MBERP II (LUXEMBOURG) 27
SOCIÉTÉ À RESPONSIBILITÉ LIMITÉE (S.À R.L.)

Consolidated Financial Statements

For the year ended 31 December 2018

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

MBERP II (Luxembourg) 27 S.à r.l.

Contents

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To the Board of Managers of
MBERP II (Luxembourg) 27 S.à.r.l.
12C, Impasse Drosbach
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REPORT OF THE REVISEUR D'ENTREPRISES AGREE

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of MBERP II (Luxembourg) 27 S.à.r.l. and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with the Law of 23 July 2016 on the audit profession ("Law of 23 July 2016") and with International Standards on Auditing ("ISAs") as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier" ("CSSF"). Our responsibilities under the Law of 23 July 2016 and ISAs are further described in the « Responsibilities of "Réviseur d'Entreprises agréé" for the audit of the consolidated financial statements » section of our report. We are also independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code") as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the consolidated financial statements, and have fulfilled our other ethical responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to Note 2 in the financial statements, which describes that the going concern basis of preparing the consolidated financial statements has not been used. The Board of Managers of the Group considers it appropriate to prepare the financial statements on a non-going concern basis given their intention to pursue an exit strategy for all remaining sites. Our opinion is not modified in respect of this matter.

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The impact of uncertainties due to Britain exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the Board of Managers, including the net realisable value of inventories, and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessment of the future economic environment and the company´s future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effect are subject to unprecedent levels of uncertainty of outcomes, with the full range of possible effects unknown.

We applied a standardise firm-wide approach in response to that uncertainty when assessing the company´s future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

Responsibilities of the Board of Managers for the consolidated financial statements

The Board of Managers is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs 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.

In preparing the consolidated financial statements, the Board of Managers is responsible for assessing the Group'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 Board of Managers either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Responsibilities of the Réviseur d'Entreprises agréé for the audit of the consolidated financial statements

The objectives of our audit are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report of "Réviseur d'Entreprises agréé" that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF 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 consolidated financial statements.

As part of an audit in accordance with the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Managers.
- Conclude on the appropriateness of Board of Managers, use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report of the "Réviseur d'Entreprises agréé" to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report of the "Réviseur d'Entreprises agréé". However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Luxembourg, 6 February 2020

KPMG Luxembourg
Société coopérative
Cabinet de révision agréé

Bobbi Jean Breboneria
Associate Partner

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MBERP II (Luxembourg) 27 S.à r.l.

Consolidated statement of comprehensive income

For the year ended 31 December 2018

	Notes	For the year ended 31 December 2018 £	For the year ended 31 December 2017 £
Revenue	5	123,968,164	48,972,611
Cost of sales		(128,152,955)	(44,746,491)
Gross (loss)/profit		**(4,184,791)**	**4,226,120**
Other operating expenses		(289,167)	(121,939)
Administrative expenses	6	(5,566,084)	(3,712,511)
Other operating income	7	-	1,885
Operating (loss)/profit		**(10,040,042)**	**393,555**
Finance income		43,554	532
Finance costs	8	(2,177,134)	(2,264,617)
Loss before income tax		**(12,173,622)**	**(1,870,530)**
Income tax benefit/(charge)	9	1,042,028	(611,273)
Loss for the year		**(11,131,594)**	**(2,481,803)**
Total comprehensive loss for the year		**(11,131,594)**	**(2,481,803)**
Loss attributable to the Ultimate holders of the Company:		(11,131,594)	(2,481,803)
Total comprehensive loss attributable to the Ultimate holders of the Company:		(11,131,594)	(2,481,803)

The notes on pages 8 to 34 form part of these consolidated financial statements.

MBERP II (Luxembourg) 27 S.à r.l.

Consolidated statement of financial position

As at 31 December 2018

	Notes	31 December 2018 £	31 December 2017 £
Current assets			
Inventories	11	194,542,367	260,631,120
Trade and other receivables	12	6,458,454	6,589,211
Restricted cash deposits	13	7,575,587	14,212,408
Cash and cash equivalents		6,206,447	27,623,865
		214,782,855	**309,056,604**
Total assets		**214,782,855**	**309,056,604**
Liabilities			
Current liabilities			
Trade and other payables	14	10,637,070	27,606,829
Bank borrowings	15,18	33,287,487	74,393,011
Shareholder loans	17,18	2,916,227	8,063,347
Net current assets		167,942,071	198,993,417
Non-current liabilities			
Deferred tax provision	16	37,439	1,007,936
Shareholder loans	17,18	161,628,536	180,330,001
Trade and other payables	14	-	247,790
Total Liabilities		**208,506,759**	**291,648,914**
Equity			
Share capital	19	1,434,709	1,434,709
Share premium	20	21,817,900	21,817,900
Accumulated deficit		(16,976,513)	(5,844,919)
Total shareholder equity		**6,276,096**	**17,407,690**
Total equity and liabilities		**214,782,855**	**309,056,604**

The notes on pages 8 to 34 form part of these consolidated financial statements.

