MBERP II (LUXEMBOURG) 27
SOCIÉTÉ À RESPONSABILITÉ LIMITÉE (S.à r.l.)

Consolidated Financial Statements

For the period from 8 July 2015 (date of incorporation) to 31 December 2016

12C, Impasse Drosbach
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R.C.S. Luxembourg B 198 538

MBERP II (Luxembourg) 27 S.à r.l.

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To the Board of Managers of
MBERP II (Luxembourg) 27 S.à r.l.
120, Impasse Drosbach
L-8212 Luxembourg

REPORT OF THE REVISEUR D'ENTREPRISES AGREE

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of MBERP II (Luxembourg) 27 S.à r.l., which comprise the consolidated statement of financial position as at 31 December 2016, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the period from 8 July 2015 to 31 December 2016, and notes, comprising a summary of significant accounting policies and other explanatory information.

Board of Managers responsibility for the consolidated financial statements

The Board of Managers is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting as adopted by the European Union, and for such internal control as the Board of Managers determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Responsibility of the Réviseur d'Entreprises agréé

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the Commission de Surveillance du Secteur Financier. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the judgement of the Réviseur d'Entreprises agréé, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the Réviseur d'Entreprises agréé considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Managers, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of MBERP II (Luxembourg) 27 S.à r.l. as of 31 December 2016 and of its consolidated financial performance and its consolidated cash flows for the period from 8 July 2015 to 31 December 2016 in accordance with International Financial Reporting as adopted by the European Union.

Luxembourg, 5 February 2019

KPMG Luxembourg
Société coopérative
Cabinet de révision agréé

Joseph de Souza

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MBERP II (Luxembourg) 27 S.à r.l.

Consolidated statement of comprehensive income
For the period from 8 July 2015 (date of incorporation) to 31 December 2016

	Notes	Period from 8 July 2015 to 31 December 2016 £
Revenue	5	34,944,134
Cost of sales	13	(26,566,540)
Gross profit		**8,377,594**
Other operating expenses		(243,672)
Administrative expenses	6	(6,026,074)
Operating profit		**2,107,848**
Finance income		177
Finance costs	7	(5,251,003)
Loss before income tax		**(3,142,978)**
Income tax expense	8	(220,138)
Loss for the period		**(3,363,116)**
Other comprehensive income		-
Total comprehensive loss for the period		**(3,363,116)**
Loss attributable to the Unitholders of the Company:		(3,363,116)
Total comprehensive loss attributable to the Unitholders of the Company:		(3,363,116)

MBERP II (Luxembourg) 27 S.à r.l.

Consolidated statement of financial position
As at 31 December 2016

	Notes	31 December 2016 £
Assets		
Current assets		
Inventories	13	247,902,711
Trade and other receivables	11	6,745,364
Restricted cash deposits	12	9,500,000
Cash and cash equivalents		7,501,368
Total assets		**271,649,443**
Liabilities		
Current liabilities		
Trade and other payables	14	4,166,650
Non-current liabilities		
Bank borrowings	15	37,095,316
Shareholder loans	16	210,278,253
Deferred tax	10	219,731
Total Liabilities		**251,759,950**
Equity		
Share capital	18	1,434,709
Share premium	19	21,817,900
Accumulated deficit		(3,363,116)
Total shareholder equity		**19,889,493**
Total equity and liabilities		**271,649,443**

The consolidated financial statements for MBERP II (Luxembourg) 27 S.à r.l., were approved by the Board of Managers and authorised for issue on January 2019 and signed on its behalf by:

Frederic Gardeur
Manager

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MBERP II (Luxembourg) 27 S.à r.l.

