
BL DEVELOPMENT LIMITED

**DIRECTORS' REPORT AND AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

BL DEVELOPMENT LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

CONTENTS

	Page
General Information	1
Directors' Report	2 - 3
Independent Auditor's Report	4 - 9
Statement of Comprehensive Income	10
Statement of Financial Position	11
Statement of Changes in Equity	12
Statement of Cash Flows	13
Notes to the Financial Statements	14 - 24

**BL DEVELOPMENT LIMITED
GENERAL INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2017**

DIRECTORS

Karen Jane Benest
Richard John Stobart Prosser
William Patrick Jones
Brendan Dowling
Melanie McEnery
Jassim Mohamed Alseddiqi

COMPANY SECRETARY

Estera Secretaries (Jersey) Limited
13-14 Esplanade
St Helier
Jersey
Channel Islands
JE1 1EE

REGISTERED OFFICE

13-14 Esplanade
St Helier
Jersey
Channel Islands
JE1 1EE

COMPANY NUMBER

117154 (registered in Jersey)

ADMINISTRATOR

Estera Trust (Jersey) Limited
13-14 Esplanade
St Helier
Jersey
Channel Islands
JE1 1EE

AUDITOR

Deloitte LLP
PO Box 137
Regency Court
Gategny Esplanade
St Peter Port
Guernsey
GY1 3HW

LEGAL ADVISORS

Appleby
13-14 Esplanade
St Helier
Jersey
Channel Islands
JE1 1BD

DEVELOPMENT MANAGER

Northacre Plc.
8 Albion Riverside
8 Hester Road
London
SW11 4AX

PRINCIPAL BANKERS

Barclays Private Clients International Ltd
Barclays House
Victoria Street
Douglas
Isle of Man
IM99 1AJ

First Abu Dhabi Bank PJSC (formerly
National Bank of Abu Dhabi PJSC)
One Knightsbridge
London
SW1X 7LY

PROPERTY VALUER

Jones Lang LaSalle Ltd
30 Warwick Street
London
W1B 5NH

INVESTMENT MANAGER

ADCM Ltd
Codan Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
P.O.Box 2681
George Town, Grand Cayman

FINANCIAL ADVISOR

Integrated Alternative Finance Limited
Dubai International Financial Centre
Dubai, United Arab Emirates
P.O.Box 482095

**BL DEVELOPMENT LIMITED
DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2017**

The Directors present the annual report of BL Development Limited (the "Company") and the audited financial statements of the Company for the year ended 31 December 2017.

Incorporation

The Company was incorporated and is domiciled in Jersey, Channel Islands as a private limited company (registration number 117154) on 21 November 2014.

Principal activities

The principal activity of the Company is to develop the property situated at 8-10 Broadway, London, SW1H 0BG. The Property is currently under construction.

Results and dividends

The Statement of Comprehensive Income for the year is set out on page 10. The Company has generated a total comprehensive loss of £10,443,058 (2016: loss of £4,274,849) for the year ended 31 December 2017. The Company made a distribution of £nil (2016: £nil) during the year.

Directors

The directors who held office throughout the period and up to the date of approving the financial statements were:

Karen Jane Benest
Richard John Stobart Prosser
William Patrick Jones
Brendan Dowling
Melanie McEnery
Jassim Mohamed Alseddiqi

Independent auditor

Deloitte LLP was appointed as independent auditor and have expressed its willingness to continue in office. A resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Company Secretary

Estera Secretaries (Jersey) Limited served as company secretary during the year.

Going Concern

The directors have prepared these financial statements using the going concern assumption. The directors consider this to be appropriate as the Company has undertaken a property development project analysis and have considered both the external and internal financing available which is sufficient to cover the budgeted costs to complete the project. The directors have also considered the Company's cash position and its compliance with the banking and loan covenants in their assessment. A directors' valuation of the property as at 31 December 2017 was performed which indicated that on completion, should the property be sold, it would generate sufficient cash return to allow for the full repayment of the current related party and external financing plus associated finance costs provided to the Company, see note 4 for further information. Consequently, the directors are satisfied that the Company will be able to meet its liabilities as they fall due.

Registered office

The registered office of the Company on 31 December 2017 and up to the date of approving the financial statements was 13-14 Esplanade, St Helier, Jersey, JE1 1EE, Channel Islands.

BL DEVELOPMENT LIMITED
DIRECTORS' REPORT (continued)
FOR THE YEAR ENDED 31 DECEMBER 2017

Statement of Directors' responsibilities

The directors are responsible for preparing the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board. The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that year.

International Accounting Standard 1 requires that financial statements present fairly for each financial year the company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and presentation of financial statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs. However, directors are also required

- properly select and apply accounting policies;
- make judgements and estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the company's ability to continue as a going concern.


The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies (Jersey) Law 1991. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to Auditor

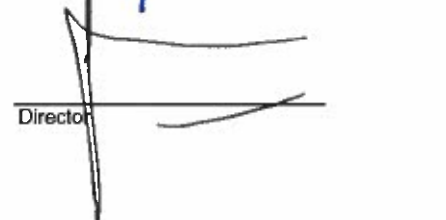
So far as the directors of the Company are aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the Company auditors are aware of that information.

The financial statements herein comprise the financial results of the Company for the year ended 31 December 2017.

Signed on behalf of



Director



Director

28 September 2018
Date

28 September 2018
Date

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BL DEVELOPMENT LIMITED

Report on the audit of the financial statements

Opinion

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB); and
- have been properly prepared in accordance with the Companies (Jersey) Law 1991.

We have audited the financial statements of BL Development Limited (the 'Company') which comprise:

- the statement of comprehensive income;
- the statement of financial position;
- the statement of changes in equity;
- the statement of cash flows; and
- the related notes 1 to 16.