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 6 February 2020 and signed on its behalf by:

Frederic Gardeur
Manager

MBERP II (Luxembourg) 27 S.à r.l.

Consolidated statement of changes in equity

For the year ended 31 December 2018

	Share capital £	Share premium £	Accumulated deficit £	Total £
Balance at 1 January 2017	1,434,709	21,817,900	(3,363,116)	**19,889,493**
Total Comprehensive loss attributable to the Unitholders of the company:				
Loss for the period	-	-	(2,481,803)	**(2,481,803)**
Other comprehensive income	-	-	-	**-**
Total comprehensive loss for the period	-	-	(2,481,803)	**(2,481,803)**
Transactions with owners – recognised directly in equity:				
Issue of share capital	-	-	-	**-**
Conversion of preference shares	-	-	-	**-**
Balance at 31 December 2017	**1,434,709**	**21,817,900**	**(5,844,919)**	**17,407,690**
Total Comprehensive loss attributable to the Unitholders of the company:				
Loss for the year	-	-	(11,131,594)	**(11,131,594)**
Other comprehensive income	-	-	-	**-**
Total comprehensive loss for the year	-	-	(11,131,594)	**(11,131,594)**
Balance at 31 December 2018	**1,434,709**	**21,817,900**	**(16,976,513)**	**6,276,096**

The notes on pages 8 to 34 form part of these consolidated financial statements.

MBERP II (Luxembourg) 27 S.à r.l.

Consolidated statement of cash flows

For the year ended 31 December 2018

	Notes	For the year ended 31 December 2018	For the year ended 31 December 2017
Operating activities		**£**	**£**
Loss before income tax		(12,173,622)	(1,870,530)
Adjusted for:			
Impairment losses on inventories	11	10,745,306	-
Interest income		(43,554)	(532)
Finance cost included in cost of sales		8,602,220	1,849,464
Finance costs		2,177,134	2,264,617
Operating cash flows before movements in working capital		9,307,484	2,243,019
Decrease/(increase) in inventories	11	55,343,447	(4,112,099)
(Increase)/decrease in receivables	12	130,757	156,152
(Decrease)/increase in payables	14	(16,969,759)	23,687,969
Cash generated by operations		47,811,929	21,975,041
Disposal of land - net of cash		88,475	187,968
Interest paid	18	(18,557,673)	(2,688,504)
Net cash from operating activities		**29,342,731**	**19,474,505**
Investing activities			
Interest received		43,554	532
Net cash from investing activities		**43,554**	**532**
Financing activities			
Proceeds from the issue of borrowings - shareholders	17,18	-	8,492,000
Repayment of borrowings - shareholders	17,18	(16,335,000)	(38,375,001)
Proceeds from borrowings - financing institutions	15,18	11,866,763	35,293,693
Repayment of borrowings - financing institutions	15,18	(55,117,701)	-
Payment of finance arrangement fees	18	(182,087)	(50,824)
Other changes - financing institutions	18	2,327,501	-
Restricted cash deposits		6,636,821	(4,712,408)
Net cash (used in)/from financing activities		**(50,803,703)**	**647,460**
Net (decrease)/increase in cash and cash equivalents		**(21,417,418)**	**20,122,497**
Cash and cash equivalents at start of year		27,623,865	7,501,368
Cash and cash equivalents at end of year		**6,206,447**	**27,623,865**

The notes on pages 8 to 34 form part of these consolidated financial statements.

1. General information

The company is incorporated in Luxembourg as a "société à responsabilité limitée" 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, B 198 538.

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.àr.l. (the "Group") operates and is the presentation currency of the Group.

The principal activity of the Group is the acquisition of land, the building of residential property and subsequent sale of residential properties.

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 6 February 2020.

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.

These consolidated financial statements have been prepared on the basis that all operations are continuing operations.

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 affect 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.

2. Summary of significant accounting policies (continued)

Basis of consolidation (continued)

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 statement of comprehensive income 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 IFRS 9 Financial Instruments.

