333</u></u>	<u><u>203,252,091</u></u>

The financial statements on pages 12 to 62 are approved by the Board of Directors on 15 April 2020 and signed on its behalf by:

DocuSigned by:  
  
 2AB93D8C86DF4DC  
 M.J.L Sales  
 Director

The notes on pages 22 to 63 form an integral part of these financial statements.

## TIAA International Holdings 2 Limited

## Consolidated Statement of Changes in Equity for the Year Ended 31 December 2019

	Called up share capital £	Share premium £	Retained earnings £	Total equity attributable to owners of the company £	Non-controlling interests £	Total shareholders' funds £
<b>Balance at 1 January 2018</b>	600	202,162,796	4,743,872	206,907,268	(444,376)	206,462,892
Profit for the year	-	-	9,625,259	9,625,259	267,970	9,893,229
Other comprehensive expense	-	-	290,902	290,902	7,200	298,102
Total comprehensive income for 2018	-	-	9,916,161	9,916,161	275,170	10,191,331
Dividends paid	-	-	-	-	(142,666)	(142,666)
<b>Balance as at 31 December 2018</b>	600	202,162,796	14,660,033	216,823,429	(311,872)	216,511,557
At 1 January 2019	600	202,162,796	14,660,033	216,823,429	(311,872)	216,511,557
*Impact of change in accounting standards - IFRS 16	-	-	(1,611,113)	(1,611,113)	-	(1,611,113)
Adjusted balance at 1 January 2019	600	202,162,796	13,048,920	215,212,316	(311,872)	214,900,444
Profit for the year	-	-	11,971,004	11,971,004	685,645	12,656,649
Other comprehensive expense	-	-	(911,942)	(911,942)	(70,129)	(982,071)
Total comprehensive income	-	-	11,059,062	11,059,062	615,516	11,674,578
Dividends	-	-	-	-	(215,592)	(215,592)
Decrease in non-controlling interest in subsidiaries	-	-	(231,479)	(231,479)	(611,694)	(843,173)
<b>Balance as at 31 December 2019</b>	600	202,162,796	23,876,503	226,039,899	(523,642)	225,516,257

\*The Group has initially applied IFRS 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying IFRS 16 is recognised in retained earnings at the date of initial application.

The notes on pages 22 to 63 form an integral part of these financial statements.

## TIAA International Holdings 2 Limited

## Company Statement of Changes in Equity for the Year Ended 31 December 2019

	Called up share capital £	Share premium £	(Accumulated losses)/ Retained earnings £	Total shareholders' funds £
<b>Balance at 1 January 2018</b>				
Loss for the year	600	202,162,796	(332,673)	201,830,723
Total comprehensive expense	-	-	(154,570)	(154,570)
<b>Balance as at 31 December 2018</b>	600	202,162,796	(487,243)	201,676,153
Profit for the year	-	-	1,275,428	1,275,428
Total comprehensive income	-	-	1,275,428	1,275,428
<b>Balance as at 31 December 2019</b>	600	202,162,796	788,185	202,951,581

The notes on pages 22 to 63 form an integral part of these financial statements.

## TIAA International Holdings 2 Limited

## Consolidated Statement of Cash Flows for the Year Ended 31 December 2019

	Note(s)	2019 £	2018 £
<b>Cash flows from operating activities</b>			
Profit before tax		17,110,310	12,454,937
<b>Adjustments for:</b>			
Depreciation and amortisation	6	8,250,043	4,547,923
Loss on disposal of property plant and equipment	6	10,542	41,455
Foreign exchange loss		1,460,030	369,738
Net finance cost	10, 11	257,334	155,551
Share of loss/(profit) of investments accounted for using the equity method		1,372	(19,748)
Adjustments on transfer of right-of-use assets and cancellation of lease		(328,915)	-
		26,760,716	17,549,856
<b>Change in operating assets and liabilities:</b>			
Increase in trade and other receivables	19	(13,109,396)	(8,363,117)
Increase in trade and other payables	26	4,576,671	10,324,340
(Decrease)/increase in provisions	27	(1,234,731)	317,934
<b>Cash generated from operations</b>			
		16,993,260	19,829,013
Income taxes paid		(3,616,971)	(1,999,607)
Interest paid		(302,462)	(204,708)
<b>Net cash flow from operating activities</b>			
		13,073,827	17,624,698
<b>Cash flows from investing activities</b>			
Interest received	10	60,216	49,157
Purchases of property, plant and equipment	14	(2,461,333)	(675,804)
Purchases of other investments	17	(134,684)	(625,886)
Acquisition of subsidiaries		(23,885)	-
<b>Net cash flows from investing activities</b>			
		(2,559,686)	(1,252,533)
<b>Cash flows from financing activities</b>			
Lease liability payments		(3,528,305)	-
Dividends paid		(215,592)	(142,666)
Transactions with non-controlling interests		(843,173)	-
<b>Net cash flows from financing activities</b>			
	25	(4,587,070)	(142,666)
<b>Net increase in cash and cash equivalents</b>			
		5,927,071	16,229,499
Cash and cash equivalents at 1 January		76,020,884	59,842,691
Effect of exchange rate fluctuations on cash held		(1,979,205)	(51,306)
<b>Cash and cash equivalents at 31 December</b>			
	21	79,968,750	76,020,884

The notes on pages 22 to 63 form an integral part of these financial statements.

## TIAA International Holdings 2 Limited

### Company Statement of Cash Flows for the Year Ended 31 December 2019

	Note	2019 £	2018 £
<b>Cash flows from operating activities</b>			
Profit/(loss) before tax		1,275,428	(154,570)
Decrease in trade and other receivables	19	-	1,243,206
Decrease in trade and other payables	26	<u>(1,430,186)</u>	<u>(14,360)</u>
<b>Net cash flow from operating activities</b>		<u>(154,758)</u>	<u>1,074,276</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>		(154,758)	1,074,276
Cash and cash equivalents at 1 January		<u>1,088,695</u>	<u>14,419</u>
<b>Cash and cash equivalents at 31 December</b>		<u><u>933,937</u></u>	<u><u>1,088,695</u></u>

The notes on pages 22 to 63 form an integral part of these financial statements.

## **TIAA International Holdings 2 Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2019**

#### **1 General information**

These consolidated financial statements comprise the financial statements of TIAA International Holdings 2 Limited (the “Company”) and its subsidiaries (together the “Group”).

The principal activity of the Group is the provision of real estate asset management services, market research and portfolio management advice.

The principal activity of the Company is that of a holding company.

The Company is incorporated and domiciled in the United Kingdom. The address of its registered office is:  
150 Aldersgate Street  
London  
EC1A 4AB

#### **2 Basis of preparation and significant accounting policies**

##### **Basis of preparation**

The financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as adopted by the European Union and IFRS Interpretations Committee (“IFRS IC”) and applied in accordance with the provisions of the Companies Act 2006 applicable to companies reporting under IFRS.

The financial statements have been prepared on a going concern basis under the historical cost convention, except for the measurement at fair value of financial instruments, as set out in the accounting policy below.

The preparation of financial statements requires management to make estimates and assumptions that affect the amounts reported for assets and liabilities as at the reporting date and the amounts reported for revenues and expenses during the period. The nature of estimates means that actual outcomes could differ from those estimates.

##### **Going concern**

The Group meets its day-to-day working capital requirements through regular cash flows from Group activities. The Directors consider that the Group has adequate financial resources to continue in operational existence in the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing its financial statements.

##### **Summary of significant accounting policies and key accounting estimates**

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.



## **TIAA International Holdings 2 Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2019**

#### **New standards, amendments and IFRIC interpretations**

IFRS 16 is a new accounting standard for the year ended 31 December 2019. All accounting policies were updated to be in accordance with the updated accounting standards.

The standard became applicable from 1 January 2019 and this standard has a material impact on the Group.

The Group has adopted IFRS 16 using the modified retrospective approach and therefore has not restated comparative amounts for the year prior to first adoption and has adjusted the opening Statement of Financial Position on 1 January 2019.

Details of the change in the Group's accounting policy in respect of lease accounting and an analysis of the impact of adopting IFRS 16 are set out in note 15.

#### **New standards, interpretations and amendments not yet effective**

There are no newly issued but not yet effective standards, interpretations and amendments which have not been applied in these financial statements.

#### **Changes in accounting policy**

There are no new standards, interpretations and amendments which are effective for periods beginning after 1 January 2019 which have not been adopted early and are expected to have a material effect on the financial statements.

#### **Consolidation**

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group re-assesses whether or not it controls an entity if facts and circumstances indicate that there are changes to one or more of the elements of control, on an annual basis.

The acquisition method of accounting is used by the Group when it undertakes a business combination. In the Statement of Financial Position, the acquirer's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date.

The consolidated financial statements are based on the financial statements of the individual subsidiaries drawn up using the standard Group accounting policies. Accounting policies applied by individual subsidiaries have been revised where necessary to ensure consistency with Group policies for consolidation purposes.

