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

Consolidated Financial Statements

For the year ended 31 December 2017

12C, Impasse Drosbach
L – 1882 Luxembourg
R.C.S. Luxembourg B 198 538

MBERP II (Luxembourg) 27 S.à r.l.

Contents

Page

KPMG

KPMG Luxembourg, Société coopérative
39, Avenue John F. Kennedy
L - 1855 Luxembourg

Tel.: +352 22 51 51 1
Fax: +352 22 51 71
E-mail: info@kpmg.lu
Internet: www.kpmg.lu

To the Board of Managers of
MBERP II (Luxembourg) 27 S.à.r.l.
12C, Impasse Drosbach
L-1882 Luxembourg

REPORT OF THE REVISEUR D'ENTREPRISES AGREE

Report on the audit of the consolidated financial statements

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 2017, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended 31 December 2017, 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 2017, 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.

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 IFRS 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, 20 March 2019

KPMG Luxembourg
Société coopérative
Cabinet de révision agréé

Associate Partner
Bobbi Jean Breboneria

SUI001

MBERP II (Luxembourg) 27 S.à r.l.

Consolidated statement of comprehensive income

For the year ended 31 December 2017

	Notes	For the year ended 31 December 2017	Period from 8 July 2015 to 31 December 2016
		£	£
Revenue	5	48,972,611	34,944,134
Cost of sales		(44,746,491)	(26,566,540)
Gross profit		**4,226,120**	**8,377,594**
Other operating expenses		(121,939)	(243,672)
Administrative expenses	6	(3,712,511)	(6,026,074)
Other operating income	7	1,885	-
Operating profit		**393,555**	**2,107,848**
Finance income		532	177
Finance costs	8	(2,264,617)	(5,251,003)
Loss before income tax		**(1,870,530)**	**(3,142,978)**
Income tax charge	9	(611,273)	(220,138)
Loss for the year		**(2,481,803)**	**(3,363,116)**
Total comprehensive loss for the year		**(2,481,803)**	**(3,363,116)**
Loss attributable to the Ultimate holders of the Company:		(2,481,803)	(3,363,116)
Total comprehensive loss attributable to the Ultimate holders of the Company:		(2,481,803)	(3,363,116)

The notes on pages 6 to 28 form part of these consolidated financial statements.

The Consolidated statement of comprehensive income has been prepared on the basis that all operations are continuing operations.

MBERP II (Luxembourg) 27 S.à r.l.

Consolidated statement of financial position
As at 31 December 2017

	Notes	31 December 2017 £	31 December 2016 £
Current assets			
Inventories	11	260,631,120	247,902,711
Trade and other receivables	12	6,589,211	6,745,364
Restricted cash deposits	13	14,212,408	9,500,000
Cash and cash equivalents		27,623,865	7,501,368
		309,056,604	**271,649,443**
Total assets		**309,056,604**	**271,649,443**
Current liabilities			
Trade and other payables	14	27,606,829	4,166,650
Bank borrowings	15,18	74,393,011	-
Shareholder loans	17,18	8,063,347	-
Net current assets		198,993,417	267,482,793
Non-current liabilities			
Bank borrowings	15,18	-	37,095,316
Deferred tax provision	16	1,007,936	219,731
Shareholder loans	17,18	180,330,001	210,278,253
Other payables	14	247,790	-
Total Liabilities		**291,648,914**	**251,759,950**
Equity			
Share capital	19	1,434,709	1,434,709
Share premium	20	21,817,900	21,817,900
Accumulated deficit		(5,844,919)	(3,363,116)
Total shareholder equity		**17,407,690**	**19,889,493**
Total equity and liabilities		**309,056,604**	**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 20 March 2019 and signed on its behalf by:

The notes on pages 6 to 28 form part of these consolidated financial statements.

Frederic Gardeur
Manager

BRADFORD HERBERT COWBURN
MANAGER

MBERP II (Luxembourg) 27 S.à r.l.