2. Summary of significant accounting policies (continued)

Going concern

The consolidated financial statements have been prepared on a basis other than as a going concern. Subsequent to year end, the directors have decided to pursue an exit strategy for all remaining sites. The site sales are expected to be within the next 12 months, therefore the group's income generating activities are unlikely to continue for a period of at least 12 months from the date of approval of the consolidated financial statements. Therefore, the Group will cease its main trading activity but will continue to meet its existing obligations. There have been no other adjustments made to the consolidated financial statements for this matter.

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.

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.

2. Summary of significant accounting policies (continued)
Business combinations (continued)

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.

IFRS 9 Financial instruments
IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. The standard replaces IAS 39 Financial Instruments: Recognition and Measurement.

There is no impact, net of tax, of transition to IFRS 9 on the opening balance of the retained earnings.

Classification and measurement of financial assets and financial liabilities
IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income, and fair value through profit and loss. The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities.

The adoption of IFRS 9 has had no effect on the Group's accounting policies related to financial assets and financial liabilities.

2. Summary of significant accounting policies (continued)

Financial instruments

Recognition and measurement

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit and loss, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

Classification and subsequent

On initial recognition, a financial asset is classified as measured at: amortised cost; Fair value through other comprehensive income – debt investment and equity investment; or fair value through profit or loss.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at fair value through profit or loss:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at fair value through other comprehensive income if it meets both of the following conditions and is not designated as at fair value through profit or loss:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis.

2. Summary of significant accounting policies (continued)

Financial instruments (continued)

All financial assets not classified as measured at amortised cost or fair value through other comprehensive income as described above are measured at fair value through profit or loss. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at fair value through other comprehensive income as at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial liabilities - Classification, subsequent measurements

Financial liabilities are classified as measured at amortised cost or fair value through profit or loss. A financial liability is classified as at fair value through profit or loss if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at fair value through profit or loss are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

Derecognition - Financial Assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Derecognition - Financial Liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

Offsetting

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

2. Summary of significant accounting policies (continued)
Financial instruments (continued)

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 impairment where appropriate.

Revenue
IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations. Under IFRS 15, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control – at a point in time or over time - requires judgement.

The transition to IFRS 15 has had no material impact on the recognition of 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 current liabilities.

Taxation
Income tax comprises current and deferred tax. It is recognised in the profit or loss except to the extent it relates to a business combination or items recognised directly in equity or in other comprehensive income.

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.

2. Summary of significant accounting policies (continued)

Taxation (Continued)

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 a 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.

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 consolidated statement of comprehensive income (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. Standards in effect in 2018 adopted by the Group

The following new and revised Standards and Interpretations have been issued and are effective for the current financial period of the company.

IFRS 9 Financial Instruments took effect from 1 January 2018 and has been adopted for the year ended 31 December 2018 using the full retrospective method. The group has reassessed the classification and measurement of financial instruments and this has not given rise to any changes except that financial assets previously classified as “loans and receivables” under IAS 39 are now presented as “financial assets at amortised cost” in the financial statements.

There was no change in the provision for bad debts as a result of the change in approach to accounting for impairment losses of financial assets. As the effect of adopting IFRS 9 is immaterial to the company, no opening statement of financial position as at 1 January 2017 has been presented.

During the year IFRS 15 was adopted, this has had no material impact on the consolidated financial statements.

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 IFRS that have been adopted by the European Union ("EU") but are not yet effective:

IFRS 16 Leases (effective from 1 January 2019)
IFRIC 23 Uncertainty over Income Tax Treatments (effective from 1 January 2019)
Amendments to IFRS 3 Business Combinations (IASB effective date 1 January 2020)

The Board of Managers intend to adopt these standards for the first accounting period commencing after the effective dates above.

The transition to these new and revised standards not yet effective, will have no material impact.

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 Company’s accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

4. Critical accounting judgements and key sources of estimation uncertainty (Continued)

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.

Inventory - net realised value

In its assessment of the net realisable value of the inventories the Group has based their 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 a similar location 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.

Shareholder loans - fair value on initial recognition

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

Capitalisation of interest

The Group has capitalised interest on relevant loans on qualifying assets. Judgement is required to determine which assets meet the definition of qualifying assets. The Board of Managers consider inventory to be a qualifying asset in accordance with IAS 23, on the basis that the conversion of inventories takes a substantial period of time to get ready for its intended sale.

5. Revenue

	Year ended 31 December 2018 £	**Year ended 31 December 2017 £**
The Group's turnover by class of business is as follows:		
Sale of residential properties	71,642,920	5,897,669
Sale of land	51,943,542	42,480,000
Rental income from property	381,702	594,942
	123,968,164	48,972,611

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 £51.94 million (2017: £42.48 million) which arose from sales to the Group’s largest three customers. No other single customer contributed 10 per cent or more to the Group's revenue in the period.