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as issued by the International Accounting Standards Board (IASB).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: <ul style="list-style-type: none">• <i>Recognition of development costs</i>• <i>Valuation of development property</i>
Materiality	The materiality that we used in the current year was £2.9m which was determined on the basis of 3% of net assets.
Scoping	Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

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

We have nothing to report in respect of these matters.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Recognition of development costs

Key audit matter description



The Company has classified the property as development property, with a carrying amount of £479.0m (see note 5 to the financial statements), rather than as investment property in accordance with the provision of the International Accounting Standard (IAS) 40 'Investment property'. IAS 40 requires property that is under development and held for resale on completion to be classified in accordance with IAS 2 'Inventories'.

The Company continues to capitalise the costs incurred in relation to developing the property and financing costs associated with the loan facilities obtained to finance the development.

There is a risk of material misstatement that costs capitalised may not meet the recognition criteria in terms of IAS 2. Incorrect recognition could result in a material misstatement of the carrying value of the development property.

Further details are included within note 5 to the financial statements.

How the scope of our audit responded to the key audit matter



Our procedures on testing the recognition of development costs included:

- We evaluated the design and implementation of key management controls over the process for recognising development property costs;
- We have performed test of details on a sample of the costs that have been capitalised during the year, agreement to supporting documentation and verified that they were appropriately recognised in terms of IAS 2;
- We reconciled development cost recorded in the general ledger to the monthly project manager report obtained;

- We have performed a substantive analytical review of the budget development costs in comparison with the actual development costs capitalised and investigated significant variations; and
- We have recalculated the borrowing costs on loan facilities for the year and compared this to borrowing costs capitalised to development property.

Key observations



Based on our audit work, we concur with the directors that the costs recognised and capitalised to development property are appropriate.

Valuation of development property

Key audit matter description



The development property, with a carrying amount of £479.0m, is held as inventory under IAS 2. IAS 2 requires that such inventory should be valued at the lower of cost (carrying value) and net realisable value ('NRV'). (See note 2, 4 and 5 to the financial statements). Assessing the development property's NRV remains a highly judgemental area due to the range of assumptions involved in the valuation process.

We also note the Company did not undertake an independent valuation of the development property at 31 December 2017. The directors have evaluated the development property's NRV based on management's assessment.

There is a risk of material misstatement that management's inputs, assumptions and judgements (specifically the Gross Development Value ('GDV'), costs to complete the development, including contingencies, finance costs and the expected profit margin), applied in determining NRV may be inappropriate, and that the NRV is lower than cost which could indicate an impairment in the carrying value of the development property held at 31 December 2017.

How the scope of our audit responded to the key audit matter



Our procedures on testing the measurement and valuation of development property included:

- We evaluated the design and implementation of key management controls over the development property valuation process;
- We have obtained management's assessment on the development property NRV at 31 December 2017;
- We assessed whether management have the required skill and expertise to undertake the assessment;
- We have challenged the valuation process and input assumptions used by management;
- We have tested inputs and assumptions against available market data and management information on a sample basis;
- We engaged with our Real Estate Valuations specialists, management and the property's development manager, to discuss and challenge the development property valuation process, significant assumptions and critical judgement areas. During these

meetings, we held detailed discussions with regards to progress of the project and any major variations to the last development budget or where significant judgement was required in the valuation; and

- We have assessed the reasonableness of the development property's gross development value determined against the value of the most recent individual unit exchanges.

Key observations



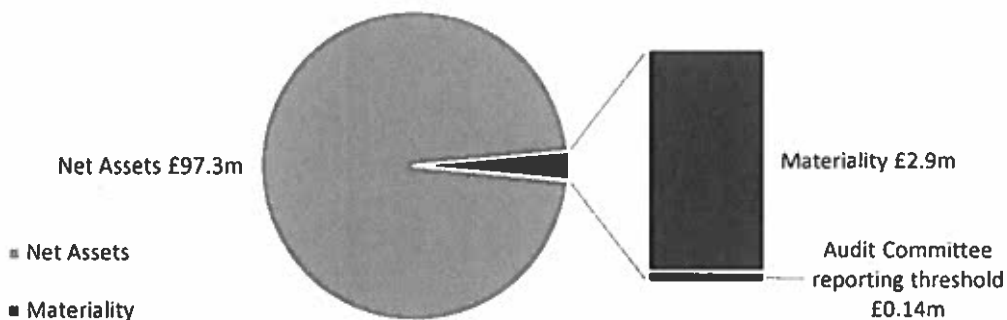
Based on our audit work, we note that the NRV of the development property lies within a reasonable range of estimates, and we concur with the directors' assessment that the development property's carrying amount is measured appropriately in accordance with IAS 2.

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Materiality	£2.9m
Basis for determining materiality	3% of Net Asset Value ('NAV')
Rationale for the benchmark applied	Net Asset Value is the Key Performance Indicator of the Company. The holders of equity are interested in capital appreciation of their investment, thus NAV is appropriate.



We agreed with the Board of Directors that we would report to the Board all audit differences in excess of £147,000, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Board of Directors on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit

Our audit was scoped by obtaining an understanding of the Company and its environment, including internal control and assessing the risks of material misstatement. Our audit scope included the assessment of the design and implementation of accounting processes and controls in place at the third party accounting service provider. Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements of the Company, taking account of the structure of the Company.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report including the Director's Report, Statement of director's responsibilities in respect of the financial statements other than the financial statements and our auditor's report thereon.

We have nothing to report in respect of these matters.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

Responsibilities of directors

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Article 113A of the Companies (Jersey) Law, 1991. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

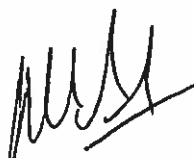
Report on other legal and regulatory requirements

Matters on which we are required to report by exception

Under the Companies (Jersey) Law, 1991 we are required to report to you if, in our opinion:

- proper accounting records have not been kept, or proper returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.