Consolidated statement of changes in equity

For the year ended 31 December 2017

	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**
Total Comprehensive income attributable to the Unitholders of the company:				
Loss for the year	-	-	(2,481,803)	**(2,481,803)**
Other comprehensive income	-	-	-	-
Total comprehensive loss for the year	-	-	(2,481,803)	**(2,481,803)**
Balance at 31 December 2017	**1,434,709**	**21,817,900**	**(5,844,919)**	**17,407,690**

The notes on pages 6 to 28 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 2017

	Notes	For the year ended 31 December 2017	Period from 8 July 2015 to 31 December 2016
Operating activities		**£**	**£**
Loss for the year/period		(2,481,803)	(3,363,116)
Adjusted for:			
Interest income		(532)	(177)
Finance cost included in cost of sales		1,849,464	13,832,511
Finance costs		2,264,617	5,251,003
Income tax charge		611,273	220,138
Operating cash flows before movements in working capital		2,243,019	15,940,359
(Increase)/decrease in inventories	11	(4,112,099)	(247,902,711)
Decrease/(increase) in receivables	12	156,152	(6,745,363)
Increase in payables	14	23,687,969	4,166,650
Cash used in operations		21,975,041	(234,541,065)
Income taxes paid	9	-	(407)
Disposal of land - net of cash		187,968	-
Interest paid		(2,688,504)	(9,869,142)
Payment of finance arrangment fees		(50,824)	(2,095,571)
Net cash used in operating activities		**19,423,681**	**(246,506,185)**
Investing activities			
Interest received		532	177
Net cash from investing activities		**532**	**177**
Financing activities			
Proceeds from issue of shares	19,20	-	23,252,609
Proceeds from the issue of borrowings - shareholders	17,18	8,492,000	270,423,547
Repayment of borrowings - shareholders	17,18	(38,375,001)	(64,945,464)
Proceeds from borrowings - financing institutions	15,18	35,293,693	39,190,886
Preference share dividends paid	8	-	(4,414,202)
Restricted cash deposits	13	(4,712,408)	(9,500,000)
Net cash from financing activities		**698,284**	**254,007,376**
Net increase in cash and cash equivalents		**20,122,497**	**7,501,368**
Cash and cash equivalents at start of year/period		7,501,368	-
Cash and cash equivalents at 31 December		**27,623,865**	**7,501,368**

The notes on pages 6 to 28 form part of these consolidated financial statements.

Notes to the financial statements

For the year from 1 January 2017 to 31 December 2017

1. General information

MBERP II (Luxembourg) 27 S.à r.l. 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 (Luxembourg) 27 S.à r.l. (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. The Group's results for the year were a loss before tax of £1.9m 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 20 March 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.

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 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.

2. Summary of significant accounting policies (continued)

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. The Group's Directors consider it appropriate to prepare the consolidated financial statements on the going concern basis.

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 £27.62m of unrestricted cash and cash equivalents and additional restricted cash deposits of £14.21m 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 £13.01m as at the reporting date.

As stated in the bank borrowings note, the term of the loans owed to Lloyds Bank plc and Investec Bank plc were extended to August and May 2019 respectively. These extensions ensured that there was not the requirement to repay these loans at their original due dates (Lloyds: August 2018 and Investec: November 2018). The extended due dates are now aligned with the business plan and reflect the frequency of sales achieved under the current market conditions.

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.

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

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.

2. Summary of significant accounting policies (continued)

Financial instruments (continued)

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.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets. All financial liabilities are measured subsequently at amortised cost using the effective interest method or at fair value through the Income Statement.

Objective evidence that financial assets are impaired includes observable data indicating that there is a measurable decrease in the expected cash flows from a group of financial assets.

An impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account. When the Group considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through profit or loss.

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.

An impairment loss on a financial asset is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account. When the Group considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through profit or loss.

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.

2. Summary of significant accounting policies (continued)

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 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 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 adopted by the EU but are not yet effective:

IFRS 9 Financial Instruments (effective from 1 January 2018)
IFRS 15 Revenue from Contracts with Customers (effective from 1 January 2018)
IFRS 16 Leases (effective from 1 January 2019)

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

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:

Though IFRS 9 will impact both the measurement and disclosures of the consolidated financial statements, no analysis of its impact has yet been done. Though a lease is referred to in note 21 which would be impacted by the introduction of IFRS 16, the Directors anticipate that this lease will be disposed of before the point this standard is adopted. Therefore, the Directors assess that this standard will have no impact. The Directors believe that adopting IFRS 15 retrospectively would not change the recognition of revenue (whether in 2017 or 2015/16) and therefore assess that the adoption of this standard would have no impact on these financial statements.