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For the year ended 31 December 2018

6. Administrative expenses

	Year ended 31 December 2018 £	Year ended 31 December 2017 £
Audit fees	68,591	69,198
Professional fees	388,340	101,244
Legal fees	44,103	160,202
Investment management & development fees (see note 24)	3,061,341	3,319,488
Foreign exchange gains/(losses)	96	(248)
Rent and utilities fees	669,996	47,155
Bank charges	18,621	10,925
Marketing	1,304,212	-
Sundry	10,784	4,547
	5,566,084	3,712,511

7. Other operating income

	Year ended 31 December 2018 £	Year ended 31 December 2017 £
VAT supplement received	-	1,885
	-	1,885

8. Finance costs

	Year ended 31 December 2018 £	Year ended 31 December 2017 £
Interest payable on shareholder loan	1,641,624	1,817,187
Interest payable on bank borrowings	196,505	242,124
Amortisation of finance arrangement fee	339,005	205,306
	2,177,134	2,264,617

9. Income tax benefit

	Year ended 31 December 2018 £	Year ended 31 December 2017 £
Current tax on loss for the year		
UK corporation tax credit	456,206	-
Total current tax	456,206	-
Deferred tax		
Origination and reversal of timing differences	1,138,672	(611,273)
Deferred tax impairment	(552,850)	-
Total deferred tax	585,822	(611,273)
Total income tax expense for the year	1,042,028	(611,273)

A reduction in the UK Corporation tax rate from 19% to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016.

A reduction in the Luxembourg statutory tax rate from 27.08% (effective for the 2017 calendar year) to 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 standard rate of Luxembourg corporation tax to the profit before tax is as follows:

	Year ended 31 December 2018 £	Year ended 31 December 2017 £
Loss before income tax	(12,173,622)	(1,870,530)
- Tax on Group loss at standard Luxembourg corporation tax rate of 26.01 per cent for 2018 (2017: 27.08%)	3,166,359	506,540
Effects of:		
- Difference in tax rate in other jurisdictions	(532,094)	(146,463)
- Expenses not deductible for tax purposes	(1,055,594)	(927,432)
- Transfer pricing adjustment	24,668	29,270
- Income not taxable	-	926
- Deferred tax asset impairment	(552,850)	-
- Effect of utilising losses at different rate of corporation tax	(8,461)	(74,114)
Total corporation tax expense for the year	1,042,028	(611,273)

Notes to the consolidated financial statements

For the year ended 31 December 2018

10. Subsidiaries

The Group consists of a Parent Company 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 60 Goswell Road, London, EC1M 7AD.

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 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
MH Devco Limited	United Kingdom	100%	Residential property development
MB Fulham Commercial Limited	United Kingdom	100%	Commercial trading property

On the 29th June 2018 the Group sold all the shares of MB Dartford Limited to Bellway Homes Limited.

11. Inventories

	Work in progress	Finished goods	Total
	£	£	£
As at 31 December 2017	218,265,891	42,365,229	260,631,120
Development expenditure	21,537,717	-	21,537,717
Professional fees expenditure	2,385,681	-	2,385,681
Capitalised finance cost, capitalised rate used 5.6% p.a.	10,885,712	-	10,885,712
Transfer to finished goods	(100,396,505)	100,396,505	-
Sold property (cost of sales)	(40,220,729)	(49,931,829)	(90,152,558)
Impairment	-	(10,745,305)	(10,745,305)
As at 31 December 2018	112,457,767	82,084,600	194,542,367

The cost of inventories recognised as an expense during the year in respect of continuing operations was £100.9 million (2017: £44.7 million). The disposal of the shares in MB Dartford Limited has been reflected within these consolidated financial statements as the sale of land; the sale of land is calculated by inputting the cost of sales figure based on the carrying value of the investment. This causes cost of sales to be significantly higher than just the amounts that have been expensed from inventories. A further reason why cost of sales is greater than the cost of inventories recognised as an expense in the year is that the cost of sales further includes direct cost of sales item 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 of approximately £39.2 million (2017: £141.1 million) are expected to be recovered after more than 12 months through predicted sales.

Inventories with a carrying amount of £86.2 million (2017: £133.4 million) have been pledged as security for the Group's external borrowings, including Investec Bank plc and Lloyds Bank plc.