Joseph Michael De Robillard, ACA CA(SA)
For and on behalf of Deloitte LLP
Guernsey, Channel Islands
28 September 2018

BL DEVELOPMENT LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017

		Year ended 31.12.2017	Year ended 31.12.2016
	Notes	£	£
Expenditure			
Advertising and marketing		1,556,658	-
Travel and subsistence		75,475	-
General expenses		628	38,076
Rental expenses		266,828	-
Service charge		26,884	14,632
Insurance		309,786	15,163
Administration and accountancy fees		164,856	76,090
Annual fees		15,509	1,435
Legal and professional fees		213,361	-
Audit fees		57,207	10,000
Investment management fees		4,125,000	4,125,000
Bank charges		2,661	2,306
Depreciation	11	914,083	-
Foreign exchange		1,223	2,101
		<u>7,730,159</u>	<u>4,284,803</u>
Operating loss for the year		<u>(7,730,159)</u>	<u>(4,284,803)</u>
Finance cost-unrealised loss on derivative financial liability		(2,767,157)	(348)
Finance income - cash and cash equivalents		54,258	10,302
Loss before tax		<u>(10,443,058)</u>	<u>(4,274,849)</u>
Tax	3	-	-
Total comprehensive loss for the year		<u><u>(10,443,058)</u></u>	<u><u>(4,274,849)</u></u>

The above results have been derived from continuing operations.

The notes on pages 14 to 24 form part of these financial statements


**BL DEVELOPMENT LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017**

	Notes	2017 £	2016 £
Assets			
Cash and cash equivalents	6	281,341	100,069
Restricted cash	6	9,125,000	14,125,000
Trade and other receivables	7	1,805,353	12,399,847
Development property	5	478,989,157	409,700,086
Property, plant and equipment	11	1,828,166	-
Total assets		<u>492,029,017</u>	<u>436,325,002</u>
Equity			
Share capital	8	119,030,102	108,446,579
Accumulated losses		(18,942,180)	(8,499,122)
Total capital and reserves		<u>100,087,922</u>	<u>99,947,457</u>
Liabilities			
Trade and other payables	9	2,139,166	2,016,285
Derivative financial liability	10	2,767,157	-
Loans and borrowings	10	387,034,772	334,361,260
Total liabilities		<u>391,941,095</u>	<u>336,377,545</u>
Total equity and liabilities		<u>492,029,017</u>	<u>436,325,002</u>

The financial statements were approved and authorised for issue by the board of directors of BL Development Limited and signed on their behalf by:


Director

28 September 2018.
Date


Director

28 September 2018
Date

The notes on pages 14 to 24 form part of these financial statements

**BL DEVELOPMENT LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017**

	Notes	Share capital £	Accumulated losses £	Total £
Shareholders' equity at 1 January 2016		2	(4,224,273)	(4,224,271)
Issue of share capital	8	108,446,577	-	108,446,577
Total comprehensive loss for the year		-	(4,274,849)	(4,274,849)
Shareholders' equity at 31 December 2016		<u>108,446,579</u>	<u>(8,499,122)</u>	<u>99,947,457</u>
Shareholders' equity at 1 January 2017		108,446,579	(8,499,122)	99,947,457
Issue of share capital	8	10,583,523	-	10,583,523
Total comprehensive loss for the year		-	(10,443,058)	(10,443,058)
Shareholders' equity at 31 December 2017		<u>119,030,102</u>	<u>(18,942,180)</u>	<u>100,087,922</u>

The notes on pages 14 to 24 form part of these financial statements

**BL DEVELOPMENT LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2017**

	Notes	Year ended 31.12.2017 £	Year ended 31.12.2016 £
Cash flows from operating activities			
Operating loss for the year		(7,730,159)	(4,284,803)
Depreciation charge for the year		914,083	-
Changes in working capital:			
Increase in development property		(47,821,099)	(17,159,331)
Increase/(Decrease) in trade and other payables		122,881	(352,696,465)
Decrease/(increase) in trade and other receivables		10,594,494	(12,330,309)
Cash utilised in operating activities		<u>(43,919,800)</u>	<u>(386,470,908)</u>
Interest received		54,260	10,302
Interest paid		(15,271,601)	(1,368,114)
Net cash flows utilised in operating activities		<u>(59,137,141)</u>	<u>(387,828,720)</u>
Cash flows from investing activities			
Increase in property, plant and equipment		(2,742,249)	-
Net cash flows from investing activities		<u>(2,742,249)</u>	<u>-</u>
Cash flows from financing activities			
Drawdown of loans payable	10	46,477,140	334,361,260
Repayment of loan payable		-	(36,999,998)
Interest on financing activities		-	(530,418)
Redemption of preference shares		-	(3,500,000)
Issue of ordinary shares	8	10,583,523	108,446,577
Net cash flows from financing activities		<u>57,060,663</u>	<u>401,777,421</u>
Net (decrease)/increase in cash and cash equivalents		(4,818,727)	13,948,701
Cash and cash equivalents brought forward		14,225,069	276,368
Cash and cash equivalents as at 31 December		<u><u>9,406,342</u></u>	<u><u>14,225,069</u></u>

The notes on pages 14 to 24 form part of these financial statements

**BL DEVELOPMENT LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

1. GENERAL INFORMATION

BL Development Limited (the 'Company') was incorporated on 21 November 2014 and is domiciled in Jersey, Channel Islands as a private limited company. The principal activity of the Company is to develop property situated at 8-10 Broadway, London, SW1H 0BG. The property is currently under early stages of construction and is not generating any revenue.

2. ACCOUNTING POLICIES

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS"), which comprise standards and interpretations approved by the International Accounting Standards Board (the "IASB") and International Standards and Standing Interpretations Committee interpretations approved by the International Accounting Standards Committee ('IASC') that remain in effect. There are no new or revised standards, which affect presentation and disclosure that have been adopted in the current period and which have affected the amounts reported and disclosed in the financial statements.

Accounting convention

The financial statements are prepared on a going concern basis under the historical costs convention amended for fair value of derivatives. The financial statements are presented in pounds sterling being the currency of the primary economic environment in which the Company operates.