All intra-group transactions and balances between Group entities are eliminated on consolidation.

## **TIAA International Holdings 2 Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2019**

#### **Foreign currencies**

##### **• Functional and presentation currency**

Items included in the financial statements of each of the Group's subsidiaries are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in British Pounds, which is the Company's functional currency and the Group's presentation currency.

##### **• Transactions and balances**

Transactions in foreign currencies are translated into British Pounds at the rate prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange prevailing at the end of the reporting period.

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting period and are measured at historical cost (translated using the exchange rates on the transaction date), except for non-monetary items carried at fair value, which are translated at the rates prevailing at the date when the fair value was determined. Gains and losses arising on translation are recognised in profit or loss.

##### **• Group companies**

The results and financial position of the Group entities (none of which has a currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency on consolidation as follows:

- (i) assets and liabilities for each Statement of Financial Position are translated at the closing rate at the date of that Statement of Financial Position;
- (ii) income and expenses are translated at the rate on the date of the transaction; and
- (iii) all resulting exchange differences are recognised in other comprehensive income to the translation reserve.

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation) all of the exchange differences accumulated in equity in respect of that operation attributable to the equity holders of the company are reclassified to profit or loss.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

#### **Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for services provided, stated net of value added taxes. The Group recognises revenue when the amount of the revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below. The Group bases its estimate of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

##### **• Fee income**

Fee income includes management fees, advisory fees, transaction fees, development fees and performance fees stated net of rebates. Management fees, transaction fees, development fees and advisory fees are recognised in the accounting period in which the associated investment management or transaction services are provided. Performance fees are recognised when the prescribed performance hurdles are achieved and it is certain that a fee will crystallise as a result.

##### **• Other income**

Other income includes income recognised for services provided to the associates. Other income is recognised in the accounting period in which the associated services are provided.

## **TIAA International Holdings 2 Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2019**

#### **Investments in associates**

Investments in associates are those over which the Group has significant influence but not control or joint control. These are accounted for using the equity method of accounting. Significant influence is considered to be participation in the financial and operating policy decisions of the investee and is usually evidenced when the Group owns between 20% and 50% of that company's voting rights.

Investments in associated entities are initially recorded at cost and the carrying amount is increased or decreased to recognise the Group's share of the profits or losses of the associated entity after acquisition. At the date of acquisition any excess of the cost of acquisition over the Group's share of the fair values of the identifiable net assets of the associated entity is recognised as goodwill. The carrying amount of these investments is reduced to recognise any impairment of the value of the individual investment. If the Group's share of losses exceeds its interest in an associated entity the carrying value of that investment is reduced to nil and the recognition of any further losses is discontinued unless the Group has an obligation to make further funding contributions to that associated entity.

Where a Group entity has transactions with an associated entity of the Group, unrealised profits and losses are eliminated to the extent of the Group's interest in the relevant associated entity. Accounting policies of associated entities have been changed where necessary to ensure consistency with the policies adopted by the Group.

Where there is a disposal of an investment in an associated entity, the carrying value of the investment held on the Statement of Financial Position at the date of disposal is removed and offset against the consideration received for that investment, with the net profit or loss on disposal being recognised in the consolidated Statement of Profit or Loss.

#### **Interest income and expense**

Interest income and expense are recognised within finance income and finance costs in the Statement of Profit or Loss using the effective interest rate method, except for borrowing costs relating to qualifying assets, which are capitalised as part of the cost of that asset. The Group has chosen to capitalise borrowing costs on all qualifying assets irrespective of whether they are measured at fair value or not.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts throughout the expected life of the financial instrument, or a shorter period where appropriate, to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

#### **Property, plant and equipment**

Property, plant and equipment ("PPE") are initially recognised at acquisition cost, defined as the aggregate amount paid and the fair value of any other consideration given to acquire the asset, including any costs directly attributable to bringing the assets to the location and condition necessary for them to be capable of operating in the manner intended by management. Assets are subsequently stated at cost less accumulated depreciation and any recognised impairment loss.

## TIAA International Holdings 2 Limited

### Notes to the Financial Statements for the Year Ended 31 December 2019

#### Depreciation

Depreciation is provided at rates calculated to write off the cost, less estimated residual value, based on prices prevailing at the end of the reporting period, of each asset over its expected useful life as follows:

<b>Asset class</b>	<b>Depreciation method and rate</b>
Leasehold improvements	over the period of the lease
Furniture and fixtures	straight line basis over 3 - 5 years
Office equipment	straight line basis over 3 - 8 years
Computer hardware	straight line basis over 3 years
Computer software	straight line basis over 3 years
Right of use assets	straight line basis over the shorter of estimated life or lease term

The carrying values of property, plant and equipment are reviewed for impairment when it becomes apparent that the carrying value may not be recoverable, and in such circumstances the assets are written down immediately to their recoverable amount.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on disposal or retirement of an asset is determined as the difference between the disposal proceeds and the carrying amount of the asset and is included in the Statement of Profit or Loss.

#### Intangible assets

##### • *Goodwill on business combinations*

Goodwill represents the excess of the cost of a business combination over the total acquisition date fair value of the identifiable assets, liabilities and contingent assets acquired.

Cost comprises the fair value of the assets given, liabilities assumed and equity instruments issued, plus the amount of any non-controlling interests in the acquiree plus, if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree. Direct costs of acquisition are recognised immediately as an expense.

Goodwill arising on a business combination is capitalised as an intangible asset with any impairment in carrying value being charged to the Consolidated Statement of Comprehensive Income. When the fair value of the identifiable assets, liabilities and contingent liabilities exceed the fair value of the consideration paid, the excess is credited in full to the consolidated statement of comprehensive income on the acquisition date.

Goodwill on business combinations is determined to have an indefinite useful life and is not subject to amortisation.

#### Investment management contracts

Investment management contracts have been identified as a separately identifiable intangible asset and are recognised at fair value, calculated by applying a discounted cash flow method to future recurring revenue streams arising from the contracts. The investment management contracts have a finite useful life and are carried at cost less accumulated amortisation.

<b>Asset class</b>	<b>Amortisation method and rate</b>
Open-ended investment management contracts	straight line basis over 15 years
Closed-ended investment management contracts	over the period of the contract

## TIAA International Holdings 2 Limited

### Notes to the Financial Statements for the Year Ended 31 December 2019

#### **Impairment of non-financial assets**

Assets that have an indefinite useful life - for example, goodwill - are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate a potential impairment. Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. The fair value is based on forecasts approved by the board, extrapolated for expected future growth rates and discounted at a risk adjusted discount rate based on the Groups weighted average cost of capital. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows. Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date. Impairment losses on goodwill are not reversed.

#### **Financial Instruments**

##### **• Recognition and initial measurement**

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group has become a party to the contractual obligations of the financial instrument. The Group determines the classification of its financial instruments at initial recognition in accordance with the categories outlined below and re-evaluates this designation at each reporting period end. When financial instruments are recognised initially, they are measured at fair value, being the transaction price plus, in the case of financial assets and financial liabilities not at fair value through the Statement of Profit or Loss, directly attributable transaction costs.

##### **• Financial assets**

All financial assets are subject to review for impairment at least at each reporting date to identify whether there is any objective evidence that a financial asset is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below. All income and expenses relating to financial assets that are recognised in Statement of Profit or Loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within expenses.

##### **• Financial liabilities**

The Group's financial liabilities include trade and other payables. Financial liabilities are measured subsequently at amortised cost using the effective interest method, except for financial liabilities held for trading or designated at fair value through the Profit and Loss account, that are carried subsequently at fair value with gains or losses recognised in the Statement of Profit or Loss.

##### **• Derecognition**

The Group derecognises a financial asset when the contractual rights to the cash flow from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability. The Group derecognises a financial liability when its contractual obligations are extinguished, discharged or cancelled or have expired.

##### **• Provisions**

Provisions are recognised when the Group has a present legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. The increase in the provision due to the passage of time is recognised as interest expense.

## **TIAA International Holdings 2 Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2019**

#### **Other investments**

Other investments comprise of equity investments that do not have fixed maturities and fixed or determinable payments, and management intends to hold them for the medium to long-term. Other investments are measured at fair value through the Statement of Profit or Loss.

Other investments are presented as non-current assets unless they mature, or management intends to dispose of them within 12 months of the end of the reporting period.

#### **Cash and cash equivalents**

Cash and cash equivalents comprise cash in hand and at bank.

#### **Trade receivables**

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for the impairment of trade receivables is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the receivables.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

#### **Prepayments**

Prepayments are carried at cost less any accumulated impairment losses.

#### **Share capital**

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

#### **Taxation**

Tax is recognised in the Statement of Profit or Loss, except to the extent that it relates to items recognised directly in other comprehensive income or equity - in which case, the tax is also recognised in other comprehensive income or equity.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the date of the Statement of Financial Position in the countries where the Company operates. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation, and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

## **TIAA International Holdings 2 Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2019**

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the date of the Statement of Financial Position and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

#### **Employee benefits**

The Group operates various employment schemes, including both defined contribution pension plans and medical plans.