Notes to the consolidated financial statements

For the year ended 31 December 2018

12. Trade and other receivables

	Year ended 31 December 2018 £	Year ended 31 December 2017 £
Trade receivables	901,951	108,000
Amounts receivable from related undertakings (note 24)	962,054	693,014
VAT receivable	245,234	259,739
Escrow accounts (restricted cash)	888,791	5,380,000
Other receivables	3,460,424	148,458
	6,458,454	6,589,211

Trade and other receivables disclosed above are 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. There is no maturity date on the escrow accounts and payment conditions are related to the failed payment of the Group and release notice being served by the contractor.

Other receivables comprise prepayments of £3,094,425, among others.

The Ageing of trade receivables is as follows:

	Year ended 31 December 2018 £	Year ended 31 December 2017 £
Not past due nor impaired	6,458,454	6,589,211
Past due	-	-
	6,458,454	6,589,211

13. Restricted cash deposits

Cash on deposit includes a balance of £5,004,862 (2017: £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 £2,416,436 (2017: £3,136,312) 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 on deposit includes a balance of £154,090 (2017: £238,790) relating to an account that both collect rent and pay interest to Lloyds Bank plc in relation to existing rental stock (included in finished goods).

Cash on deposit includes a balance of £100 (2017: £5,837,306) relating to the sales proceeds of residential stock developed in St Albans. The cash in this account is used to repay interest and principal to Lloyds Bank plc.

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

Notes to the consolidated financial statements

For the year ended 31 December 2018

14. Trade and other payables

	Year ended 31 December 2018 £	Year ended 31 December 2017 £
Trade payables	7,483,764	2,792,904
Other creditors	292,590	94,025
Accruals and deferred income	2,414,306	23,882,463
Amounts due to related parties (note 24)	446,410	837,437
Trade and other payables - current liabilities	10,637,070	27,606,829
Trade and other payables - non-current liabilities	-	247,790
	10,637,070	27,854,619

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	**2018** **£** Face value	**2018** **£** Loan issue cost	**2018** **£** Total loans
Lloyds Bank plc	(59,436,984)	-	(59,436,984)
Investec plc	(28,968,204)	-	(28,968,204)
	(88,405,188)	-	(88,405,188)
Repayments in the year	55,117,701	-	55,117,701
As at 31 December 2018	(33,287,487)	-	(33,287,487)

Secured borrowing at amortised cost	**2017** **£** Face value	**2017** **£** Loan issue cost	**2017** **£** Total loans
Lloyds Bank plc	(55,709,179)	841,698	(54,867,481)
Investec plc	(20,272,773)	505,768	(19,767,005)
	(75,981,952)	1,347,466	(74,634,486)
Repayments in the year	241,475	-	241,475
As at 31 December 2017	(75,740,477)	1,347,466	(74,393,011)

Lloyds Bank plc loan was entered into on 16 September 2016. The loan was repayable in August 2018 and its repayment date was subsequently (in August 2018) 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.

15. Bank borrowings (continued)

Investec Bank plc loan was entered into on 21 December 2016. The loan was repayable November 2018 and its repayment date was subsequently (July 2018) 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.

As at the reporting date the Group had undrawn loan facilities amounting to £1.0m (2017: £13.0m).

16. Deferred tax provision

	Year ended 31 December 2018 £	Year ended 31 December 2017 £
At start of year	1,007,936	219,731
Charged to statement of comprehensive income	(1,042,028)	611,273
Deferred tax asset disposed of (related to MB Dartford Limited)	71,531	
Deferred tax asset disposed of (related to MB Bath Limited)	-	176,932
At end of year	37,439	1,007,936

Of which:		
Reverse in less than one year	-	-
Reverse in more than one year	37,439	1,007,936
	37,439	1,007,936

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 in the Group will align with the Group accounts, but not in the next 12 months.

17. Shareholder loans

	2018 £ Face value: simple (contractual) interest	2018 £ Fair value: effective (compounding) interest
Unsecured borrowing at amortised cost		
Propco equity loan	(95,529,047)	(94,436,459)
Propco debt loan	(71,202,534)	(70,108,304)
	(166,731,581)	(164,544,763)

Notes to the consolidated financial statements

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17. Shareholder loans (continued)

	2017 £ Face value: simple (contractual) interest	2017 £ Fair value: effective (compounding) interest
Unsecured borrowing at amortised cost		
Propco equity loan	(97,975,486)	(91,590,423)
Propco debt loan	(92,709,444)	(96,802,925)
	(190,684,930)	(188,393,348)