Going concern

The directors have prepared these financial statements using the going concern assumption. The directors consider this to be appropriate as the Company has undertaken a property development project analysis and have considered both the external and internal financing available which is sufficient to cover the budgeted costs to complete the project. The directors have also considered the Company's cash position and its compliance with the banking and loan covenants in their assessment. A directors' valuation of the property as at 31 December 2017 was performed which indicated that on completion, should the property be sold, it would generate sufficient cash return to allow for the full repayment of the current related party and external financing plus associated finance costs provided to the Company, see note 4 for further information. Consequently, the directors are satisfied that the Company will be able to meet its liabilities as they fall due.

Adoption of new and revised standards

New standards and interpretations not yet adopted

New standards and amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2018, and have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the financial statements of the Company, except the following:

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The Company has assessed the impact of IFRS 9 and it is not expected to have any significant impact.

IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted, subject to EU adoption. The Company continues to assess the impact of IFRS 15 but is not expected to have any significant impact until the completion of the project when revenue will be recorded.

BL DEVELOPMENT LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2017

2. ACCOUNTING POLICIES (continued)

Critical accounting judgements and key sources of estimation uncertainty

The preparation of the financial statements in conformity with applicable accounting standards and applicable law requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going 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 - see note 4 "Critical Accounting Estimates and Assumptions".

Development Property

The property has been classed as a development property rather than an investment property in accordance with the provision of IAS 40 'Investment property'. IAS 40 requires property that is under development and held for resale on completion to be classified in accordance with IAS 2 'Inventories'.

Development property is carried at the lower of cost and the directors' estimate of its net realisable value.

Costs include, but are not limited to deposits, consultancy, materials, direct labour, attributable financing costs, and overhead expenses appropriate to the relevant stage of completion. An item of development property is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated between the net disposal proceeds and the carrying amount of the item) is included in the statement of comprehensive income in the year the item is derecognised. Net disposal proceeds consist of consideration received less directly attributable selling costs.

Revenue Recognition

Revenue from sales is stated exclusive of VAT and only recognised when it can be reliably measured and when the significant risks and rewards of ownership have been transferred to the buyer. No revenue has been recognised in the year as the risks and rewards of ownership have not been passed to the property buyers.

Trade and other receivables

Trade and other receivables are stated at cost less impairment losses.

Loans payable

Loans payable are measured initially at cost being the fair value of the consideration received net of issue costs associated with the borrowing. After initial recognition, interest bearing loans are measured at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement. Gains and losses are recognised in the statement of comprehensive income when the liabilities are derecognised, as well as through the amortisation process. Borrowing costs are capitalised following IAS 23 'Borrowing costs'.

Borrowing costs

Interest incurred on the loans payable used to finance the development of the Company's property is being capitalised as part of development costs. The Company does not incur any other interest costs that qualify for capitalisation on an accruals basis using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less. Cash and cash equivalents are measured at amortised cost.

Interest income

Interest income on cash and cash equivalents is recognised in the statement of comprehensive income when earned.

Property, plant and equipment

Items of property, plant & equipment are initially recognised at cost. Subsequent measurement is based on cost less accumulated depreciation.

Depreciation is provided on all items of property, plant & equipment so as to write off their carrying value over their expected useful economic lives. It is provided at the following rates:

BL DEVELOPMENT LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2017

2. ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

Marketing Suite 3 years straight line

On disposal of the asset any gain or loss is recognised in the Statement of Comprehensive Income.

Derivative financial liability

Derivative financial liabilities are carried in the statement of financial position at fair value with changes in fair value recognised in the statement of comprehensive income. The Company does not hold or issue derivative instruments for speculative purposes. The Company does not have any liabilities held for trading nor has it designated any other financial liabilities as being at fair value through profit or loss.

Trade and other payables

Trade and other payables are recognised and stated at amortised cost.

Income and expenses

Income and expenses are included in the statement of comprehensive income on an accruals basis. All of the Company's income and expenses are derived from continuing operations.

Deferred tax policy

Deferred income tax assets in respect of capital losses, trading losses and non-trade deficits are recognised when their future recovery is reasonably certain. The Company has accounting losses available for carry forward and offset against future profit on the development of approximately £18,942,180 (2016: £8,499,122) and has taxable losses of £250,919 as at 31 December 2016 being the last year of assessment.

The Directors are currently of the opinion that the timing of future profitability of the Company is not sufficiently determinable at the accounting reference date to justify any recognition of a deferred tax asset. However they will continue to monitor this in future accounting periods.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates applicable to the company that have been enacted or substantively enacted by the end of the reporting period.

3. TAXATION

Current tax is expected tax payable on the taxable income for the period, using tax rates applicable at the statement of financial position date, together with any adjustment in respect of previous periods.

The Company is a Jersey company and suffers tax at the standard rate in Jersey of 0%. The Company is liable to corporation tax in the UK from 5 July 2016 on the profits attributable to the development of its UK based property at a rate of 19%. Reductions to the UK rate of corporation tax have been enacted with the rate being reduced to 17% by April 2020. The Company generated no profit in the year.

4. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

Management makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates, assumptions and management judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

Development Property

The classification and valuation of the development property and the associated accounting treatment was an area of judgement in the preparation of the financial statements. Development property represents 8-10 Broadway, London SW1H 0BG. Practical completion is expected in Q4 2021.

The last independent valuation was performed by Jones Lang LaSalle ("JLL") in October 2016. This valued the property at £370,000,000 were the site to be sold at that time. Management as well as the Lenders on the development decided not to commission an independent valuation on the property as at 31 December 2017 since they considered that there had not been any significant changes that would adversely impact on the valuation and security of the loans. The directors have however, performed their own assessment of the net realisable value ('NRV') of the property and have arrived at an NRV of £654,896,181, which exceeds the current carrying value as at 31 December 2017.

BL DEVELOPMENT LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2017

4. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (continued)

Development Property (continued)

The directors' valuation assessment considered a gross development value of £1,368,198,555, on the basis of units already exchanged, currently under offer and the current asking price for the remaining units available, net of purchasers costs. This compared to JLL gross development value of £1,173,120,000 in their October 2016 valuation. In arriving at the property's net realisable value, the directors took into account the remaining cost to complete the development, current financing costs and expected developer's profit. Furthermore, the directors have stress tested the sales value of unsold units forecasted by the Company by 10% which still results in a net realisable value which is higher than the current cost as at 31 December 2017. Accordingly, the directors are satisfied with the development property's carrying value of £478,989,157 as at 31 December 2017 and that being appropriately held at the lower of cost or net realisable value.