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.

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.

Notes to the financial statements

For the year from 1 January 2017 to 31 December 2017

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

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.

5. Revenue

	Year ended 31 December 2017	Period from 8 July 2015 to 31 December 2016
	£	£
The Group's turnover by class of business is as follows:		
Sale of residential properties	5,897,669	16,392,900
Sale of land	42,480,000	17,800,000
Rental income from property	594,942	751,234
	48,972,611	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 £42.48 million (2016: £17.8 million) which arose from sales to the Group’s largest two customers. No other single customer contributed 10 per cent or more to the Group's revenue in the period.

6. Administrative expenses

	Year ended 31 December 2017	Period from 8 July 2015 to 31 December 2016
	£	£
Audit fees	69,198	139,683
Professional fees	101,244	17,983
Legal fees	160,202	240,963
Investment management & development fees (see note 24)	3,319,488	5,324,719
Foreign exchange gains	(248)	(719)
Rent and utilities fees	47,155	287,080
Bank charges	10,925	16,365
Sundry	4,547	-
	3,712,511	6,026,074

Notes to the financial statements

For the year from 1 January 2017 to 31 December 2017

7. Other operating income

	Year ended 31 December 2017	Period from 8 July 2015 to 31 December 2016
	£	£
VAT supplement received	1,885	-
	1,885	-

8. Finance costs

	Year ended 31 December 2017	Period from 8 July 2015 to 31 December 2016
	£	£
Interest payable on shareholder loan	1,817,187	533,942
Interest payable on bank borrowings	242,124	70,728
Interest payable to other third party	-	53,835
Amortisation of finance arrangement fee	205,306	178,296
Preference share dividend	-	4,414,202
	2,264,617	5,251,003

9. Income tax charge

	Year ended 31 December 2017	Period from 8 July 2015 to 31 December 2016
	£	£
Current tax on loss		
UK corporation tax charge	-	407
Total current tax	-	407
Deferred tax		
Origination and reversal of timing differences (see note 16)	611,273	219,731
Total deferred tax	611,273	219,731
Total income tax expense for the year/period	611,273	220,138

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

9. Income tax charge (continued)

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 standard rate of Luxembourg corporation tax to the profit before tax is as follows:

	Year ended 31 December 2017 £	Period from 8 July 2015 to 31 December 2016 £
Loss before income tax	(1,870,530)	(3,142,978)
- Tax on Group loss at standard Luxembourg corporation tax rate of 27.08 per cent for 2017 (2016: 29.22%)	506,540	918,378
Effects of:		
- Difference in tax rate in other jurisdictions	(146,463)	(289,782)
- Expenses not deductible for tax purposes	(927,432)	(883,507)
- Transfer pricing adjustment	29,270	34,773
- Income not taxable	926	-
- Effect of utilising losses at different rate of corporation tax	(74,114)	-
Total corporation tax expense for the year/period	(611,273)	(220,138)

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 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
MH Devco Limited	United Kingdom	100%	Residential property development

During the year the Group disposed of MB Woolwich Phase 3 and MB Woolwich Phase 4 Limited for £7.9m. The investment was sold to a company owned by the shareholders of the parent in a different proportion.

On the 24 October 2017, the Group incorporated a new entity, MH Devco Limited, for a total equity value of £1.