Consolidated statement of changes in equity
For the period from 8 July 2015 (date of incorporation) to 31 December 2016

	Share capital	Share premium	Accumulated deficit	Total
	£	£	£	£
Balance at 8 July 2015	-	-	-	-
Total Comprehensive income attributable to the Unitholders of the company:				
Loss for the period	-	-	(3,363,116)	**(3,363,116)**
Other comprehensive income	-	-	-	-
Total comprehensive loss for the period	-	-	(3,363,116)	**(3,363,116)**
Transactions with owners – recognised directly in equity:				
Issue of share capital	1,203,797	21,817,900	-	**23,021,697**
Conversion of preference shares	230,912	-	-	**230,912**
Balance at 31 December 2016	**1,434,709**	**21,817,900**	**(3,363,116)**	**19,889,493**

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MBERP II (Luxembourg) 27 S.à r.l.

Consolidated statement of cash flows
For the period from 8 July 2015 (date of incorporation) to 31 December 2016

	Notes	18 month period ended 31 December 2016 £
Operating activities		
Loss for the period		(3,363,116)
Adjusted for:		
Interest income		(177)
Finance costs included in cost of sales		13,832,511
Finance costs		5,251,003
Income tax		220,138
Operating cash flows before movements in working capital		15,940,359
Increase in inventories	13	(247,902,711)
Increase in receivables	11	(6,745,363)
Increase in payables	14	4,166,650
Cash used in operations		(234,541,065)
Income taxes paid	8	(407)
Interest paid		(9,869,142)
Payment of finance arrangement fees		(2,095,571)
Net cash used in operating activities		**(246,506,185)**
Investing activities		
Interest received		177
Net cash from investing activities		**177**
Financing activities		
Proceeds from issue of shares	17,18,19	23,252,609
Proceeds from borrowings - shareholders		270,423,547
Repayment of borrowings - shareholders		(64,945,464)
Proceeds from borrowings - financing institutions		39,190,886
Preference share dividend		(4,414,202)
Restricted cash deposits		(9,500,000)
Net cash from financing activities		**254,007,376**
Net increase in cash and cash equivalents		**7,501,368**
Cash and cash equivalents at incorporation		-
Cash and cash equivalents at end of period	12	**7,501,368**

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1. General information

MBERP II (Luxembourg) 27 S.à r.l ("the Company") is incorporated in Luxembourg as a "société à responsabilité limitéé" and is organised under the Luxembourg law for an unlimited period. The address of registered office is 12C, Impasse Drosbach, L-1882 Luxembourg, R.C.S Luxembourg, 198 558.

These consolidated financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the MBERP II (Luxemburg) 27 S.à r.l. and its subsidiaries (the "Group") operates and is the presentation currency of the Group. All amounts in pound sterling unless otherwise stated.

The principal activity of the Group is the acquisition of land, the building of residential property and subsequent sale of residential properties. In the period the Group entered into loan agreements to the value of £270.6m and acquire freehold land and residential property amounting to £194.50m. The Group's results for the period were a loss before tax of £3.14m resulting from the sale of residential properties, rental income, administrative expenses and the finance costs.

These consolidated financial statements comprise the Company and its subsidiaries (together referred to as the 'Group').

These consolidated financial statements were approved for issue by the Board of Managers on January 2019.

2. Summary of significant accounting policies

Basis of accounting

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union.

The consolidated financial statements have been prepared on the historical cost basis, except for the revaluation of certain properties and financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below.

The principal accounting policies adopted are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year. Control is achieved when the Company:

- has the power over the investee;
- is exposed, or has rights, to variable return from its involvement with the investee; and
- has the ability to use its power to affects its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it considers that it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, the results of subsidiaries acquired or disposed of during the year are included in the consolidated comprehensive income statement from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between the members of the Group are eliminated on consolidation.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amount of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

When the Group loses control of a subsidiary, the gain or loss on disposal recognised in profit or loss is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), less liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 Financial Instruments: Recognition and Measurement when applicable, the costs on initial recognition of an investment in an associate or a joint venture.

Going concern

The consolidated financial statements have been prepared on a going concern basis, which assumes that the Group will continue in operational existence for the foreseeable future, based on its available cash reserves, available financing, forecast operating cash flows and its commitments over the foreseeable future.