At 31 December 2017 the Company has entered into agreements to dispose of 4 apartments (2016:nil) (at a combined value of £11,555,990). Deposits of £1,118,099 are held by the Company's legal advisors on escrow in connection with the sales. No amounts have been recognised by the directors in connection with these sales in these financial statements, as in their opinion, the risks and rewards of ownership do not transfer to the purchaser until final completion of the development. There were two further sales in January and April 2018 for a total value of £6.65m.

In the event that the Company were to make a qualifying disposal of the development property, or of its own shares, it could be liable to pay a claw back to the Mayor's Office for Policing and Crime ("MOPAC"). The restructuring of the ownership of the Company during the prior year did not meet the definition of a qualifying disposal, and no amount is therefore payable to MOPAC for this transaction. MOPAC gave their consent to this restructuring.

Fair Value of Derivative

The classification and valuation of the derivative financial liability and the associated accounting treatment was an area of judgement in the preparation of the financial statements. The derivative financial liability represents an interest rate swap entered into in accordance with the terms of the First Abu Dhabi Bank (FAB) financing facility (see note 10).

The fair value utilised by the directors has been determined by FAB, the swap and loan facility provider. The value has been determined by use of a discounted cash flow model. FAB determined the fair value including assumptions of the anticipated future value of 3M LIBOR, the floating rate, which has been exchanged for a fixed 1.25% rate. The fair value includes accrued interest. The directors have reviewed the valuation basis prepared and are satisfied that the calculation of fair value is reasonable.

5. DEVELOPMENT PROPERTY

	Note	<u>2017</u>	<u>2016</u>
		£	£
Cost			
At 1 January		409,700,086	391,172,989
Development costs		42,364,560	12,312,702
Finance costs	10	26,924,511	6,214,395
At 31 December		<u>478,989,157</u>	<u>409,700,086</u>
Carrying value at 31 December		<u>478,989,157</u>	<u>409,700,086</u>

See note 4 for more information for the basis of the directors' assessment of carrying value of the development property.

6. CASH AND CASH EQUIVALENTS

	<u>2017</u>	<u>2016</u>
	£	£
Barclays Private Clients International Limited	218,466	90,439
First Abu Dhabi Bank ('FAB') (formerly NBAD)-restricted	9,187,875	14,134,630
	<u>9,406,341</u>	<u>14,225,069</u>

As part of the financing facility provided by FAB, the Company has two obligations (1) the Equity Reserve account balance of £10,000,000 with FAB must be maintained until the affordable housing payment has been made, then reduces to £5,000,000 and (2) Mezzanine Current Pay account-requirement of 9 months (5.5%) deposited on reserve at all times which equates to £4,125,000. The use of this cash balance is restricted in line with the specifications of the Facility Agreement with FAB and the subscription agreement executed with MDC Real Estate Hospitality Holding Company. During the year the affordable housing payment was made and as a result the amount of restricted cash held fell from £14,125,000 at 31 December 2016 to £9,125,000 at 31 December 2017.

BL DEVELOPMENT LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2017

7. TRADE AND OTHER RECEIVABLES

	<u>2017</u>	<u>2016</u>
	£	£
Prepayments	831,345	308,854
Prepaid finance fees	-	11,402,692
Amounts held by 3rd parties in client accounts	179,680	-
VAT recoverable	794,328	688,301
	<u>1,805,353</u>	<u>12,399,847</u>

Finance costs of £nil (2016: £11,402,692) associated with the development facility that have been paid in advance of drawdown have been accounted for as a prepayment.

8. SHARE CAPITAL

	<u>2017</u>	<u>2016</u>
	£	£
<i>Authorised</i>		
Unlimited no par value shares	<u>-</u>	<u>-</u>
<i>Issued</i>		
119,030,102 (2016: 108,446,579) ordinary shares of £1 value each	<u>119,030,102</u>	<u>108,446,579</u>

On 9 February 2016, the Company restructured. The restructuring resulted in the Company's shares previously held by Abu Dhabi Financial Group ('ADFG') being sold to a BLD Partners LP, a Cayman LP The General Partner to the Cayman LP is a Cayman GP which is wholly-owned by Abu Dhabi Capital Management Ltd ("ADCM"). The Cayman LP subscribed for 48,499,998 ordinary shares in the Company, the proceeds of which were used to redeem the preference shares previously in issue and repay the loan due to Abu Dhabi Financial Group LLC. The Cayman LP subsequently subscribed for 5,495,579 ordinary shares in the Company.

On 13 October 2016 the total ordinary share capital was transferred from the Cayman LP to BLD Holdings Limited, a Jersey registered company. Subsequently an additional 54,551,000 ordinary shares were issued by the Company to BLD Holdings Limited during 2016.

During the current year the Company issued an additional 10,583,523 ordinary shares to BLD Holdings Limited for cash consideration.