##### *Defined contribution pension obligation*

A defined contribution plan is a pension plan under which the Group pays fixed contributions. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as an employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

##### *Long term incentive plan*

The Group has accrued for long-term cash settled deferred compensation which is determined by an estimate of the value of the expected future payments. Actual long-term cash settled deferred compensation could vary from those estimates.

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

At the end of each reporting period the Group revises its estimates of the benefit that is expected to vest. It recognises the impact of the revision to original estimate, if any, in the Statement of Profit or Loss.

#### **Other expenses**

Expenses include legal, accounting, auditing and other fees. They are recognised in the Consolidated Statement of Profit or Loss in the period in which they are incurred (on an accruals basis).

## **TIAA International Holdings 2 Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2019**

#### **Leases**

The Group leases various assets, comprising property, plant, equipment.

The determination whether an arrangement is, or contains, a lease is based on whether the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

The following sets out the Group's lease accounting policy for all leases with the exception of leases with a low value and term of 12 months or less for which/where we have taken the exemption under the standard. These are expensed to the Statement of Profit or Loss as incurred.

At the inception of the lease, the Group recognises a right-of-use asset and a lease liability. A right-of-use asset is capitalised in the Statement of Financial Position at cost, which comprises the present value of minimum lease payments determined at the inception of the lease. A lease liability of equivalent value is also recognised. Right-of-use assets are depreciated using the straight line method over the shorter of estimated life or the lease term.

Depreciation is included within the line item administrative expenses in the Statement of Profit or Loss.

Under IFRS 16 the right-of-use assets will be tested for impairment in accordance with IAS 36 'Impairment of Assets'. This will replace the previous requirement to recognise a provision for an onerous lease. The Group has elected to apply the exemption to treat existing onerous leases as impairments on adoption.

The corresponding lease liability is included on the Statement of Financial Position as a lease liability. The lease liability is measured at amortised cost using the effective interest rate method. Lease payments are apportioned between a finance charge and a reduction of the lease liability based on the constant interest rate applied to the remaining balance of the liability. Interest expense is included within the line item net finance costs in the Statement of Profit or Loss.

The lease payments comprise fixed payments and variable lease payments that depend on an index or a rate, initially measured using the minimum index or rate at inception date. The payments also include any lease incentives and any penalty payments for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease term determined comprises the non-cancellable period of the lease contract. Periods covered by an option to extend the lease are included if the Group has reasonable certainty that the option will be exercised and periods covered by the option to terminate are included if it is reasonably certain that this will not be exercised.

The lease liability is subsequently remeasured (with a corresponding adjustment to the related right-of-use asset) when there is a change in future lease payments due to a renegotiation or market rent review, a change of an index or rate or a reassessment of the lease term.

The Group has made judgements in adopting IFRS 16 such as; determining contracts in scope for IFRS 16, determining the interest rate used for discounting of future cash flows, and the lease term.

#### **Dividend income**

Dividend income is recognised when the right to receive payment is established.

#### **Dividend distributions**

Dividend distribution to the company's shareholders is recognised as a liability in the company's financial statements in the period in which the dividends are approved by the company's shareholders.



## **TIAA International Holdings 2 Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2019**

#### **3 Critical accounting estimates**

Estimates are continually evaluated and are based on historical experience as adjusted for current market conditions and other factors.

##### **Critical accounting estimates and assumptions**

Management makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

##### **Useful economic lives of property, plant and equipment and investment management contracts**

The depreciation charge for property, plant and equipment and the amortisation charge for investment management contracts are sensitive to changes in the estimated useful economic lives and residual value of the assets. The useful economic lives and residual values are re-assessed annually in line with the property, plant and equipment and intangible assets accounting policy. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. Investment management contracts are amended where necessary to reflect the current circumstances of the underlying contracts.

##### **Income taxes**

The Group is subject to income taxes in numerous jurisdictions. Significant estimates are required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current tax and deferred tax provisions.

The deferred tax assets recognised have been based on future profitability assumptions over a five year horizon. In the event of changes to these profitability assumptions the tax assets recognised may be adjusted.

##### **Deferred compensation scheme**

The Group has accrued for a long-term deferred compensation scheme which is determined by an estimate of the value of the expected future payments. Actual outcomes could vary from those estimates.

##### **Development fees**

Development fees are recognised throughout the period in which development management services are provided, on the basis of the amount of work completed in the period. This requires reasonable estimates and judgements to be made. Should any over or under-estimate be made, fees in future periods would be adjusted to reflect this. Total development and development performance fees recognised during the year amounted to £3,595,641 (2018: £3,620,371).

##### **Investments in subsidiaries**

As noted in the accounting policies above, investments in subsidiaries are held at cost. Management reviews the investment at each period end for any signs of impairment.

## **TIAA International Holdings 2 Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2019**

#### **Impairment of intangible assets**

Intangible assets are tested for impairment in line with the policy described in note 2 to these financial statements. When assessing impairment of intangibles, management considers factors including the long term growth rate and discount rates applied, and historical experience. Any goodwill impairment is recognised immediately as an expense and is not subsequently reversed.

#### **Impairment of trade and other receivables**

The Group makes an estimate of the recoverable value of trade and other receivables. When assessing impairment of trade and other receivables, management considers factors including the credit rating of the receivable, the ageing profile of receivables and historical experience. The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. In the prior year, the impairment of trade receivables was assessed based on the incurred loss model. Individual receivables which were known to be uncollectible were written off by reducing the carrying amount directly.

#### **4 Capital resources and risk management**

##### **Group and company**

##### *Management of capital*

The objectives inherent in the capital management policy of the Group are:

- To maintain a strong capital base;
- To meet regulatory requirements at all times in all jurisdictions in which the Group operates;
- To ensure that the Group can continue as a going concern; and
- To provide an adequate return to shareholders

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Management view the following as the capital of the Company and Group:

## TIAA International Holdings 2 Limited

### Notes to the Financial Statements for the Year Ended 31 December 2019

	31 December 2019 £	31 December 2018 £
<b>Group</b>		
Called up share capital	600	600
Share premium	202,162,796	202,162,796
Retained earnings	23,876,503	14,660,033
Non-controlling interests	<u>(523,642)</u>	<u>(311,872)</u>
	<u>225,516,257</u>	<u>216,511,557</u>
<b>Company</b>		
Called up share capital	600	600
Share premium	202,162,796	202,162,796
Retained earnings/(accumulated losses)	<u>788,185</u>	<u>(487,243)</u>
	<u>202,951,581</u>	<u>201,676,153</u>

#### *Financial risk management*

Management consider financial risk management on a Group basis. Management consider that the Group has the following risks:

- Liquidity risk
- Market risk
- Foreign currency risk
- Credit risk

#### **Liquidity risk**

The Group is exposed to liquidity risk which is the risk that the Group will have insufficient cash resources to meet its obligations as they fall due. Management manage liquidity risk by performing cash flow forecasting in the operating entities of the Group. Forecasts of liquidity requirements are monitored to ensure the Group has sufficient cash to meet its operational needs. Given the ultimate Group structure the liquidity risk is seen as minimal for the Group. The following are the undiscounted contractual maturities of financial liabilities of the Group:

At 31 December 2019:

	Due in under 3 months £	Due between 3 months and 1 year £	Due between 1 and 2 years £	Due between 2 and 5 years £	Total £
<b>Non derivative financial liabilities</b>					
Trade and other payables	31,318,727	23,439,111	-	13,344,526	68,102,364
Current tax liabilities	<u>-</u>	<u>2,699,499</u>	<u>-</u>	<u>-</u>	<u>2,699,499</u>
	<u>31,318,727</u>	<u>26,138,610</u>	<u>-</u>	<u>13,344,526</u>	<u>70,801,863</u>

## TIAA International Holdings 2 Limited

### Notes to the Financial Statements for the Year Ended 31 December 2019

At 31 December 2018:

Non derivative financial liabilities	Due in under 3 months £	Due between 3 months and 1 year £	Due between 1 and 2 years £	Due between 2 and 5 years £	Total £
Trade and other payables	30,751,047	4,644,636	-	7,922,943	43,318,626
Current tax liabilities	-	964,039	-	-	964,039
Provisions	25,641	-	-	1,239,476	1,265,117
	<u>30,776,688</u>	<u>5,608,675</u>	<u>-</u>	<u>9,162,419</u>	<u>45,547,782</u>

#### Market risk management

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. The Group's market risks arise from open positions in (a) foreign currencies, and (b) assets and liabilities, to the extent that these are exposed to general and specific market movements. However, the use of this approach does not prevent losses outside these limits in the event of more significant market movements.

Sensitivities to market risks included below are based on a change in one factor while holding other factors constant. In practice, this is unlikely to occur, and changes in some of the factors may be correlated – for example, changes in interest rate and changes in foreign currency rate.