In making their assessment as to the going concern assumption, the Group's Directors have taken the following into consideration: available cash reserves, available unutilised financing arrangements and the Group's commitments for the foreseeable future. The Group as at the reporting date had £7.5m of unrestricted cash and cash equivalents, and additional restricted cash deposits of £9.5m as part security over the third party development financing.

Recognised in trade and other receivables is amount of £5.38m held in escrow for commitments to main development contractors, this is in addition to funds not drawn down from the development finance arrangements amounting to £50.13m as at the reporting date.

The Group's commitments over the foreseeable future and specifically that of the 12 months from the date of signing this report is covered by those available funds as discussed above.

The Directors therefore consider it appropriate to continue to prepare the consolidated financial statements on a going concern basis.

Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interest issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

When the consideration transferred by the Group in a business combination includes asset or liability resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination.

Changes in fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates at fair value with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously-held interests in the acquired entity is remeasured to its acquisition date fair value and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

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

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

(i) Financial assets and liabilities
All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the statement of financial position when, and only when there exists a legally enforceable right to set off the recognised amounts and the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial assets are derecognised when and only when (a) the contractual rights to the cash flows from the financial asset expire or are settled, (b) the Group transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or (c) the Group, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

Inventories
Inventories are stated at the lower of cost and estimated selling price less costs to sell, which is equivalent to the net realisable value. Cost includes land purchases and associated costs, materials, direct labour and any associated professional fees. Cost is calculated using the average costing method. Provision is made for obsolete, slow-moving or defective items where appropriate.

Revenue
Revenue is stated net of VAT and trade discounts and is recognised when the significant risks and rewards are considered to have been transferred to the buyer. Revenue from the sale of residential property is recognised when the sale has legally completed and transferred to the customer. Revenue from rental income represents the value of rent under contracts to the extent that there is a right to consideration and is recorded at the fair value of the consideration received or receivable. Where a contract has only been partially completed at the balance sheet date turnover represents the fair value of the service provided to date based on the stage of completion of the contract activity at the balance sheet date. Where payments are received from customers in advance of services provided, the amounts are recorded as deferred income and included as part of non-current liabilities.

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

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Group's taxable profits and its results as stated in the consolidated financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the consolidated financial statements.

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

Deferred tax liabilities are recognised for timing differences arising from investments in subsidiaries and associates, except where the Group is able to control the reversal of the timing difference and it is probable that it will not reverse in the foreseeable future.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of the timing difference. Deferred tax relating to non-depreciable property measured using the revaluation model and investment property is measured using the tax rates and allowances that apply to sale of the asset. In other cases, the measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Where items recognised in other comprehensive income or equity are chargeable to or deductible for tax purposes, the resulting current or deferred tax expense or income is presented in the same component of comprehensive income or equity as the transaction or other event that resulted in the tax expense or income.

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

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

Leases
The Group as lessor
Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Cash and cash equivalents
Cash and cash equivalents comprise cash balances and core deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the cash flow statement only.

Financing income and expenses
Financing expenses comprise interest payable, finance charges on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the income statement (see foreign currency accounting policy). Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial time to be prepared for use, are capitalised as part of the cost of that asset. Financing income comprise interest receivable on funds invested, dividend income, and net foreign exchange gains.

3. New and revised Standards in issue but not yet effective

At the date of authorisation of these consolidated financial statements, The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective and had not yet been adopted by the EU:

IFRS 9 Financial Instruments
IFRS 15 Revenue from Contracts with Customers
IFRS 16 Leases

The Directors do not expect that the adoption of the Standards listed above will have a material impact on the consolidated financial statements of the Group in future periods, except as noted below:

IFRS 9 will impact both the measurement and disclosures of consolidated financial instruments.
IFRS 15 may have an impact on revenue recognition and related disclosures; and
IFRS 16 may have impact on the reported assets, liabilities, income statement and cash flows of the Group. Furthermore, extensive disclosure will be required by IFRS 16.

4. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 2, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the group's accounting policies

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in consolidated financial statements.

Revenue recognition

In its assessment of revenue recognition the Group recognised the sale of residential property on the legal completion of the sale of property as the point where revenue is recognised.

Shareholder loans - fair value on initial recognition

The Group has assessed that the fair value of the shareholder loans on initial recognition is materially the same as face value. In arriving at this conclusion management has taken advice on the arm's length rate of interest charged from external transfer pricing experts, who have compared the terms of the loans to similar instruments in the marketplace.

Inventory - net realised value

In its assessment of the net realisable value of the inventories the Group has based its assumptions on the future cost to complete the residential housing units and the anticipated saleability of the properties. The Group's assumptions are based on the most recent prices achieved for similar properties in similar locations and the build cost per square foot associated with similar properties. In addition to the assumptions set out above, the Group takes into account any permanent devaluation of the residential housing market as a result of macro economic conditions which have made themselves apparent.

Capitalisation of interest

The Group has capitalised interest on relevant loans on qualifiying assets. Judgement is required to determine which assets meet the definition of quailfying assets.

5. Revenue

	Period from 8 July 2015 to 31 December 2016
	£
The Group's turnover by class of business is as follows:	
Sale of residential properties	16,392,900
Sale of land	17,800,000
Rental income from property	751,234
	34,944,134

All of the Group's business activities are conducted in the United Kingdom.

Information about major customers

Included in revenues arising from sale of land are revenues of approximately £17.8 million which arose from sales to the Group's two largest customers. No other single customers contributed 10 per cent or more to the Group's revenue in the period.

6. Administrative expenses

	Period from 8 July 2015 to 31 December 2016
	£
Audit fees	139,683
Professional fees	17,983
Legal fees	240,963
Investment management fees (see note 23)	3,029,576
Management fees (see note 23)	2,295,143
Foreign exchange gains	(719)
Rent and utilities fees	287,080
Bank charges	16,365
	6,026,074

7. Finance costs

	Period from 8 July 2015 to 31 December 2016
	£
Interest payable on shareholder loan	533,942
Interest payable on bank borrowings	70,728
Interest payable to other third party	53,835
Finance arrangement fees	178,296
Preference share dividend	4,414,202
	5,251,003

8. Income tax expense

	Period from 8 July 2015 to 31 December 2016
	£
Current tax on profit	
UK corporation tax charge	407
Total current tax	407
Deferred tax	
Origination and reversal of timing differences	219,731
Total deferred tax	219,731
Total income tax expense for the period	220,138

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Notes to the consolidated financial statements (continued)
For the period from 8 July 2015 (date of incorporation) to 31 December 2016

A reduction in the UK corporation tax rate from 21% to 20% (effective from 1 April 2015) was substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016.

A reduction in the Luxembourg statutory tax rate from 29.22% (effective for the 2015 and 2016 calendar years) to 27.08% (effective for the 2017 calendar year) and 26.01% (effective for the 2018 calendar year) have been enacted. The reduction of the UK and Luxembourg tax rates will reduce the Group's future current tax charge accordingly.

The differences between the total tax charge shown above and the amount calculated by applying the effective Luxembourg income tax rate to the profit before tax is as follows:

	Period from 8 July 2015 to 31 December 2016
	£
Loss before income tax	(3,142,978)
Tax on Group loss at standard Luxembourg corporation tax rate of 29.22% per cent	918,378
Effects of:	
Difference in tax rates in other jurisdictions	(289,782)
Expenses not deductible for tax purposes	(883,507)
Transfer pricing adjustment	34,773
Total corporation tax expense for the period	(220,138)

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MBERP II (Luxembourg) 27 S.à r.l.