9. TRADE AND OTHER PAYABLES

	<u>2017</u>	<u>2016</u>
	£	£
Trade creditors	83,373	150,305
Development costs & property cost	1,563,358	1,865,980
Professional fees	243,735	-
Insurance	248,700	-
	<u>2,139,166</u>	<u>2,016,285</u>

10. LOANS PAYABLE

		<u>2017</u>	<u>2016</u>
		£	£
<i>Loans from related parties</i>			
BLD Mezzanine Partners LP - Loan Notes B	10.1	<u>50,790,796</u>	<u>48,178,682</u>
		<u>50,790,796</u>	<u>48,178,682</u>
<i>External loans</i>			
Old Bill LP - Loan Notes A	10.1	53,932,494	51,158,807
First Abu Dhabi Bank - Facility A	10.2	235,991,085	235,023,771
First Abu Dhabi Bank - Facility B	10.2	46,320,397	-
		<u>336,243,976</u>	<u>286,182,578</u>

10.1 On 31 October 2016, the Company issued A and B secured notes. The notes bear interest at 11% per annum, 5.5% is payable semi-annually on the 30 April and 31 October and the accrued interest of 5.5% is compounded monthly and due at the Termination date. The notes and interest is payable in full on 28 October 2022. Finance costs of £2,330,073 have been included and are being amortised using the effective interest rate method over the life of the loan. Interest, including finance costs of £11,012,781 (2016: £1,667,567) have been recognised and capitalised into the value of the development property during the year. On 19 April 2017, the Company admitted to the Official List of The International Stock Exchange £51,500,000 variable rate secured A notes and £48,500,000 variable rate secured B notes. Both A and B notes are due in 2022.

BL DEVELOPMENT LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2017

10. LOANS PAYABLE (continued)

The following loan covenants are included in the terms of the loans with Old Bill LP and BLD Mezzanine Partners LP:

- The Company is to ensure that the total of the secured notes does not, during the period beginning on the initial Note Closing Date and ending on the date falling 12 months after the initial Note Closing Date, exceed 92% of the value of the property; and at all other times, exceed 80% of the gross development value of the property,

- The total borrowing of the Company must not exceed 80% of gross development cost,

- The Borrower is to ensure that the Project is fully funded at all times to achieve practical completion of the Project, and

- The Company must ensure that by 31 December 2018, not less than 30% (31 December 2019 35%, 31 December 2020 40%, and by practical completion 50%) of the Units at the Property have been disposed of pursuant to valid, binding and enforceable Agreements for Lease.

- December 2017 sales milestone was waived by both lenders.

Gross development costs as defined in the subscription agreement, as at 31 December 2017 total £506,989,769 (2016: £417,703,508) and borrowing totals £387,034,773 (2016: £334,361,260) giving a ratio of 76.3% (2016: 80.0%), the project is fully funded, see cash reserve restrictions disclosed in note 6.

10.2 The Company has signed a loan financing facility for the development of the property with FAB. The total facility was for £700,000,000 which, is divided between an acquisition facility (Facility A) of £240,500,000 and a development facility (Facility B) of £459,500,000. Finance costs of £17,027,607 (2016: £5,624,915) have been included and are being amortised using the effective interest rate method over the life of the loan. Finance costs and interest of £10,234,810 (2016: £1,516,452) have been recognised and capitalised into the value of the development property during the year. Non-utilisation fees of £5,456,539 (2016: £2,732,928) have also been recognised and capitalised into the value of the development property during the year.

During the year the Company made total drawdowns of £nil (2016: £240,500,000) from Facility A and £46,477,140 (2016: £nil) from Facility B provided by FAB.

Both A and B Facilities are to be repaid by 20 March 2022 (the termination date).

Interest repayments and maturity

Interest is payable quarterly in arrears and on the Termination Date. Interest is payable at 3 month LIBOR plus a margin of 3.25% for the acquisition facility and 3.50% for the development facility.

Security and limited recourse

The loans are secured against the underlying property known as 8-10 Broadway, London SW1H 0BG.

Loan Covenants

The following loan covenants are included in the terms of the loan with the FAB:

- The total facility amount is not to exceed 65% of the gross development value of the property,

- The total facility amount is not to exceed 65% of gross development costs,

- The Company must ensure that the loan to value does not exceed 65%,

- The Company must ensure that by 31 December 2018, not less than 30% (31 December 2019 35%, 31 December 2020 40%, and by practical completion 50%) of the Units at the Property have been disposed of pursuant to valid, binding and enforceable Agreements for Lease,

- December 2017 sales milestone was waived by both lenders.

- The Borrower is to ensure that the Project is fully funded at all times to achieve practical completion of the Project,

- The Company will maintain a minimum amount of £10,000,000 prior to affordable housing payment which is expected to be paid in 2018 and thereafter £5,000,000 must be maintained in its account with the FAB at all times,

- The Company will deliver audited financial statements to the FAB within 150 days of each year end, and

- The Company will enter into a hedging arrangement within 120 days of the agreement of the facility. This swap agreement has been entered into during the year, see below for terms of the agreement.

In accordance with the loan covenants the Company entered into a hedging arrangement with FAB London effective from 10 April 2017. Under the terms of the arrangement the Company will pay a fixed rate of 0.5% and will receive a floating 3 month GBP Libor rate based on the initial notional amount of £240,500,000. The fair value of this derivative financial liability at 31 December 2017 is £2,767,157 (2016: £nil). Interest of £220,381 has been recognised and capitalised into the value of the development property during the year.

Gross development costs as defined in the facility agreement, for the year ended 31 December 2017 total £501,362,788 (2016: £417,703,508) and the loan facility totals £286,944,140 (2016: £240,500,000) giving a ratio of 57.21% (2016: 57.6%), the project is fully funded, see cash reserve restrictions disclosed in note 6.

The Company was not in breach of any of its financial covenants during the year and at 31 December 2017.

BL DEVELOPMENT LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2017

11. PROPERTY, PLANT, EQUIPMENT

	Marketing office £
Cost	
As 1 January 2017	-
Additions	2,742,249
At 31 December 2017	<u>2,742,249</u>
Depreciation	
As 1 January 2017	-
Charge for year	914,083
At 31 December 2017	<u>914,083</u>
Net book value as at 31 December 2017	<u><u>1,828,166</u></u>

During the year, the company constructed a marketing suite and show apartment to attract buyers and show-case the apartments. The construction cost of the marketing suite and show apartment was £2,742,249 net of VAT. The directors estimated the residual value of the marketing office to be £nil at the practical completion date.