#### Foreign exchange risk

The Company and its subsidiaries that operate internationally are exposed to foreign exchange risk, primarily with respect to the Euro. Foreign exchange risk arises in respect of those recognised monetary financial assets and liabilities that are not in the functional currency of the respective company entity.

The Group has various financial assets such as trade and other receivables and cash in short term deposits that arise directly from its operations. The Group's principal financial liabilities are trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations.

Management consider foreign exchange risk on a Group basis rather than on an entity by entity basis. The functional currency of the Group is British Pounds; the functional currency of the Company and its principal subsidiaries is British Pounds.

The Group had the following main currency exposure at 31 December 2019:

Currency	Assets £	Liabilities £	Net exposure £
AUD	3,497,784	245,900	3,251,884
EUR	38,839,282	7,005,437	31,833,845
SEK	604,895	47,230	557,665
SGD	2,698,486	199,933	2,498,553
USD	4,071,078	4,541,981	(470,903)
	<u>49,711,525</u>	<u>12,040,481</u>	<u>37,671,044</u>

## TIAA International Holdings 2 Limited

### Notes to the Financial Statements for the Year Ended 31 December 2019

The Group had the following main currency exposure at 31 December 2018:

<b>Currency</b>	<b>Assets £</b>	<b>Liabilities £</b>	<b>Net exposure £</b>
AUD	3,502,352	361,358	3,140,994
EUR	30,886,374	4,616,800	26,269,574
SEK	1,593,091	126,815	1,466,276
SGD	1,747,795	496,381	1,251,414
USD	4,686,143	3,392,207	1,293,936
	<u>42,415,755</u>	<u>8,993,561</u>	<u>33,422,194</u>

The Group's exposure to foreign currencies held on the balance sheet could affect the Group's profit or loss. At 31 December 2019 if GBP had strengthened by 10% against the above currencies and all other variables were held constant, pre-tax profit for the year would have been reduced by £3,767,104 (2018: £3,342,219). This sensitivity analysis is considered to be representative of the Group's position throughout the year.

#### Credit risk management

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Group has no significant concentrations of credit risk. Credit risk arises from cash and cash equivalents held at banks and trade receivables. The Company's subsidiaries' main customers are property owning companies. Cash balances are held with high credit quality financial institutions (BBB+ grade) and the Group has policies to limit the amount of credit exposure to any financial institution. No financial assets are deemed to be impaired or past due at year end.

No (2018: no) credit limits were exceeded during the reporting year, and management does not expect any losses for non-performance by counterparties.

## 5 Revenue

#### Group

The analysis of the Group's revenue for the year from continuing operations is as follows:

	<b>2019 £</b>	<b>2018 £</b>
Management Fees	84,120,397	84,702,929
Performance Fees	8,365,254	5,738,487
Development Fees	3,595,641	3,620,371
Transaction Fees	<u>5,178,474</u>	<u>6,391,413</u>
	<u>101,259,766</u>	<u>100,453,200</u>

## TIAA International Holdings 2 Limited

### Notes to the Financial Statements for the Year Ended 31 December 2019

#### 6 Administrative expenses

##### Group

Operating profit is arrived at after charging:

	2019 £	2018 £
Staff costs	72,153,528	61,952,507
Depreciation on right-of-use assets	3,845,117	-
Depreciation on property, plant and equipment	1,132,834	1,163,083
Amortisation expense	3,272,092	3,384,840
Foreign exchange	1,463,505	409,736
Loss on disposal of property, plant and equipment	10,542	41,455
Other administrative expenses	<u>5,962,827</u>	<u>23,227,066</u>
	<u>87,840,445</u>	<u>90,178,687</u>

#### 7 Auditors' remuneration

##### Group

	2019 £	2018 £
Audit of the Group financial statements	<u>661,872</u>	<u>434,190</u>
<b>Other fees to auditors</b>		
Audit related services	<u>35,607</u>	<u>2,021</u>

##### Company

	2019 £	2018 £
Audit of the Company financial statements	<u>104,025</u>	<u>71,472</u>

All fees payable to the Company's auditors relate to the audit of the Company's financial statements, so no split for non-audit services is required.

## TIAA International Holdings 2 Limited

### Notes to the Financial Statements for the Year Ended 31 December 2019

#### 8 Directors' remuneration

The following emoluments were paid by the Company and the other Group companies in respect of the services of Directors of the Company and other Group companies:

##### Group

	2019 £	2018 £
Wages and salaries	5,669,787	4,643,155
Other pension costs	95,228	112,091
	<u>5,765,015</u>	<u>4,755,246</u>

The emoluments paid by the Company and the other Group companies in respect of services provided by the highest paid Director of the Company and other Group companies were as follows:

	2019 £	2018 £
Wages and salaries	3,549,349	2,620,147
Other pension costs	45,916	45,916
	<u>3,595,265</u>	<u>2,666,063</u>

##### Company

The emoluments of M. Sales are paid by Nuveen Administration Limited which makes no (2018: nil) recharge to the Company. The emoluments of G. Brightman are paid by the parent with no recharge being made to the Company. The Directors are directors of a number of fellow subsidiaries and their total emoluments are included in the aggregate of directors emoluments disclosed in those financial statements.

#### 9 Employee information

##### Group

The aggregate staff costs were as follows:

	2019 £	2018 £
Wages and salaries	60,170,245	51,830,857
Social security costs	3,793,312	3,274,831
Pension costs, defined contribution scheme	2,703,026	2,565,827
Compensation for loss of office	1,405,215	793,649
Other employee expense	4,081,730	3,487,343
	<u>72,153,528</u>	<u>61,952,507</u>

## TIAA International Holdings 2 Limited

### Notes to the Financial Statements for the Year Ended 31 December 2019

The average number of persons employed by the Group during the year, analysed by category was as follows:

	2019 No.	2018 No.
Support & administration	195	148
Investment professionals	124	119
Business development & marketing	47	37
	<u>366</u>	<u>304</u>

#### Company

The Company has no employees (2018: nil).

### 10 Finance income

#### Group

	2019 £	2018 £
<b>Finance income</b>		
Other interest receivable	60,216	49,157
Total finance income	<u>60,216</u>	<u>49,157</u>

### 11 Finance costs

#### Group

	2019 £	2018 £
<b>Finance costs</b>		
Other interest expense	317,550	204,708
Total finance costs	<u>317,550</u>	<u>204,708</u>



## TIAA International Holdings 2 Limited

### Notes to the Financial Statements for the Year Ended 31 December 2019

#### 12 Income tax expense

##### a) Analysis of tax charge for the year

##### Group

Tax charged in the income statement

	2019 £	2018 £
<b>Current taxation</b>		
UK corporation tax	3,673,772	2,628,646
Foreign tax	70,312	10,760
Total current income tax	<u>3,744,084</u>	<u>2,639,406</u>
<b>Deferred taxation</b>		
Origination and reversal of temporary differences	-	(127,865)
Impact of change in the UK tax rate	-	67,854
Current year deferred tax charge	709,577	(10,929)
Adjustments in relation to prior periods	-	(6,758)
Total deferred taxation	<u>709,577</u>	<u>(77,698)</u>
Tax expense in the income statement	<u>4,453,661</u>	<u>2,561,708</u>

## TIAA International Holdings 2 Limited

### Notes to the Financial Statements for the Year Ended 31 December 2019

#### b) Factors affecting the tax charge for the year

The difference between the total current tax charge shown above and the amount calculated applying the standard rate of UK corporation tax to the profit before tax is as follows:

	2019 £	2018 £
Profit before tax	<u>17,110,310</u>	<u>12,454,937</u>
Tax on profit on ordinary activities at standard corporation tax rate of 19% (2018: 19%)	3,250,959	2,366,438
<b>Tax effect of:</b>		
Increase (decrease) in current tax from adjustment for prior periods	198,619	(26,873)
Decrease (increase) from effect of revenues exempt from taxation	-	(52,789)
Increase (decrease) from effect of expenses not deductible in determining taxable profit (tax loss)	707,530	83,798
Tax decrease from utilisation of tax losses	(118,931)	-
Increase (decrease) arising from group relief tax reconciliation	-	33,188
Increase (decrease) from effect of foreign tax rates	(297,292)	(321,191)
Increase (decrease) in current tax from unrecognised tax loss or credit	-	406,077
Deferred tax expense (credit) relating to changes in tax rates or laws	709,577	68,049
Other tax effects for reconciliation between accounting profit and tax expense (income)	<u>3,199</u>	<u>5,011</u>
Total tax charge	<u>4,453,661</u>	<u>2,561,708</u>

#### 13 Financial instruments

##### Group

##### Financial assets

##### Financial assets at fair value through profit or loss

	Carrying value		Fair value	
	31 December 2019 £	31 December 2018 £	31 December 2019 £	31 December 2018 £
Other investments	<u>759,656</u>	<u>630,876</u>	<u>759,656</u>	<u>630,876</u>