Notes to the consolidated financial statements (continued)
For the period from 8 July 2015 (date of incorporation) to 31 December 2016

9. Subsidiaries

The Group consists of a Parent Company MBERP II (Luxembourg) 27 S.á.r.l. incorporated in Luxembourg and a number of subsidiaries held directly by the Parent Company, which are incorporated in and operate out of the United Kingdom and registered address of 20 Air Street, London, W1B 5AN.

All subsidiaries listed below are controlled by the Parent Company and are included in these consolidated financial statements:

Subsidiary	Country of incorporation	% Holding	Nature of business
MB Bath Limited	United Kingdom	100%	Residential property development
MB Dartford Limited	United Kingdom	100%	Residential property development
MB Epsom Limited	United Kingdom	100%	Residential property development
MB Fulham Limited	United Kingdom	100%	Residential property development
MB Higham's Park Limited	United Kingdom	100%	Residential property development
MB Hillingdon Limited	United Kingdom	100%	Residential property development
MB Homes Lewisham Limited	United Kingdom	100%	Residential property development
MB Hounslow Limited	United Kingdom	100%	Residential property development
MB New Barnet Limited	United Kingdom	100%	Residential property development
MB St Albans Limited	United Kingdom	100%	Residential property development
MB Tolworth Limited	United Kingdom	100%	Residential property development
MB Woolwich Phase 3 Limited	United Kingdom	100%	Residential property development
MB Woolwich Phase 4 Limited	United Kingdom	100%	Residential property development

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Notes to the consolidated financial statements (continued)
For the period from 8 July 2015 (date of incorporation) to 31 December 2016

10. Deferred tax liability

	31 December 2016 £
At 8 July 2015	-
Charged to statement of comprehensive income	219,731
At 31 December 2016	219,731

The deferred tax liability arose primarily due to the capitalising of interest expense in relation to qualifying assets. Since this was an adjustment in the Group accounts (and not in those of the entities that submit corporation tax returns) it is a liability that is not owed to a taxation authority within the next 12 months and is deemed to be non-current. Ultimately the corporation tax returns of the entities within the Group will align with the Group accounts, but not within the next 12 months.

11. Trade and other receivables

	31 December 2016 £
VAT receivable	1,098,627
Escrow accounts (restricted cash)	5,380,000
Other receivables	266,737
	6,745,364

Trade and other receivables disclosed above are classified as loans and receivables and are therefore measured at amortised cost.

The cash balances held in escrow are held and controlled by Capita Trustees Limited. These accounts are in relation to the development contract arrangements with its main developer, namely Higgins Construction plc and Modebest Builders Limited. The Escrow money is due back during 2018. It is receivable upon Practical Build Completion of the site (and the completion of any defects).

The Aging of trade receivables is as follows:

	31 December 2016 £
Not past due nor impaired	6,745,364
Past due	-
	6,745,364

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Notes to the consolidated financial statements (continued)
For the period from 8 July 2015 (date of incorporation) to 31 December 2016

12. Restricted cash deposits

Cash on deposit includes a balance of £5,000,000 held, within Investec Bank plc as security over the Development Finance Arrangement between the Group and Investec Bank plc in relation to MB Fulham Limited, the Fulham development.

Cash on deposit includes a balance of £4,500,000 held, within Lloyds Bank plc as security over the Development Finance Arrangement between the Group and Lloyds Bank plc in relation to MB St Albans Limited, the St Albans development.

Cash held on deposit has been excluded from cash and cash equivalents in the cash flow statement since it is not freely available for use by the Group.

13. Inventories

	Work in progress	Finished goods	Total
	£	£	£
As at incorporation	-	-	-
Acquisitions	175,349,840	19,105,677	194,455,517
Development expenditure	25,902,257	-	25,902,257
Professional fees	14,304,018	-	14,304,018
Capitalised finance cost	13,240,919	-	13,240,919
As at 31 December 2016	228,797,034	19,105,677	247,902,711

The cost of inventories recognised as an expense in cost of sales during the year was £25.6 million. Cost of sales is larger than the cost of inventories recognised as an expense during the period due to the inclusion of direct cost of sales items not expensed from inventories (which primarily include estate/land agent commissions and legal fees).