12. RELATED PARTY TRANSACTIONS

William Patrick Jones, Karen Jane Benest, Melanie McEnery, Richard John Stobart Prosser and Brendan Dowling, who are directors of the Company are also directors of the sole shareholder and officers of Estera Secretaries (Jersey) Limited and Estera Fund Administrators (Jersey) Limited, which act as Company Secretary and administrator to the Company. Administration, accounting and legal and professional fees incurred by the Company with Estera Fund Administrators (Jersey) Limited for the year ended 31 December 2017 were £178,923 (2016: £181,494) of which £43,451 was outstanding at 31 December 2017 (2016: £77,525).

Jassim Mohamed Alseddiqi, a director of the Company was also a director of Integrated Alternative Finance, which provides financial advisory services to the Company; and was a director and is an indirect shareholder of Northacre Plc. (Northacre), the Development Manager of the Company. N Studio Limited is a wholly owned subsidiary of Northacre, which provides interior design service to the Company. Jassim Mohamed Alseddiqi resigned as a director of Integrated Alternative Finance and Northacre in December 2016. Jassim Mohamed Alseddiqi is also on the board of First Abu Dhabi Bank with whom the Company has received development loans. See note 10 for details.

The Company has capitalised £2,500,000 (2016: £1,747,667) into the value of the development property as fees paid to Northacre. At 31 December 2017 £nil (2016: £nil) remained outstanding to Northacre. In addition £101,482 (2016: £nil) has been expensed as professional fees of which, £nil (2016: £nil) remains outstanding at 31 December 2017.

The Company has capitalised £590,000 (2016: £nil) into the value of the property, plant and equipment for the marketing suite as fees paid to N Studio Limited. At 31 December 2017 £nil (2016: £nil) remained outstanding to N Studio Limited.

Integrated Alternative Finance (IAF) is a subsidiary of ADFG which previously was the sole holder of the ordinary shares in the Company. IAF were paid £48,069 (2016: £6,000,000) during the year for debt advisory services provided to the Company.

ADCM Ltd is also a subsidiary of ADFG which previously was the sole holder of the ordinary shares in the Company. ADCM Ltd in its role as investment manager is due a fee of 1.375% (decreased from 1.5% on the increase of the capital committed from £275,000,000 to £300,000,000) of capital committed subject to a minimum charge of £4,125,000 per annum, during the year a fee of £4,125,000 (2016: £4,125,000) was accrued and paid.

See details on loans with related parties disclosed in note 10.

13. ULTIMATE CONTROLLING PARTY

The immediate shareholder of the Company is BLD Holdings Limited, the parent company. BL Development LP holds all the interest in BLD Holdings Limited whose economic returns are received by the limited partners, but which is controlled on a day to day operating basis by its general partner, which is ultimately owned by Abu Dhabi Financial Group LLC ('ADFG'). Consequently, in the opinion of the directors the ultimate controlling party is ADFG.

14. COMMITMENT AND CONTINGENCIES

In accordance with the Overage Deed dated 31 October 2016, the Company is subject to pay an overage payment to the Mayor's Office for Policing and Crime ('MOPAC') equal to 13% of the Profit provided that the IRR exceeds the Hurdle Return of 23%. Profit is calculated as the sum of all receipts less the total development costs. The Company is currently expecting a gross return before tax of less than the hurdle and as such the overage payment will not be triggered.

BL DEVELOPMENT LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2017

14. COMMITMENT AND CONTINGENCIES (continued)

The overage payment shall be calculated by reference to the following:

- 0% of all profit until the IRR equals the Hurdle Return; then
- Where profit is less than or equal to the Hurdle Return Limit, 100% of the Profit above the Profit and the Hurdle Return;
- Where Profit is greater than the Hurdle Return Limit, the sum of: 100% of the Profit between the Profit and the Hurdle Return and the Hurdle Return Limit; and 13% of all Profit above the Hurdle Return Limit.

If there is any unsold property at the Calculation Date, MOPAC and the Company shall endeavour to agree the market value of the unsold property as at the Calculation Date, but if they are unable to agree either party may refer the matter to Dispute Resolution.

The Calculation Date is 15 business days after the earliest of:

- The date of the disposal of at least 90% (by number) of the units of the development; and
- The date which is 12 months after the date of practical completion of the whole or at least 90% (by floor area) of the development; and
- The date of the disposal of the whole of the Company's interest in the property; and
- 10 years after the date of the Overage Deed.

None of the above has been met as at year end.

In the event that the Company were to make a qualifying disposal of the development property, or of its own shares, it could be liable to pay a clawback to the Mayor's Office for Policing and Crime ("MOPAC"). The restructuring of the ownership of the Company that took place during the year did not meet the definition of a qualifying disposal, and no amount is therefore payable to MOPAC for this transaction. MOPAC gave their consent to this restructuring.

15. FINANCIAL RISK MANAGEMENT

The Company's overall risk management programme seeks to maximise the returns derived for the level of risk to which the Company is exposed and seeks to minimise potential adverse effects on the Company's financial performance.

The risk management function of the Company is carried out by the Board of Directors (the "Board") in respect of financial risks and review them on a quarterly basis. Financial risks are risks arising from financial instruments to which the Company is exposed during, or at the end of the reporting period. Financial risk comprises market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The primary objectives of the financial risk management function are to establish risk limits, and then ensure that exposure to risks stays within these limits.

Financial Instruments by Category (2017)

<i>Assets</i>	Loans and receivables £	Total £
Cash and cash equivalents	9,406,341	9,406,341
Trade and other receivables	1,805,353	1,805,353
	<u>11,211,694</u>	<u>11,211,694</u>
	Financial liabilities at fair value through £	Other financial liabilities at amortised cost £
	£	Total £
Trade and other payables	-	(2,139,166)
Loans payable	-	(387,034,772)
Derivative financial liability	(2,767,157)	-
	<u>(2,767,157)</u>	<u>(389,173,938)</u>
		<u>(391,941,095)</u>

Financial Instruments by Category (2016)

<i>Assets</i>	Loans and receivables £	Total £
Cash and cash equivalents	14,225,069	14,225,069
Trade and other receivables	12,399,847	12,399,847
	<u>26,624,916</u>	<u>26,624,916</u>

BL DEVELOPMENT LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2017

Financial Instruments by Category (2016)

<i>Liabilities</i>	Financial liabilities at fair value through profit or loss £	Other financial liabilities at amortised cost £	Total £
Trade and other payables	-	(2,016,285)	(2,016,285)
Loans payable	-	(334,361,260)	(334,361,260)
	<u>-</u>	<u>(336,377,545)</u>	<u>(336,377,545)</u>

(i) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Credit risk arises from cash and cash equivalents held at banks and trade receivables.