On 9th May 2017, all of the shares in MB Bath Limited were sold to Aerof Holdco II S.à r.l. for a total consideration of £20.0m

Notes to the financial statements

For the year from 1 January 2017 to 31 December 2017

11. Inventories

	Work in progress	Finished goods	Total
	£	£	£
As at 31 December 2016	228,797,034	19,105,677	247,902,711
Development expenditure	41,289,924	-	41,289,924
Professional fees expenditure	4,256,309	-	4,256,309
Capitalised finance cost, capitalised rate used 5.6% p.a.	11,881,421	-	11,881,421
Transfer to finished goods	(28,202,540)	28,202,540	-
Sold property (cost of sales)	(16,702,687)	(4,942,988)	(21,645,675)
Sold to affiliated party	(21,637,922)	-	(21,637,922)
Recognised in P&L when land sold to affiliated party	(1,415,648)	-	(1,415,648)
As at 31 December 2017	218,265,891	42,365,229	260,631,120

The cost of inventories recognised as an expense during the year in respect of continuing operations was £44.7 million (2016: £25.6 million). The disposal of the shares in MB Bath, MB Woolwich Phase 3 and MB Woolwich Phase 4 Limited have been reflected within these financial statements as the sale of land; the sale of land is calculated by imputing 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 £141.1 million (2016: £120.1 million) are expected to be recovered after more than 12 months through predicted sales.

Inventories with a carrying amount of £133.4 million (2016: £99.6 million) have been pledged as security for the Group's external borrowings, including Investec Bank plc and Lloyds Bank plc.

Notes to the financial statements

For the year from 1 January 2017 to 31 December 2017

12. Trade and other receivables

	Year ended 31 December 2017	Period from 8 July 2015 to 31 December 2016
	£	£
Trade receivables	108,000	-
Amounts receivable from related undertakings (note 24)	693,014	-
VAT receivable	259,739	1,098,627
Escrow accounts (restricted cash)	5,380,000	5,380,000
Other receivables	148,458	266,737
	6,589,211	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. 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.

The Ageing of trade receivables is as follows:

	Year ended 31 December 2017	Period from 8 July 2015 to 31 December 2016
	£	£
Not past due nor impaired	6,589,211	6,745,364
Past due	-	-
	6,589,211	6,745,364

13. Restricted cash deposits

Cash on deposit includes a balance of £5,000,000 (2016: £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 £3,136,312 (2016: £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 on deposit includes a balance of £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 £5,837,306 relating to the sales proceeds of residential stock developed in St Albans. The proceeds in this account are applied to the loans with Lloyds Bank plc in January 2018.

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.

Notes to the financial statements
For the year from 1 January 2017 to 31 December 2017

14. Trade and other payables

	Year ended 31 December 2017	Period from 8 July 2015 to 31 December 2016
	£	£
Trade payables	2,792,904	1,505,176
Amounts owed to group undertakings	-	210,316
Other creditors	94,025	123,964
Accruals and deferred income	23,882,463	2,327,194
Amounts due to related parties (note 24)	837,437	-
Trade and other payables - current liabilities	27,606,829	4,166,650
Trade and other payables - non-current liabilities	247,790	-
	27,854,619	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**	**2016**	**2016**
	£	**£**	**£**
	Face value	Loan issue cost	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 year	-	-	-
As at 31 December 2016	(38,597,264)	1,501,948	(37,095,316)

Secured borrowing at amortised cost	**2017**	**2017**	**2017**
	£	**£**	**£**
	Face value	Loan issue cost	Total loans
Lloyds Bank plc	(55,709,179)	841,698	(54,867,481)
Investec Bank 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 (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.

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 £13.0m (2016: £50.1m).

Notes to the financial statements

For the year from 1 January 2017 to 31 December 2017

16. Deferred tax provision

	2017 £	2,016 £
At 1 January 2017	219,731	-
Charged to statement of comprehensive income	611,273	219,731
Deferred tax asset disposed of (related to MB Bath Limited)	176,932	-
At 31 December 2017	1,007,936	219,731
Of which:		
Reverse in less than one year	-	-
Reverse in more than one year	1,007,936	219,731
	1,007,936	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 in the Group will align with the Group accounts, but not in the next 12 months.