## TIAA International Holdings 2 Limited

### Notes to the Financial Statements for the Year Ended 31 December 2019

#### Financial assets at amortised cost

	Carrying value		Fair value	
	31 December 2019 £	31 December 2018 £	31 December 2019 £	31 December 2018 £
Cash and cash equivalents	79,968,750	76,020,884	79,968,750	76,020,884
Trade and other receivables	54,673,596	41,855,619	54,673,596	41,855,619

#### Financial liabilities

##### *Financial liabilities at amortised cost*

	Carrying value		Fair value	
	31 December 2019 £	31 December 2018 £	31 December 2019 £	31 December 2018 £
Trade and other payables	<u>47,907,691</u>	<u>43,318,626</u>	<u>47,907,691</u>	<u>43,318,626</u>

## TIAA International Holdings 2 Limited

## Notes to the Financial Statements for the Year Ended 31 December 2019

## 14 Property, plant and equipment

Group	Leasehold improvements £	Office Equipment £	Computer software £	Furniture and fixtures £	Computer hardware £	Total £
<b>Cost</b>						
At 1 January 2019	258,116	2,724,512	4,588,527	781,286	1,081,617	9,434,058
Additions	713,934	144,757	1,067,561	88,528	446,553	2,461,333
Disposals	(12,656)	-	-	(363,414)	-	(376,070)
Translations	(17,317)	(33,000)	-	(30,247)	(2,544)	(83,108)
At 31 December 2019	942,077	2,836,269	5,656,088	476,153	1,525,626	11,436,213
<b>Accumulated Depreciation</b>						
At 1 January 2019	157,961	2,331,686	4,064,231	651,596	919,616	8,125,090
Charge for the year	60,696	303,777	546,180	68,414	153,767	1,132,834
Eliminated on disposal	(2,109)	-	-	(363,414)	-	(365,523)
Translations	(4,671)	(18,570)	-	(15,936)	(1,496)	(40,673)
At 31 December 2019	211,877	2,616,893	4,610,411	340,660	1,071,887	8,851,728
<b>Net Book Value</b>						
As at 31 December 2019	730,200	219,376	1,045,677	135,493	453,739	2,584,485
As at 31 December 2018	100,155	392,826	524,296	129,690	162,001	1,308,968

## TIAA International Holdings 2 Limited

### Notes to the Financial Statements for the Year Ended 31 December 2019

#### 15 Leases

Group	31 December 2019 £
<b>Right-of-use assets</b>	
Buildings	16,323,811
Vehicles	2,076,144
	<u>18,399,955</u>
<b>Lease liabilities</b>	
Current	3,375,828
Non-current	16,796,804
	<u>20,172,632</u>

#### Changes in accounting policies

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as operating leases under the principles of the previously applicable standard, IAS 17 Leases. All right-of-use assets for property leases were measured on transition as if the new rules had always been applied. All other right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses) and discounted using the leases incremental borrowing rate as at 1 January 2019. The right-of-use assets recognised are primarily office leases and motor vehicles.

## TIAA International Holdings 2 Limited

### Notes to the Financial Statements for the Year Ended 31 December 2019

#### *(i) Practical expedients applied*

When applying IFRS 16 to leases previously classified as operating leases, the Group used the following practical expedients:

- applied the exemption not to recognise right-of-use assets and liabilities for leases of low value or for which the lease term ends within 12 months of the date of initial application, on a lease-by-lease basis
- relied on previous assessments on whether leases are onerous for impairment of right-of-use assets
- excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application
- used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying IAS 17 and Interpretation 4 Determining whether an Arrangement contains a Lease.

Under transition rules for leases classified as operating leases, lease liabilities were measured at the present value of the remaining lease payments, discounted at our ultimate controlling party's (Teachers Insurance and Annuity Association) borrowing rate as at 1 January 2019. The rates were based upon the Federal Home Loan Bank ("FHLB") System. The FHLB rates are secured and are a normal course borrowing that Teachers Insurance and Annuity Association would utilise routinely making it a logical rate for lease application.

Right-of-use assets are measured at cost, which comprised the initial amount of the lease liability adjusted for any lease payments made at or before the adoption date, less any lease incentives received at or before the adoption date and less any onerous lease provisions (reclassified on the opening Statement of Financial Position).

#### *(ii) Measurement of lease liabilities*

	<b>2019</b>
	<b>£</b>
Operating lease commitments disclosed as at 31 December 2018	9,965,385
Discounted using the incremental borrowing rate at 1 January 2019	(684,515)
Short-term leases not recognised as a liability	(26,085)
Adjustments as a result of a different treatment of extension and termination options	9,751,313
	<u>19,006,098</u>

#### **Lease liability recognised as at 1 January 2019**

Current lease liabilities	2,658,733
Non-current lease liabilities	16,347,365
	<u>19,006,098</u>

#### *(iii) Adjustments recognised in the Consolidated Statement of Financial Position on 1 January 2019*

- right-of-use-assets - increase by £17,394,985
- lease liabilities - increase by £19,006,098
- retained earnings - reduce by £1,611,113

## TIAA International Holdings 2 Limited

### Notes to the Financial Statements for the Year Ended 31 December 2019

#### 16 Intangible assets

##### Group

	Goodwill £	Investment management contracts £	Total £
<b>Cost:</b>			
At 1 January 2019	124,600,365	41,144,142	165,744,507
Additions	<u>9,412</u>	<u>-</u>	<u>9,412</u>
At 31 December 2019	<u>124,609,777</u>	<u>41,144,142</u>	<u>165,753,919</u>
<b>Accumulated Amortisation:</b>			
At 1 January 2019	-	24,628,830	24,628,830
Amortisation charge	<u>-</u>	<u>3,272,092</u>	<u>3,272,092</u>
At 31 December 2019	<u>-</u>	<u>27,900,922</u>	<u>27,900,922</u>
<b>Net Book Value</b>			
As at 31 December 2019	<u>124,609,777</u>	<u>13,243,220</u>	<u>137,852,997</u>
As at 31 December 2018	<u>124,600,365</u>	<u>16,515,312</u>	<u>141,115,677</u>

##### Goodwill

The Group considers itself to have a single cash generating unit to which goodwill is allocated.

The recoverable value of goodwill for the Group at year end has been determined by a value in use calculation, using cash flows based on the Group's 1 year operating plan approved by the board, and a terminal value for the period thereafter. The key assumptions applied to the Group's 1 year operating plan are market performance and net fund flows.

The terminal value has been calculated using a long term growth rate of 3% in perpetuity.

A risk adjusted discount rate of 12.8% (2018: 13.0%) has been applied. The resulting value in use has been compared with the carrying value of the Group's intangible assets to determine if an impairment is required. Sensitivity analysis has been performed by adjusting key assumptions, such as the discount rate and growth rate. The model continued to show headroom over the carrying value and thus there were no impairment charges in 2019.

##### Investment Management Contracts

In accordance with IAS 36 "Impairment of Assets" management has calculated the recoverable amount of investment management contracts ("IMCs") via a combination of discounted cash flows and EBITDA valuation models over the useful economic life of the underlying contracts. The discount rate applied is 12.8% and a long term growth rate of 3% in perpetuity. Sensitivity analysis has been performed by adjusting key assumptions, such as the discount rate, growth rate and the free cash flows. The model continued to show headroom over the carrying value and thus there were no impairment charges in 2019.

Amortisation of intangible assets is recognised within administrative expenses.

## TIAA International Holdings 2 Limited

### Notes to the Financial Statements for the Year Ended 31 December 2019

#### 17 Investments

##### Group subsidiaries

All subsidiary undertakings of the Group as listed below have share capital consisting solely of ordinary shares. The proportion of shares held by the Group equates to the proportion of voting rights. All subsidiary undertakings have been included in these consolidated financial statements. Details of the group subsidiaries as at 31 December 2019 are as follows:

Name of subsidiary	Principal activity	Registered office	Proportion of ownership interest and voting rights held	
			2019	2018
TIAA International Holdings 3 Limited	Holding company	150 Aldersgate Street, London, EC1A 4AB United Kingdom	100%	100%
Nuveen Real Estate Limited	Holding company	201 Bishopsgate, London, EC2M 3BN United Kingdom	99%	99%
Nuveen Limited	FCACO Holding company	201 Bishopsgate, London, EC2M 3BN United Kingdom	99%	99%
Nuveen Holdings Limited	Europe Holding company	201 Bishopsgate, London, EC2M 3BN United Kingdom	99%	99%
Nuveen Holdings Limited	Group Holding company	201 Bishopsgate, London, EC2M 3BN United Kingdom	99%	99%
Nuveen Limited	Administration company	201 Bishopsgate, London, EC2M 3BN United Kingdom	99%	99%
Nuveen Real Estate Management Limited	Operating company	201 Bishopsgate, London, EC2M 3BN United Kingdom	99%	99%
Nuveen Management AIFM Limited	Operating company	201 Bishopsgate, London, EC2M 3BN United Kingdom	99%	99%
TIAA-CREF Management Limited	Asset UK Operating company	201 Bishopsgate, London, EC2M 3BN United Kingdom	99%	99%
Henderson Retail Property Management S.à.r.l	European Fund Operating company	4a rue Henri M Schnadt, L-2530 Gasperich Luxembourg	93.4%	93.4%