The Directors consider that all of the inventories are current in nature. The operational cycle is such that a proportion of inventories will not be realised within 12 months. It is not possible to determine with accuracy when specific inventory will be realised as this will be subject to a number of issues including the strength of the property market. However Inventories with a carrying amount of approximately £120.1 million are expected to be recovered after more than 12 months through predicted sales.

Inventories with a carrying amount of £99.6 million have been pledged as security for the Group's external borrowings, including Investec Bank plc and Lloyds Bank plc.

14. Trade and other payables

	31 December 2016
	£
Trade payables	1,505,176
Amounts owed to group undertakings (note 19)	210,316
Other creditors	123,964
Accruals and deferred income	2,327,194
	4,166,650

Trade payables principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 30 days.

15. Bank borrowings

Secured borrowing at amortised cost	2016 £ Face value	2016 £ Loan issue costs	2016 £ Total loans
Lloyds Bank plc	(36,244,706)	1,025,349	(35,219,357)
Investec Bank plc	(2,352,558)	476,599	(1,875,959)
	(38,597,264)	1,501,948	(37,095,316)
Repayments in the period	-	-	-
As at 31 December 2016	(38,597,264)	1,501,948	(37,095,316)

Lloyds Bank plc loan was entered into on 16 September 2016. The loan was repayable in August 2018 and its repayment date was subsequently extended to August 2019. The loans bear interest at 3.25% above the prevailing LIBOR per annum. Lloyds Bank plc hold a charge over the property known as Gabriel Square, St Albans AL1 1LN, as part of the first legal mortgage over the property.

Investec Bank plc loan was entered into on 21 December 2016. The loan was repayable November 2018 and its repayment date was subsequently extended to May 2019. The loan bears interest at 4.5% above the prevailing LIBOR per annum. Investec Bank plc hold a charge over the land known as 84, 86, 88 and 90b Fulham High Street and 5 Church Gate Fulham, as part of a legal mortgage over the land.

16. Shareholder loans

	2016 £ Face value: simple (contractual) interest	2016 £ Fair value: effective (compounding) interest
Unsecured borrowing at amortised cost		
Propco equity loan	(110,689,985)	(109,852,635)
Propco debt loan	(101,273,320)	(100,425,618)
	(211,963,305)	(210,278,253)

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	2016 £
Propco equity loan	
MBERP II (Luxembourg) 28 S.á.r.l.	(15,243,714)
Abacus Concepts Limited	(60,974,858)
AIMCo Re Holdings (Luxembourg) VI S.á.r.l.	(45,731,143)
	(121,949,715)
Repayments in the period	13,042,325
As at 31 December 2016	(108,907,390)
Propco debt loan	
MBERP II (Luxembourg) 28 S.á.r.l.	(18,246,250)
Abacus Concepts Limited	(72,985,000)
AIMCo Re Holdings (Luxembourg) VI S.á.r.l.	(54,738,750)
	(145,970,000)
Repayments in the period	49,221,000
As at 31 December 2016	(96,749,000)
Interest free loan	
MBERP II (Luxembourg) 28 S.á.r.l.	(670,535)
AIMCo Re Holdings (Luxembourg) VI S.á.r.l.	(2,011,604)
	(2,682,139)
Repayments in the period	2,682,139
As at 31 December 2016	-
Accrued interest	
Propco equity loan	(6,907,546)
Propco debt loan	(6,668,853)
	(13,576,399)
Repayments in the period	8,954,536
As at 31 December 2016	(4,621,863)
As at 31 December 2016	(210,278,253)

Propco Equity loans were entered into on 22 December 2015, the loans are repayable in December 2020. The loans bear interest at 6.4% per annum on straight line basis on the outstanding capital.