17. Shareholder loans

	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)

	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)

Notes to the financial statements

For the year from 1 January 2017 to 31 December 2017

17. Shareholder loans (continued)

	2017	2016
Propco equity loan	**£**	**£**
MBERP II (Luxembourg) 28 S.à r.l.	(13,613,423)	(15,243,714)
Abacus Concept Limited	(54,453,696)	(60,974,858)
AIMCo Re Holdings (Luxembourg) VI S.à r.l.	(40,840,271)	(45,731,143)
	(108,907,390)	(121,949,715)
Repayments in the year	16,661,077	13,042,325
Closing balance	(92,246,313)	(108,907,390)
Propco debt loan		
MBERP II (Luxembourg) 28 S.à r.l.	(12,093,625)	(18,246,250)
Abacus Concept Limited	(48,374,500)	(72,985,000)
AIMCo Re Holdings (Luxembourg) VI S.à r.l.	(36,280,875)	(54,738,750)
	(96,749,000)	(145,970,000)
Repayments in the year	13,221,924	49,221,000
Closing balance	(83,527,076)	(96,749,000)
Interest free loan		
MBERP II (Luxembourg) 28 S.à r.l.	-	(670,535)
AIMCo Re Holdings (Luxembourg) VI S.à r.l.	-	(2,011,604)
	-	(2,682,139)
Repayments in the year	-	2,682,139
Closing balance	-	-
Accrued interest		
Propco equity loan	(6,734,770)	(6,907,546)
Propco debt loan	(8,332,218)	(6,668,853)
	(15,066,988)	(13,576,399)
Repayments in the year	2,447,029	8,954,536
Closing balance	(12,619,959)	(4,621,863)
Closing balance	(188,393,348)	(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.

18. Bank and shareholder loan changes from financing activities

	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.

19. Share capital

	2017	2016
Authorised	£	£
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

	2017	2016
Allotted, called up and fully paid	£	£
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

	2017	2016
	£	£
As at 31 December 2017 and 31 December 2016	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:

	2017	2016
	£	£
Within one year	1,825	1,825
Between one and five years	7,300	7,300
In over five years	93,075	94,900
	102,200	104,025

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 instruments

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 £6.6M (2016, £6.7M) and its cash and deposit balances of £41.80M (2016, £17.00M). The vast majority of the trade and other receivables relates to escrow accounts and VAT with minimum 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.

22. Financial instruments (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 2017.

	Profit or loss, net of tax	**Equity, net of tax**
	£	£
Decrease in LIBOR by 0.5%	379,413	379,413
Increase in LIBOR by 0.5%	(379,413)	(379,413)

The comparative figures for 2016 were +/- £184,171 (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 2017 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 instruments (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 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 2017	**As at 31 December 2016**
	£	**£**
Loans and receivables:		
Cash and cash equivalents	27,623,865	7,501,368
Restricted cash deposits	14,212,408	9,500,000
Trade and other receivables	6,589,211	6,745,364
Financial liabilities:		
Trade and other payables: current	(3,724,366)	(4,166,650)
Trade and other payables: non-current	(247,790)	-
Shareholder loans: non-current	(188,393,348)	(210,278,253)
Bank borrowings: non-current	(74,393,011)	(37,095,316)
Net position	(218,333,031)	(227,793,487)

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.

22. Financial instruments (continued)
Maturity analysis for financial liabilities

	Less than 1 year 2016	Between 2 and 5 years 2016	Total 2016
Trade and other payables	4,166,650	-	4,166,650
Shareholder loans: non-current	-	210,278,253	210,278,253
Shareholder loans: future interest	10,445,125	32,041,635	42,486,760
Bank borrowings: non-current	-	37,095,316	37,095,316
Bank borrowings: future interest	2,090,995	3,231,883	5,322,878
	16,702,770	282,647,087	299,349,857

	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 is that total equity is positive.

Total equity was as follows:	2017 £	2016 £
Total shareholder equity	17,407,690	19,889,493

Notes to the financial statements

For the year from 1 January 2017 to 31 December 2017

24. Related party transactions

	Period from 8 July 2015 to 31 December 2016 £	Receivable/ (payable) 2016 £
Meyer Homes Limited (Affiliated entity)		
- Development management fees	(2,295,143)	
- Accounts receivable		-
Meyer Bergman (Guernsey) Limited (Affiliated entity)		
- 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)	
- Accounts payable		-
Abacus Concept 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)	

	Year 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

24. Related party transactions (continued)

Details of the shareholder loans are disclosed in note 17.

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

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.

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.