## TIAA International Holdings 2 Limited

### Notes to the Financial Statements for the Year Ended 31 December 2019

Name of subsidiary	Principal activity	Registered office	Proportion of ownership interest and voting rights held	
			2019	2018
Nuveen Management Company (Luxembourg) S.à.r.l	Operating company No1	4a rue Henri M Schnadt, L-2530 Gasperich Luxembourg	93.4%	93.4%
Nuveen Fund Management S.à.r.l	Operating company	4a rue Henri M Schnadt, L-2530 Gasperich Luxembourg	99%	99%
Nuveen Management Limited	Property Operating company (Jersey)	11-15 Seaton Place, St Helier, Jersey, JE4 0QH United Kingdom	99%	99%
Nuveen Management Limited	Fund Operating company (Jersey)	11-15 Seaton Place, St Helier, Jersey, JE4 0QH United Kingdom	99%	99%
Nuveen Centre GmbH	Shopping Dormant Verwaltungs	Bockenheimer Landstr. 24, 60323 Frankfurt Germany	99%	99%
Nuveen Private Limited	Singapore Operating company	50 Raffles Place, #06-00 Singapore, Land Tower, 048623 Singapore	99%	99%
Nuveen Management (Jersey) Limited	Fund Dormant Vanquish	11-15 Seaton Place, St Helier, Jersey, JE4 0QH United Kingdom	99%	99%
Nuveen Management II (Jersey) Limited	Fund Dormant Vanquish	11-15 Seaton Place, St Helier, Jersey, JE4 0QH United Kingdom	99%	99%
Nuveen (France) SAS	Operating company	7, rue Scribe – 75009 Paris France	99%	99%
CLOF II Limited	(No1 GP) Related to CLOF fund	201 Bishopsgate, London, EC2M 3BN United Kingdom	99%	99%
CLOF II Nominee) Limited	(No1 Related to CLOF fund	201 Bishopsgate, London, EC2M 3BN United Kingdom	99%	99%
CLOF II Limited	(No2 GP) Related to CLOF fund	201 Bishopsgate, London, EC2M 3BN United Kingdom	99%	99%

## TIAA International Holdings 2 Limited

### Notes to the Financial Statements for the Year Ended 31 December 2019

Name of subsidiary	Principal activity	Registered office	Proportion of ownership interest and voting rights held	
			2019	2018
CLOF II (No3 GP) Limited	Related to CLOF fund	201 Bishopsgate, EC2M 3BN United Kingdom	99%	99%
CLOF II (GP) Limited	Related to CLOF fund	201 Bishopsgate, EC2M 3BN United Kingdom	99%	99%
Matador LP Partner Limited	General Dormant	201 Bishopsgate, EC2M 3BN United Kingdom	99%	99%
Nuveen Verwaltungs GmbH	Beteiligung Dormant	Bockenheimer Landstr. 24, 60323 Frankfurt Germany	99%	99%
Nuveen Secretarial Limited	Corporate Dormant Services	201 Bishopsgate, EC2M 3BN United Kingdom	99%	99%
Nuveen Limited	Operations Dormant	201 Bishopsgate, EC2M 3BN United Kingdom	99%	99%
Nuveen Real Estate (Australia) Limited	Operating company	44 Martin Place, Sydney, NSW 2000 Australia	99%	99%
TH RE Australia Estate Pty. Ltd.	Real In liquidation	44 Martin Place, Sydney, NSW 2000 Australia	99%	99%
TH RE Melbourne Retail Holding 1 Pty. Ltd.	In liquidation	44 Martin Place, Sydney, NSW 2000 Australia	99%	99%
TH RE Melbourne Retail Asset 1 Pty. Ltd.	In liquidation	44 Martin Place, Sydney, NSW 2000 Australia	99%	99%
Nuveen Real Estate Nominees Limited	Dormant	201 Bishopsgate, EC2M 3BN United Kingdom	99%	99%
OMP (GP) Limited	Related to OMP fund	201 Bishopsgate, EC2M 3BN United Kingdom	99%	99%

## TIAA International Holdings 2 Limited

### Notes to the Financial Statements for the Year Ended 31 December 2019

Name of subsidiary	Principal activity	Registered office	Proportion of ownership interest and voting rights held	
			2019	2018
UK OM (LP1) (GP) Limited	Related to OMP fund	201 Bishopsgate, EC2M 3BN United Kingdom	99%	99%
UK OM (LP1) Limited	Related to OMP fund	201 Bishopsgate, EC2M 3BN United Kingdom	99%	99%
UK OM (LP2) (GP) Limited	Related to OMP fund	201 Bishopsgate, EC2M 3BN United Kingdom	99%	99%
UK OM (LP2) Limited	Related to OMP fund	201 Bishopsgate, EC2M 3BN United Kingdom	99%	99%
UK OM (LP3) (GP) Limited	Related to OMP fund	201 Bishopsgate, EC2M 3BN United Kingdom	99%	99%
UK OM (LP3) Limited	Related to OMP fund	201 Bishopsgate, EC2M 3BN United Kingdom	99%	99%
TIAA-CREF Luxembourg S.à.r.l	Operating company	4a rue Henri M Schnadt, L-2530 Gasperich Luxembourg	99%	99%
Nuveen Italy S.r.l.	Operating company	Piazza Pio XI, 1, 20123 Milan Italy	99%	99%
Islazul General Partner S.à.r.l	Operating company	4a rue Henri M Schnadt, L-2530 Gasperich Luxembourg	99%	99%
Anglo-Sino Henderson Investment Consultancy (Beijing) Co Ltd	Operating company	Unit 22/23B, 36/F, China World Tower, No.1 Jianguomenwai Avenue, Chaoyang District, 100004 Beijing China	99%	99%
Nuveen (Shanghai) Co Ltd	Operating company	Suite 955 to Suite 965,9/F, Eco City, No.1788,Nanjing West Road, Jing `An District, Shanghai China	99%	99%

## TIAA International Holdings 2 Limited

### Notes to the Financial Statements for the Year Ended 31 December 2019

Name of subsidiary	Principal activity	Registered office	Proportion of ownership interest and voting rights held	
			2019	2018
Nuveen Real Estate Debt Partners (GP) S.à.r.l	Operating company	8 rue Lou Hemmer, L-174 Luxembourg	99%	99%
T-C Lux Investments GP S.à.r.l	Operating company	4a rue Henri M Schnadt, L-2530 Gasperich Luxembourg	99%	99%
Enhanced Debt Carry (GP) S.à.r.l	Operating company	4a rue Henri M Schnadt, L-2530 Gasperich Luxembourg	99%	99%
European Cities Partnership (GP) S.à.r.l	Operating company	4a rue Henri M Schnadt, L-2530 Gasperich Luxembourg	99%	99%
Nuveen Management Austria GmbH	Operating company	Falkestraße 1, A-1010 Vienna Austria	99%	64%
Nuveen Management Finland Oy	Operating company	Mannerheimintie 20, 00100 Helsinki Finland	99%	99%
ERES APAC II (GP) S.à.r.l	Operating company	8 rue Lou Hemmer, L-174 Luxembourg	99%	99%
Nuveen Real Estate Debt Partners II (GP) S.à.r.l	Operating company	8 rue Lou Hemmer, L-174, Luxembourg	99%	99%
CLOF II Vanquish Limited	Related to CLOF fund	11-15 Seaton Place, St Helier, Jersey, JE4 0QH United Kingdom	99%	99%
Asia Pacific Cities Management S.à.r.l	Operating company	4a rue Henri M Schnadt, L-2530 Gasperich Luxembourg	99%	99%
TH Real Estate Limited	Dormant	201 Bishopsgate, London, EC2M 3BN United Kingdom	99%	99%
Tokyo Multifamily Pte Ltd	Related to Tokyo Multifamily Fund	8 Robinson Road #14-00 ASO Building Singapore	99%	99%
Nuveen Alternatives Europe S.à.r.l	Operating company	4a rue Henri M Schnadt, L-2530 Gasperich Luxembourg	99%	99%

## TIAA International Holdings 2 Limited

### Notes to the Financial Statements for the Year Ended 31 December 2019

Name of subsidiary	Principal activity	Registered office	Proportion of ownership interest and voting rights held	
			2019	2018
Nuveen Management S.à.r.l	Asset Operating company Europe	4a rue Henri M Schnadt, L-2530 Gasperich Luxembourg	99%	99%
Nuveen Real Estate Services (Austria)	Operating company GmbH	Falkestraße 1, A-1010 Vienna Austria	99%	99%
ERES Europe II S.à.r.l	(GP) Operating company	4A, rue Henri Schnadt, L-2530 Luxembourg Luxembourg	99% / 99%	0%

## **TIAA International Holdings 2 Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2019**

#### **Subsidiaries exempt from audit**

The following subsidiary undertakings are exempt from the requirements of the Companies Act 2006 relating to the audit of accounts under section 479A (section 479A(2)(d)).