	Year ended 31 December 2018 £	Year ended 31 December 2017 £
Propco equity loan		
MBERP II (Luxembourg) 28 S.à r.l.	(11,530,789)	(13,613,423)
Abacus Concept Limited	(46,123,156)	(54,453,696)
AIMCo Re Holdings (Luxembourg) VI S.à r.l.	(34,592,368)	(40,840,271)
	(92,246,313)	(108,907,390)
Repayments in the year	-	16,661,077
Closing balance	(92,246,313)	(92,246,313)
Propco debt loan		
MBERP II (Luxembourg) 28 S.à r.l.	(10,440,884)	(12,093,625)
Abacus Concept Limited	(41,763,539)	(48,374,500)
AIMCo Re Holdings (Luxembourg) VI S.à r.l.	(31,322,653)	(36,280,875)
	(83,527,076)	(96,749,000)
Repayments in the year	16,335,000	13,221,924
Closing balance	(67,192,076)	(83,527,076)
Accrued interest		
Propco equity loan	(10,540,350)	(6,734,770)
Propco debt loan	(12,323,703)	(8,332,218)
	(22,864,053)	(15,066,988)
Repayments in the year	17,757,679	2,447,029
Closing balance	(5,106,374)	(12,619,959)
Closing balance	(164,544,763)	(188,393,348)

	Year ended 31 December 2018 £	Year ended 31 December 2017 £
Current liabilities	(2,916,227)	(8,063,347)
Non-current liabilities	(161,628,536)	(180,330,001)
Shareholder loans	(164,544,763)	(188,393,348)

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.

18. Bank and shareholder loan changes from financing activities

	Bank borrowings	Shareholder loans
	£	£
Balance at 1 January 2018	(74,393,011)	(188,393,348)
Changes from financing cash flows		
Proceeds from loans and borrowings	(11,866,763)	-
Repayment of borrowings	55,117,701	16,335,000
Transaction costs related to loans and borrowings	182,087	-
		-
Total changes from financing cash flows	43,433,025	16,335,000
Other changes		
Capitalised borrowing cost amortisation	(788,295)	-
Interest charged	(2,339,200)	(10,244,094)
Interest paid	799,994	17,757,679
Total other changes	(2,327,501)	7,513,585
Balance at 31 December 2018	(33,287,487)	(164,544,763)

	Bank borrowings	Shareholder loans
	£	£
Balance at 1 January 2017	(37,095,316)	(210,278,253)
Changes from financing cash flows		
Proceeds from loans and borrowings	(35,293,693)	(8,492,000)
Repayment of borrowings	-	38,375,001
Transaction costs related to loans and borrowings	50,824	-
		-
Total changes from financing cash flows	(35,242,869)	29,883,001
Other changes		
Capitalised borrowing cost amortisation	(205,306)	-
Interest charged	(2,090,995)	(10,445,125)
Interest paid	241,475	2,447,029
Total other changes	(2,054,826)	(7,998,096)
Balance at 31 December 2017	(74,393,011)	(188,393,348)

The interest charge shown in the reconciliation above includes interest which has been capitalised as it relates to assets under construction. This is why the interest charge above does not reconcile with that disclosed in note 8.

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19. Share capital

Authorised	Year ended 31 December 2018 £	Year ended 31 December 2017 £
179,338 Class A Ordinary shares of £1 each	179,338	179,338
717,351 Class B Ordinary shares of £1 each	717,351	717,351
538,013 Class C Ordinary shares of £1 each	538,013	538,013
7 Class D Ordinary shares of £1 each	7	7
	1,434,709	1,434,709

Allotted, called up and fully paid	Year ended 31 December 2018 £	Year ended 31 December 2017 £
179,338 Class A Ordinary shares of £1 each	179,338	179,338
717,351 Class B Ordinary shares of £1 each	717,351	717,351
538,013 Class C Ordinary shares of £1 each	538,013	538,013
7 Class D Ordinary shares of £1 each	7	7
	1,434,709	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.

20. Share premium account

	Year ended 31 December 2018 £	Year ended 31 December 2017 £
As at 31 December 2018 and 31 December 2017	21,817,900	21,817,900

21. Operating lease commitments and contingent liabilities
Operating lease

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

	Year ended 31 December 2018 £	Year ended 31 December 2017 £
Within one year	1,825	1,825
Between one and five years	7,300	7,300
In over five years	91,250	93,075
	100,375	102,200

There are no significant leases in place which would require disclosure of the leasing arrangements in place.

Contingent liabilities

The Directors are not aware of any contingent liabilities.

22. Financial risk management

The Group's financial instruments comprise of bank borrowings, shareholder loans, cash and cash equivalents and trade and other receivable, trade and other payables.