Significant concentration of credit risk

The fair value of cash and cash equivalents at 31 December 2017 approximates the carrying value.

The Company seeks to limit the level of credit risk on the cash balances by only depositing funds with counterparty banks with high credit ratings. Bank accounts are held with Barclays Private Clients International Limited and the First Abu Dhabi Bank which have a credit rating at the date of approval of these financial statements of A /A-1 and AA negative/A-1+ respectively.

As at the end of the year, there were no receivables or payables past due or impaired.

(ii) Interest rate risk

The Company's interest rate risk principally arises from borrowings in the form of Loans Payable (see note 10). The Loans Payable carry a fixed margin interest rate plus 3 month GBP Libor so are affected by fluctuations in market interest rates. In accordance with the terms of the FAB financing agreement, the Company entered into an interest rate swap, which has exchanged the variable element of the interest charge for a fixed rate for the on-going life of the loan. Consequently, the directors consider that the company no longer has any exposure to material interest rate risk on its loans payable.

(iii) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Company has received funding to acquire the property, the repayment of which is aligned with the expected completion of the development and onward sale of the property in order to service the interest and capital payments arising. The Company's liquidity position is monitored on a quarterly basis by management and is reviewed quarterly by the Board of Directors.

	Demand and less than 1 month £	From 1 to 3 months £	3 months to 1 year £	1 to 5 years £	31-Dec-17 Total £
<i>Assets</i>					
Cash and cash equivalents	281,341	-	-	9,125,000	9,406,341
Trade and other receivables	1,805,353	-	-	-	1,805,353
<i>Liabilities</i>					
Trade and other payables	(2,139,166)	-	-	-	(2,139,166)
Derivative financial liability	-	-	-	(2,767,157)	(2,767,157)
Loans payable	-	-	-	(387,034,772)	(387,034,772)
	<u>(52,472)</u>	<u>-</u>	<u>-</u>	<u>(380,676,929)</u>	<u>(380,729,401)</u>
	Demand and less than 1 month £	From 1 to 3 months £	3 months to 1 year £	1 to 5 years £	31-Dec-16 Total £
<i>Assets</i>					
Cash and cash equivalents	100,069	-	-	14,125,000	14,225,069
Trade and other receivables	12,399,847	-	-	-	12,399,847
<i>Liabilities</i>					
Trade and other payables	(2,016,285)	-	-	-	(2,016,285)
Loans payable	-	-	-	(334,361,260)	(334,361,260)
	<u>10,483,631</u>	<u>-</u>	<u>-</u>	<u>(320,236,260)</u>	<u>(309,752,629)</u>

BL DEVELOPMENT LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2017

15. FINANCIAL RISK MANAGEMENT (continued)

(iv) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices as detailed below:

(a) Currency risk

All assets and liabilities are denominated in Sterling, which is the functional and presentational currency of the Company. The directors therefore believe there is no material currency risk.

(b) Property

Property values are subject to market risk based on consumer demand for property (be it commercial or private property) based on its location and the popularity of the location of the property. The Company's property is located in London, and is considered to be in the luxury segment of the market and is therefore less sensitive to macro and micro economic impacts such as Britain's decision to leave the European Union. The Company has exposure to market risk should there be a fall in the property market resulting in an inability of the Company to sell the individual apartments at their current market value. The Company manages this risk through the employment of a property development manager.

The Company needs to dispose of approximately 60% of the apartments, based on the directors reassessment of valuation undertaken as at 31 December 2017, in order to generate sufficient cash to repay the senior lenders and 75% to repay the noteholders (including the profit). In the directors opinion, based on current market conditions, that the value of the property market in London will not fall by more than 10% in the period prior to the loan repayment date. Such a fall in Gross Development Value, and taking into consideration those apartments in which the Company has not yet entered into an agreement to sell, would result in a reduction of £113,000,000 to overall sale proceeds. The directors are satisfied that this would not impact on the Company's ability to repay the external refinancing as it falls due.

(c) Capital risk management

The Company considers that capital represents share capital, share premium and retained earnings. The Company's objective when maintaining capital is to safeguard the Company's ability to continue as a going concern. The Company sets the amount of capital it requires proportionate to risk. It manages its capital structure and makes adjustments to it in light of the development needs of the property. In order to maintain or adjust the capital structure the Company may issue new shares. The directors monitor the Company's capital on a quarterly basis.

(d) Fair values

IFRS 13 requires the disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

There were no transfers between the hierarchical levels during the year.

The derivative financial liability is held at fair value through profit and loss. This fair value is considered to be a level 2. No other assets or liabilities held by the Company are measured at fair value at the reporting date.

Investments classified within level 2 are not traded in an active market and are determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific data. As all significant inputs required to fair value the instrument are observable, the instrument is included in level 2.

The following table sets out the valuation techniques used in the determination of fair values within level 2 including the inputs used.

Item	Valuation approach and inputs used
Derivative financial liability - Interest rate swap (see note 10 for swap terms)	The fair value is determined by FAB, the swap and loan facility provider. The value has been determined by discounted cash This includes LIBOR 3M basis curve (anticipate future value of 3M LIBOR over the remaining loan/swap facility term).

16. SUBSEQUENT EVENTS

The Company is currently in the process of migrating its tax residency from Jersey to mainland UK. Legal advisors have been appointed and are liaising with the lenders to put all required consents in place. Part of the consents include waivers from the lenders with regards to certain covenants including, inter alia, delivery of financial statements within 150 days of the year end.

There were two further apartment sales in January and April 2018 for a total value of £6.65m.