Each member of the subsidiary undertakings has consented to an audit exemption in respect of the financial year given below.

The parent guarantees all outstanding liabilities to which the subsidiary undertaking is subject to at the end of the financial year to which the guarantee relates.

#### **For years ended 31/03/2020**

OMP (GP) Limited - SC344934

UK (OM) (LP1) (GP) Limited - 06605589

UK OMP (LP2) (GP) Limited - 06605594

UK OM (LP3) (GP) Limited - 06605608

UK OM (LP1) Limited - 06605558

UK OM (LP2) Limited - 06605579

UK OM (LP3) Limited - 06605583

#### **For years ended 30/09/2020**

CLOF II (GP) Limited - SC376961

CLOF II (No1 GP) Limited - 07307366

CLOF II (No2 GP) Limited - 07307365

## **TIAA International Holdings 2 Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2019**

The following subsidiary undertakings are entitled to exemption from audit under section 480 of the Companies Act 2006.

Each member of the subsidiary undertakings has not required the subsidiary to obtain an audit of its individual accounts in accordance with section 476 of the Companies Act 2006.

Furthermore, these subsidiary undertakings are exempt from the requirements of the Companies Act 2006 relating to the preparation and filing of individual accounts under section 394A and 448A respectively.

The Parent guarantees all outstanding liabilities to which the subsidiary undertaking is subject to at the end of the financial year to which the guarantee relates.

#### **For years ended 31/12/2019**

Nuveen Real Estate Nominees Limited - 06449110

Matador LP General Partner Limited - SC286874

Nuveen Corporate Secretarial Services Limited - 08938611

Nuveen Operations Limited - 09084229

TH Real Estate Limited - 09624720

## TIAA International Holdings 2 Limited

### Notes to the Financial Statements for the Year Ended 31 December 2019

#### Company

#### Subsidiaries

£

#### Cost:

At 1 January 2019

202,163,396

At 31 December 2019

202,163,396

#### Net Book Value

At 31 December 2019

202,163,396

At 31 December 2018

202,163,396

#### Group associates

Details of the Group associates as at 31 December 2019 are as follows:

Name of associate	Principal activity	Registered office	Proportion of ownership interest and voting rights held	
			2019	2018
AREFM (BVI) Limited	Investment management company	British Virgin Islands	50% / 50%	50% / 50%
Nuvcen Immobilien GmbH (formally HGI Immobilien GmbH)	Investment management company	Germany	50% / 50%	50% / 50%

Interests in associates are measured using the equity method.

The following table shows the assets, liabilities and equity of the associated entities at the reporting date. All associated entities have the same reporting date:

	31 December 2019	31 December 2018
	£	£
Assets	201,290	210,223
Liabilities	(74,351)	(76,069)
Equity	(126,939)	(134,154)
(Loss)/Profit before tax	(2,635)	48,574

Movement on interests in associates can be summarised as follows:

	2019	2018
	£	£
Opening balance	136,698	116,936
Investment in associated entity	-	10
Translations	(24)	4
Share of (loss)/profit for the year	(1,372)	19,748
Transfers to other investments	(3,576)	-
	131,726	136,698



## TIAA International Holdings 2 Limited

### Notes to the Financial Statements for the Year Ended 31 December 2019

#### 18 Other investments

	31 December 2019 £	31 December 2018 £
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##### *Unquoted*

Debt securities	759,656	630,876
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The investment in debt securities classified for sale relates to investments in Asia Pacific Cities Fund (£688,238 (2018: 625,876)), Tokyo Multifamily (£54,716), China Outlet Mall Fund (£8,616), and LOOP III (£8,086) (2018: TIAA Henderson Real Estate Enhanced Debt Fund SCSp - SIF (£5,000)).

These investments are fair valued with cost deemed to be the best estimate of fair value as at the Statement of Financial Position date, are included in fair value category level 3, and are denominated in the following currencies:

	31 December 2019 £	31 December 2018 £
Australian Dollars	627,359	625,876
United States Dollars	77,581	-
Japanese Yen	54,716	-
British Pounds	-	5,000
	<u>759,656</u>	<u>630,876</u>

The table below shows the movement in other investments during the year. The additions in 2019 relate to investments made in Asia Pacific Cities Fund (£71,980), Tokyo Multifamily (£54,716) and LOOP III (£8,291).

	31 December 2019 £	31 December 2018 £
Opening balance	630,876	5,000
Additions	134,987	630,968
Net fair value movements through profit or loss	20,154	-
Translations	<u>(26,361)</u>	<u>(5,092)</u>
	<u>759,656</u>	<u>630,876</u>

## TIAA International Holdings 2 Limited

### Notes to the Financial Statements for the Year Ended 31 December 2019

#### 19 Trade and other receivables

	<b>Group</b>		<b>Company</b>	
	<b>31 December 2019</b>	<b>31 December 2018</b>	<b>31 December 2019</b>	<b>31 December 2018</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b><i>Current</i></b>				
Trade receivables	13,530,871	13,932,119	-	-
Receivables from Group managed funds	1,214,241	670,605	-	-
Accrued income	36,687,818	25,699,103	-	-
Prepayments	590,750	600,708	-	-
Other receivables	<u>2,511,867</u>	<u>807,237</u>	<u>-</u>	<u>-</u>
	54,535,547	41,709,772	-	-
<b><i>Non-current</i></b>				
Long term loans	<u>138,051</u>	<u>145,849</u>	<u>-</u>	<u>-</u>
	<u>54,673,598</u>	<u>41,855,621</u>	<u>-</u>	<u>-</u>

The fair value of those trade and other receivables classified as financial instrument loans and receivables are disclosed in the financial instruments note.

All non-current receivables are due within 10 years of the reporting date.

The Group's exposure to credit and market risks, including impairments and allowances for credit losses relating to trade and other receivables is disclosed in the financial risk management and impairment note.

The amounts owed by Group undertakings are unsecured, interest free, have no fixed date of repayments and are payable on demand.

#### 20 Deferred tax assets

A deferred taxation asset has been recognised in respect of the temporary timing difference between depreciation charged in the financial statements and the capital allowances claimed in the United Kingdom and employer pension contributions, short term temporary differences and tax losses carried forward. Movements in the deferred taxation asset are all charged through the Statement of Profit or Loss.

## TIAA International Holdings 2 Limited

### Notes to the Financial Statements for the Year Ended 31 December 2019

#### Group - Deferred tax asset

	31 December 2019 £	31 December 2018 £
<b><i>Provision for deferred tax</i></b>		
Tax gains carried forward and other deductions	<u>276,770</u>	<u>986,347</u>
<b><i>Movement in provision:</i></b>		
Provision at start of year	986,347	908,649
Deferred tax expensed in the Consolidated statement of comprehensive income for the year	<u>(709,577)</u>	<u>77,698</u>
<b>Provision at end of year</b>	<u><u>276,770</u></u>	<u><u>986,347</u></u>

The deferred tax asset of £276,770 (2018: £986,347) has arisen as a result of the origination of temporary differences in relation to tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable.

#### 21 Cash and cash equivalents

	<b>Group</b>		<b>Company</b>	
	31 December 2019 £	31 December 2018 £	31 December 2019 £	31 December 2018 £
Cash at bank	<u>79,968,750</u>	<u>76,020,884</u>	<u>933,937</u>	<u>1,088,695</u>

#### 22 Called up share capital

##### Group and company

##### Authorised

	31 December 2019		31 December 2018	
	No.	£	No.	£
Ordinary shares of £1 each	<u>600</u>	<u>600</u>	<u>600</u>	<u>600</u>

##### Details of share capital

	31 December 2019		31 December 2018	
	No.	£	No.	£
Issued, called up and fully paid share capital of £1 each	500	500	500	500
Issued, called up and unpaid share capital of £1 each	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>
	<u><u>600</u></u>	<u><u>600</u></u>	<u><u>600</u></u>	<u><u>600</u></u>

## TIAA International Holdings 2 Limited

### Notes to the Financial Statements for the Year Ended 31 December 2019

#### Share premium

#### Group and company

	31 December 2019	31 December 2018
	£	£
Share premium account	<u>202,162,796</u>	<u>202,162,796</u>

#### 24 Parent and ultimate parent undertaking

The company's immediate parent is Nuveen Real Estate Global, LLC. These financial statements are available upon request from

730 Third Avenue

New York

NY10017

The ultimate controlling party is Teachers Insurance and Annuity Association.

#### Relationship between entity and parents

The parent of the largest group in which these financial statements are consolidated is Teachers Insurance and Annuity Association, incorporated in United States.