It is and has been throughout the year, 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. There is liquidity risk associated with the event of bank loans falling due before they are repaid if the rate of sales slows below that currently forecast. In this scenario the Directors plan to extend the term of the loans. The Group maintains good relationships with its banks, which have high credit ratings.

Refinancing risk

The bank loans have terms that expire in 2019. Each of the two loans should be paid back within the current term dates, as the sales (proceeds of which are used to repay the loans) are on target. The two loans do have extension clauses of 6 months if the sale rates slow during 2019.

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 £7.9M (2017: £6.6M) and its cash and deposit balances of £13.78M (2017: £41.80M). The Group gives careful consideration to which organisations it uses for its banking services in order to minimise credit risk.

At the end of the reporting date, the Company has a certain concentration of credit risk as 55% (2017: 9%) and 75% (2017: 12%) of the total trade and other receivables was due from the Company's largest customer and the five largest customers respectively. The maximum exposure to credit risk is represented by the carrying amount of each financial asset. At the year end, there was no collateral held as security on outstanding balances.

The Group does not expect credit losses on cash and trade receivables at the year end. The impact of such losses should they arise in the future, are not expected to be material

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.

Brexit risk

Significant political events including the impact of the vote to leave the EU and the continued uncertainty over the timing and form of Brexit, may impact on the Group’s business. This may impact on the business through the reluctance of buyers to make investment decisions due to political uncertainty and a potential reduction in the number of construction staff due to restrictions on immigration. Subsequently, specific policies and regulation may be introduced that directly impact our business model. Whilst we cannot directly influence political events, the risks are taken into account when setting our business strategy and operating model.

22. Financial risk management (continued)

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 2018.

	Profit or loss, net of tax	Equity, net of tax
	£	£
Decrease in LIBOR by 0.5%	169,783	169,783
Increase in LIBOR by 0.5%	(169,783)	(169,783)

The comparative figures for 2017 were +/- £379,413 (as appropriate). The Group's intercompany loans are fixed rate loans, so changes in interest rates will have no impact on interest expense. However changes in interest rates would impact on the disclosable fair value of the loans.

Currency Exposure

As at 31 December 2018 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 cash flows discounted at the effective interest rate.

22. Financial risk management (continued)

Fair values (continued)

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

There were no fair value transfers during the period.

Further information about the assumptions made in measuring fair values is included in the following notes:

- 4. Critical accounting judgments (in relation to shareholder loans)
- 22. Financial instruments

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 consolidated 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	**Level 2**	
	As at 31 December 2018	**As at 31 December 2017**
	£	**£**
Loans and receivables:		
Cash and cash equivalents	6,206,447	27,623,865
Restricted cash deposits	7,575,587	14,212,408
Trade and other receivables	6,458,454	6,589,211
Financial liabilities:		
Trade and other payables: current	(10,637,070)	(3,724,366)
Trade and other payables: non-current	-	(247,790)
Shareholder loans: current	(2,916,227)	(12,619,959)
Shareholder loans: non-current	(161,628,536)	(175,773,389)
Bank borrowings: current	(33,287,487)	(74,393,011)
Net position	(188,228,832)	(218,333,031)

The carrying value of the financial instruments above represents their fair value (which also reflects level 2 valuation techniques - inputs other than quoted prices that are observable for the assets or liabilities and level 3 valuation techniques - inputs for the asset or liability that are not based on observable market data (unobservable inputs)).

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.

22. Financial instruments (continued)

Maturity analysis for financial liabilities

	Less than 1 year 2018	Between 2 and 5 years 2018	Total 2018
Trade payables	6,663,975	819,558	7,483,533
Accruals (excluding deferred income)	2,414,306	-	2,414,306
Other creditors	292,590	-	292,590
Amounts due to related parties (note 24)	446,410	-	446,410
Shareholder loans: principal & interest payable	2,916,227	161,628,536	164,544,763
Shareholder loans: future interest	2,615,372	9,010,819	11,626,191
Bank borrowings: current	33,287,487	-	33,287,487
Bank borrowings: future interest	469,257	-	469,257
	49,105,624	171,458,913	220,564,537

	Less than 1 year 2017	Between 2 and 5 years 2017	Total 2017
Trade payables	2,792,904	247,790	3,040,694
Accruals (excluding deferred income)	3,032,463	-	3,032,463
Other creditors	94,025	-	94,025
Amounts due to related parties (note 24)	837,437	-	837,437
Shareholder loans: principal & interest payable	8,063,347	180,330,001	188,393,348
Shareholder loans: future interest	4,919,766	27,121,869	32,041,635
Bank borrowings: current	74,393,011	-	74,393,011
Bank borrowings: future interest	3,231,883	-	3,231,883
	97,364,836	207,699,660	305,064,496

23. 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 that total equity is positive.