Propco Debt loans were entered into on 22 December 2015, the loans are repayable in June 2021. The loans bear interest at 6.0% per annum on straight line basis on the outstanding capital.

Interest free loans were entered into on 22 December 2015, the loans are repayable on demand no later than December 2025. The loans did not bear interest. The loans were repaid in October 2016.

Notes to the consolidated financial statements (continued)

For the period from 8 July 2015 (date of incorporation) to 31 December 2016

17. Preference shares

	2016
	£
Issued during the period	230,912
Converted into ordinary shares	(230,912)
	-

The preference shares were entitled to receive a fixed cumulative preferential cash dividend of 10% of the nominal amount of each preference share plus the £230,681,280 of premium attaching to the preference shares.

The preference shares were redeemable convertible shares with a par value of £1 each.

The nominal value of the preference shares was converted into ordinary shares on 22 December 2015. The premium attaching to the shares was converted into shareholder loans.

18. Share capital

	Class A	Class B	Class C	Class D	Total
	£	£	£	£	£
Ordinary shares of £1 each:					
At incorporation	-	-	-	-	-
Issues during the period	179,338	486,439	538,013	7	1,203,797
Conversion of preference shares	-	230,912	-	-	230,912
At 31 December 2016 (a total of 1,434,709 shares)	179,338	717,351	538,013	7	1,434,709

Each of the four classes of shares above (A, B, C and D) have the same rights attached.

Each share is entitled to one vote at ordinary and extraordinary meetings.

19. Share premium account

	2016
	£
As at incorporation	-
Issue of share capital	21,817,900
As at 31 December 2016	21,817,900

20. Operating lease commitments and contingent liabilities

At the reporting end date the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases for land, which fall due as follows:

	2016
	£
Within one year	1,825
Between one and five years	7,300
In over five years	94,900
	104,025

Contingent liabilities

The Directors are not aware of any contingent liabilities.

21. Financial instruments

The Group's financial instruments comprise of bank borrowings, shareholder loans, cash and cash equivalents and trade and other receivables.
It is and has been throughout the period, the Group's policy that no trading in financial instruments shall be undertaken.

Liquidity risk
Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity risk is to ensure that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or damage to the Group's reputation.

The Directors manage liquidity risk by regularly reviewing cash requirements by reference to short term cash flow forecasts and medium term working capital projections prepared by management. The Group maintains good relationships with its banks, which have high credit ratings.

Credit risk
Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in financial loss to the Group. Credit risk arises principally from the Group's trade and other receivables of £6.7m and its cash and deposit balances of £17m. The vast majority of trade and other receivables relates to escrow accounts and VAT, with minimal credit risk. The Group gives careful consideration to which organisations it uses for its banking services in order to minimise credit risk.

The Group's policy is to manage credit risk by requiring proof of available funds or pre-approved financing in place prior to entering into a sale with a customer.

Interest rate risk
The Group's interest rate risk arises from certain of its borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. The Group is also exposed to interest rate risk on cash and cash equivalents.

Interest rate risk on bank borrowings

Sensitivity
Movement in LIBOR would impact the cost of borrowing of the Group by changing the amount of interest charged on bank borrowings.

The table below sets out the annual impact of a change in LIBOR based on the value of bank borrowings as at 31 December 2016.

	Profit or loss, net of	Equity, net of tax
	£	£
Decrease in LIBOR by 0.5%	184,171	184,171
Increase in LIBOR by 0.5%	(184,171)	(184,171)

The Group's intercompany loans are fixed rate loans, so changes in interest rates will have no impact on the Group's interest expense. However, changes in interest rates would impact on the disclosable fair value of the loans.

Currency exposure
As at 31 December 2016 the Group had limited currency exposures. All material financial assets and liabilities are denominated in Pound Sterling.

Fair values
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

The fair value of borrowings has been calculated using the present value of expected cashflows discounted at the effective interest rate.