The address of Teachers Insurance and Annuity Association is:

730 Third Avenue

New York

NY 10017

The parent of the smallest group in which these financial statements are consolidated is TH Real Estate Global, LLC, incorporated in United States.

The address of TH Real Estate Global, LLC is:

730 Third Avenue

New York

NY 10017

#### 25 Non-controlling interests

Set out below is summarised financial information for each subsidiary that has non-controlling interests that are material to the Group. The amounts disclosed for each subsidiary are before inter-company eliminations.

## TIAA International Holdings 2 Limited

### Notes to the Financial Statements for the Year Ended 31 December 2019

	Nuveen Real Estate Limited		Henderson Global Investors Immobilien Austria GmbH	
	2019	2018	2019	2018
	£	£	£	£
Non-current assets	210,183,526	210,183,527	6,512	63,177
Current assets	7,924,502	8,734,594	2,193,891	1,289,583
	<u>218,108,028</u>	<u>218,918,121</u>	<u>2,200,403</u>	<u>1,352,760</u>
Current liabilities	-	797,410	53,336	885,739
Net assets	<u>218,108,028</u>	<u>218,120,711</u>	<u>2,147,067</u>	<u>467,021</u>
Profit/(loss) before tax	12,682	(89,517)	1,627,630	411,819
Accumulated non-controlling interest	452,650	358,784	-	211,101

Movements in non-controlling interests during the year can be summarised as follows:

	2019	2018
	£	£
Opening balance	(311,872)	(444,376)
Non-controlling share of comprehensive profit for the year	615,516	275,170
Dividends paid to non-controlling interests during the year	(215,592)	(142,666)
Decrease in derecognition of non-controlling interests	<u>(611,694)</u>	<u>-</u>
<b>Closing balance</b>	<u>(523,642)</u>	<u>(311,872)</u>

In December 2019, the Group acquired the remaining 35% of the issued shares of Nuveen Management Austria GmbH for £843,173. Immediately prior to the purchase, the carrying amount of the 35% non-controlling interest in Nuveen Management Austria GmbH was £611,694. The Group recognised a decrease in non-controlling interests of £611,694 and a decrease in equity attributable to owners of the parent of £231,479.

#### 26 Trade and other payables

	Group		Company	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
	£	£	£	£
<b>Current</b>				
Accrued expenses	32,376,337	31,653,139	145,751	95,591
Other payables	<u>2,186,874</u>	<u>3,742,545</u>	<u>1</u>	<u>1,480,347</u>
	<u>34,563,211</u>	<u>35,395,684</u>	<u>145,752</u>	<u>1,575,938</u>
<b>Non-current</b>				
Accruals and deferred income	350,186	759,687	-	-
Employee long term performance plan	<u>12,994,340</u>	<u>7,163,256</u>	<u>-</u>	<u>-</u>
	<u>13,344,526</u>	<u>7,922,943</u>	<u>-</u>	<u>-</u>

## TIAA International Holdings 2 Limited

### Notes to the Financial Statements for the Year Ended 31 December 2019

The fair value of the trade and other payables classified as financial instruments are disclosed in the financial instruments note.

The Group's exposure to market and liquidity risks, including maturity analysis, related to trade and other payables is disclosed in the financial risk management and impairment note.

Amounts owed to related parties are unsecured, interest free, have no fixed date of repayment and are payable on demand.

#### 27 Provisions

##### Group

	2019 £
At 1 January 2019	1,265,117
Additional provisions	19,862
Performance fee provisions released	(1,254,593)
Decrease due to foreign exchange differences	(8,345)
At 31 December 2019	<u>22,041</u>
Current liabilities	<u>22,041</u>

#### 28 Related party transactions

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in the Group sections of this note. All trading balances do not bear interest and have no fixed term for repayment. Long term balances do not incur interest and repayment will take place once the associated entity starts to make sufficient operating profit to facilitate this, as such it is not possible to predict when repayment will occur.

The following amounts were payable at year end:

	31 December 2019 £	31 December 2018 £
<i>Amounts (payable to) parent company:</i>		
Nuveen International Holdings LLC	<u>-</u>	<u>(1,455,446)</u>
	<u>-</u>	<u>(1,455,446)</u>

## TIAA International Holdings 2 Limited

### Notes to the Financial Statements for the Year Ended 31 December 2019

	31 December 2019 £	31 December 2018 £
<i><b>Amounts receivable from/(payable to) other related parties:</b></i>		
Nuveen Alternative Advisors LLC	12,975,760	-
TIAA Group plc	12,250	(24,900)
Nuveen Japan Limited	6,329	-
Nuveen UK Limited	(333,190)	-
Nuveen Hong Kong Limited	(56,624)	(107,591)
Nuveen UK Limited	6,216	58,742
TIAA International Holdings 1 Limited	1,250	1,250
Westchester Group of Europe Limited	-	12,600
Gresham Investment Management London LLC	-	8,400
	<u>12,611,991</u>	<u>(51,499)</u>

The amounts outstanding are unsecured, carry no interest and will be settled in cash. No guarantees have been given or received. No provisions have been made for doubtful debts in respect of the amounts owed by related parties.

## 29 Commitments

### Group

Other than the commitments under leases disclosed in note 15, the Group and Company have no further commitments.

## TIAA International Holdings 2 Limited

### Notes to the Financial Statements for the Year Ended 31 December 2019

#### 30 Leases

##### Group

##### Non-cancellable operating leases

The Group leases various offices, vehicles and printers under non-cancellable operating leases expiring within six months to eight years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

From 1 January 2019, the group has recognised right-of-use assets for these leases, except for shortterm and low-value leases, see note 15 for further information.

	31 December 2019 £	31 December 2018 £
Not later than one year	65,417	2,781,307
Later than one year but not more than five years	<u>147,187</u>	<u>7,184,078</u>
	<u>212,604</u>	<u>9,965,385</u>

#### 31 Post Balance Sheet Events

The outbreak of the novel coronavirus (also known as COVID 19) in many countries is rapidly evolving and the socio-economic impact is unprecedented. It has been declared as a global pandemic and is having a major impact on economies and financial markets. The efficacy of government measures will materially influence the length of economic disruption, but it is probable we will see a period of slow economic growth or even recession.

However, there is unlikely to be a company that is completely immune from the consequences of the outbreak and the Directors consider that the novel coronavirus presents increased uncertainty and risk with respect to the Company's performance and financial results.

Management has modelled various going concern scenarios to assess the potential impact on the future financial results of the Group.

To assess the potential impact of Covid-19, Management has:

- Produced reforecasts which consider the effects of both long-term and short-term market turmoil, limited transactional activity and a reduction in Group AUM. The Group base case scenario involves a reassessment of net flows and assumes that Real Estate valuations will experience the following reductions:
  - Retail - 20%
  - Industrial - 0%
  - Office - 10%
  - Housing - 5%
  - Debt - 0%

Potential cost savings have also been considered within the Group's variable cost base. Such initiatives would ensure that the underlying profitability of the group is maintained.



## **TIAA International Holdings 2 Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2019**

- Reassessed the Group's Goodwill position by applying the latest base case reforecast (see above) to analyse whether the carrying value of goodwill remains supported by Group profitability. From this analysis there is still significant headroom of £80.0m. To recognise an impairment to Goodwill, the Group's forecasted profitability would have to fall by 38% per annum over the next 5 years.

From assessing these impacts, Management believe there are no going concern issues but will ensure the business continues to manage its cost base, and will work closely with our ultimate parent TIAA to ensure the Group is able to manage any future external pressures.

No other events occurred after the balance sheet date that have a material impact on the financial statements. The Directors have not received any further information as at the approval date which has not been reflected in the financial statements as presented.

## TIAA International Holdings 2 Limited

### Historical Cost Basis U.S. GAAP (unaudited)

The consolidated financial statements of the Company are prepared in accordance with IFRS, as adopted by the European Union ("IFRS") which differs in certain respects from accounting principles generally accepted in the United States of America ("US GAAP"). The unaudited tables below summarise the results under IFRS and the historical cost basis of accounting of US GAAP for year ended 31 December 2019.

	IFRS		U.S. GAAP	
	2019 £	2018 £	2019 £	2018 £
Non-current assets	160,143,640	144,324,415	160,143,640	144,324,415
Current assets	134,536,258	117,734,925	134,536,258	117,734,925
Total assets	<u>294,679,898</u>	<u>262,059,340</u>	<u>294,679,898</u>	<u>262,059,340</u>
Non-current liabilities	30,141,330	9,162,419	30,141,330	9,162,419
Current liabilities	39,022,311	36,385,364	39,022,311	36,385,364
Total liabilities	<u>69,163,641</u>	<u>45,547,783</u>	<u>69,163,641</u>	<u>45,547,783</u>
Net assets	<u>225,516,257</u>	<u>216,511,557</u>	<u>225,516,257</u>	<u>216,511,557</u>
Profit before tax	<u>17,110,310</u>	<u>12,454,937</u>	<u>17,110,310</u>	<u>12,454,937</u>