Total equity was as follows:	2018 £	2017 £
Total shareholder equity	6,276,096	17,407,690

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For the year ended 31 December 2018

24. Related party transactions

	Transactions for the year ended 31 December 2018 £	Receivable/ (payable) 2018 £
Meyer Homes Limited (Affiliated entity)		
- Development management fees	(1,721,706)	
- Accounts receivable		497,336
- Accounts payable		(83,410)
Meyer Bergman (Guernsey) Limited (Affiliated entity)		
- Investment management fees	(1,334,635)	
MBERP II (Luxembourg) 28 S.à r.l.(Shareholder)		
- Shareholder loan		(20,657,850)
- Loan interest	(1,280,512)	
- Accounts payable		(79,602)
Abacus Concept Limited (Shareholder)		
- Shareholder loan		(82,273,103)
- Loan interest	(5,122,047)	
AIMCo Re Holdings (Luxembourg) VI S.à r.l. (Shareholder)		
- Shareholder loan		(61,703,810)
- Loan interest	(3,841,535)	
MB Kensington Limited (Affiliated entity)		
- Accounts receivable		83,578
MB Welwyn Garden City Limited (Affiliated entity)		
- Accounts receivable		1,140
MB Woolwich Phase 4 Limited (Affiliated entity)		
- Accounts receivable		330,000
- Accounts payable		(142,134)
MB Woolwich Phase 3 Limited (Affiliated entity)		
- Accounts receivable		50,000
- Accounts payable		(141,264)
Woolwich JV S.à r.l. (Affiliated entity)		
- Accounts receivable		1

Notes to the consolidated financial statements

For the year ended 31 December 2018

24. Related party transactions (continued)

	Transactions for the period ended 31 December 2017 £	Receivable/ (payable) 2017 £
Meyer Homes Limited (Affiliated entity)		
- Development management fees	(1,700,755)	
- Accounts receivable		608,295
- Accounts payable		(409,300)
Meyer Bergman (Guernsey) Limited (Affiliated entity)		
- Investment management fees	(1,618,733)	
MBERP II (Luxembourg) 28 S.à r.l.(Shareholder)		
- Shareholder loan		(23,548,922)
- Loan interest	(1,305,396)	
- Accounts payable		(79,602)
Abacus Concept Limited (Shareholder)		
- Shareholder loan		(94,197,396)
- Loan interest	(5,223,283)	
AIMCo Re Holdings (Luxembourg) VI S.à r.l. (Shareholder)		
- Shareholder loan		(70,647,030)
- Loan interest	(3,916,446)	
MB Kensington Limited (Affiliated entity)		
- Accounts receivable		83,578
MB Welwyn Garden City Limited (Affiliated entity)		
- Accounts receivable		1,140
MB Woolwich Phase 4 Limited (Affiliated entity)		
- Accounts payable		(139,812)
MB Woolwich Phase 3 Limited (Affiliated entity)		
- Accounts payable		(208,723)
Woolwich JV S.à r.l. (Affiliated entity)		
- Accounts receivable		1

Details of the shareholder loans are disclosed in note 17 and 18.

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 11 January 2017 the company disposed of its shares in MB Woolwich Phase 3 Limited and MB Woolwich Phase 4 Limited for a total consideration of £7.9m, which was above its carry value of £7.6m.

Different aspects of this disposal are referred to elsewhere in the notes:
- In note 5. the proceeds from these subsidiaries is one of the transactions included in the sale of land.
- In note 11. there are several references. The £21.6m of inventory sold to an affiliated party and £1.4m of inventory recognised in the P&L both relate to the disposal of these entities. While describing why the cost of sales is different from the amount of inventories expensed, this note also refers to aspects of how the disposal of MB Woolwich Phase 3 and MB Woolwich Phase 4 Limited was accounted for.

25. Events after the reporting date

Since the reporting date:

The group has sold the entire share capital of MB Hillingdon Limited for £21m. This was in excess of its carrying value of £13m.

In 2020, the Lewisham site following an appeal application in 2019, was given a positive decision from the Secretary of State who has granted planning permission, however, this is subject to a judicial review period which ends during March.

On 27 August 2019, the sale of the Tolworth site successfully concluded.

At the time of signing the consolidated Financial Statement, both the Lloyds Bank plc and the Investec Bank plc loans have been paid in full.

26. Controlling party

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