No fair values have been disclosed for current assets because their carrying amounts approximates to fair value due to their short-term maturities.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole.

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets of liabilities
Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

Categories of financial instruments

	2016 £ Level 2
Loans and receivables:	
Cash and cash equivalents	7,501,368
Restricted cash deposits	9,500,000
Trade and other receivables	5,646,737
Financial liabilities:	
Trade and other payables	(4,166,650)
Shareholder loans: non-current	(210,278,253)
Bank borrowings: non-current	(37,095,316)
Net position	(228,892,114)

The carrying value of the financial instruments above represents their fair value (which also reflects level 2 valuation techniques).

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed maturity periods. The table has been drawn based on the undiscounted cash flows of the financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest payable and principal cash flows.

Maturity analysis for financial liabilities

	Less than 1 year	Between 1 and 5 years	Total
Trade and other payables	4,166,650	-	4,166,650
Shareholder loans: non-current	-	210,278,253	210,278,253
Bank borrowings: non-current		37,095,316	37,095,316
	4,166,650	247,373,569	251,540,219

22. Capital Management

The Group's objective when managing capital (shareholder equity, shareholder loans and bank loans) is to safeguard their ability to continue as a going concern, so that they can continue to provide returns for the shareholders.

The Group manages total shareholder equity (as shown in the balance sheet) with its objective is that total equity is positive.

Total equity was as follows:	2016 £
Total shareholder equity	19,889,493

Notes to the consolidated financial statements (continued)
For the period from 8 July 2015 (date of incorporation) to 31 December 2016

23. Related party transactions

	Period from 8 July 2015 to 31 December 2016 £	Receivable/ (payable) 2016 £
Meyer Homes Limited (Subsidiary of a shareholder)		
- Development management fees	(2,295,143)	
- Accounts payable		-
Meyer Bergman (Guernsey) Limited (Subsidiary of a shareholder)		
- Investment management fees	(3,029,576)	
MBERP II (Luxembourg) 28 S.à r.l. (Shareholder)		
- Shareholder loan		(26,284,781)
- Loan interest	(1,697,050)	
Abacus Concepts Limited (Shareholder)		
- Shareholder loan		(105,139,127)
- Loan interest	(6,788,199)	
AIMCo Re Holdings (Luxembourg) VI S.à r.l. (Shareholder)		
- Shareholder loan		(78,854,345)
- Loan interest	(5,091,150)	

Details of the shareholder loans are disclosed in note 16.

Development fees are an allocation of the cost of the developer (Meyer Homes Limited) to the Group's subsidiaries holding land that is being developed.

Investment management fees are charged at 0.9% of the capital invested in the Group's subsidiaries holding land that is being developed.

On 12 January 2017, the Group sold its investment in MB Woolwich Phase 3 Limited and MB Woolwich Phase 4 Limited for £7.0m. The investment was sold to a company owned by the same shareholders of MBERP II (Luxembourg) 27 S.à r.l. (though the same shareholders also own 100% of the company acquiring these subsidiaries, they each own a different percentage).

24. Events after the reporting date

As described in note 23, the Group sold its investment in MB Woolwich Phase 3 Limited and MB Woolwich Phase 4 Limited for £7.0m.

On 9th May 2017, all of the shares in MB Bath Limited were acquired by Aerof Holdco II S.à r.l. for £20m. This was in excess of its carrying value of £7.8m

On 29 June 2018 the Group sold all its shares in MB Dartford Limited for £18.4m. This was in excess of its carrying value of £9.0m.

In July 2018 the Royal Borough of Kingston resolved to grant planning permission for a 950 unit scheme on the land owned by MB Tolworth Limited.

In December 2018 the London Borough of Lewisham resolved to grant planning permission for a 365 unit scheme on the land owned by MB Homes Lewisham Limited.

25. Controlling party

The Group has no ultimate controlling party of which the Company is a member and for which consolidated financial statements are publicly available.