Bedfont Lakes Limited

Financial statements
for the period ended 30 September 2020

Management and administration

Directors	Martin Ratchford Ilaria del Beato
Registered Office	95 Cromwell Road London SW7 4DL

Directors' report

The Directors of Bedfont Lakes Limited ('the Company') present their report together with the audited financial statements for the period ended 30 September 2020. During the period the Company changed its year end from March to September and therefore these financial statements cover a period of 18 months with the comparative period being 12 months.

Background

The Company was incorporated in the Island of Jersey as a private company on 11 July 2006. On 22nd January 2020 the Company was acquired by Frasers Property UK Holdings Limited.

Principal activity

The principal activity of the Company is property investment.

Directors and their Interests

The Directors of the Company who served during the year and to date (the 'Directors') are noted on page 2.

Results and dividends

The results for the year are set out in the Statement of Profit and loss and other comprehensive income on page 6. The Directors do not recommend the payment of a dividend in respect of the period ended 30 September 2020 (2019: £nil).

Going concern

These financial statements are prepared on a going concern basis, despite the existence of negative shareholder's funds. The

Directors believe that the Company is a going concern based on the following factors:

- The Company maintains detailed cash flow models which are regularly reviewed by the Directors to ensure that the Company can continue to meet its liabilities as they fall due, including interest payments on its loan facility;
- The Company is funded by loans from it's immediate parent company, Frasers Property Holdings UK Limited, and has no external debt; the Company has received confirmation that it's immediate parent company will provide such support that is necessary in order for the Company to meet its liabilities as they fall due.

The Directors have given full consideration to all of the factors detailed above and consider that the Company has adequate resources to continue its operational existence for the twelve months following signing of these financial statements. Thus, the Directors continue to adopt the going concern basis in preparing the annual financial statements.

Directors' report (continued)

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 period. Under that law they have elected to prepare the financial statements in accordance with United Kingdom Accounting Standards, including Financial Reporting Standard 'FRS 102', 'The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland' ('FRS 102') and the Companies (Jersey) law, 1991.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with Companies (Jersey) Law, 1991. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Approved by the board of directors on 2021.

Martin Ratchford

Bedfont Lakes Limited
Statement of financial position
As at 30 September 2020

	Notes	2020 £	2019 £
Fixed assets			
Investment property	5	**131,900,000**	144,400,000
Current assets			
Debtors	6	**552,024**	274,441
Cash and cash equivalents		**8,795,073**	4,849,095
		9,347,097	5,123,536
LIABILITIES			
Creditors: Amounts falling due within one year			
Loans	7	**-**	153,212,127
Derivative financial instruments		**-**	33,100,993
Creditors	8	**6,532,109**	19,721,314
Intergroup payables	9	**3,389,889**	12,058,308
		9,291,997	218,092,742
Net current assets/(liabilities)		**(575,900)**	(212,969,206)
Intergroup loans due in more than one year		**132,582,519**	-
Net liabilities attributable to shareholders		**(1,257,419)**	(68,569,206)
Capital and reserves			
Stated capital	11	**2**	2
Accumulated losses		**(1,257,419)**	(68,569,208)
Total shareholder's deficit		**(1,257,419)**	(68.569.206)

The financial statements on pages 5 to 7 were approved and authorised for issue by the board of directors on .... and were signed on its behalf by:

Martin Ratchford, Director

	18 Months to 30 September 2020 £	12 months to 31 March 2019 £
Income		
Rental income	**15,886,562**	10,362,429
Expenditure		
Management and administration fees	**(630,282)**	(439,590)
Professional fees	**(50,757)**	(17,051)
Audit fees	**(24,480)**	(6,720)
Bank charges	**(630)**	(575)
Accounting fees	**(20,806)**	(281)
Other expenses	**(497,092)**	(200)
	(1,224,047)	(464,417)
Net operating income before interest and finance costs	**14,662,515**	9,898,012
Interest and finance costs		
Interest and bank charges payable	**(6,212,109)**	(11,548,275)
Interest receivable	**13,657**	397
Movement in fair value of derivatives	**-**	2,093,722
Fair value loss on investment property	**(12,500,000)**	-
Exceptional item – write off of loans and derivatives	**73,206,277**	-
Profit before taxation	**69,170,340**	443,856
Taxation	**(1,858,550)**	-
Total comprehensive income and profit for the period	**67,311,787**	443,856

All items dealt with in arriving at the total comprehensive income and profit for the current period and the prior year relate to continuing operations.

	Stated capital	Retained earnings	Total
	£	£	£
Balance at 01 April 2018	2	(69,013,064)	(69,013,062)
Profit for the year	-	443,856	443 856
Total comprehensive income for the year	-	443 856	**443,856**
Balance at 31 March 2019	2	(68,569,208)	(68,569,206)

	Stated capital	Retained earnings	Total
	£	£	£
Balance at 01 April 2019	2	(68,569,208)	(68,569,206)
Profit for the period	-	67,311,787	67,311,797
Total comprehensive income for the period	-	**67,311,787**	**67,311,787**
Balance at 30 September 2020	**2**	**(1,257,418)**	**(1,257,418)**

The notes on pages 8 to 15 are an integral part of these financial statements

1 General information

Bedfont Lakes Limited (the 'Company') was incorporated in Jersey on 11 July 2006. The sole investment objective of the Company is to invest in property.

The Company was incorporated for the purpose of acquiring a freehold interest in the land and buildings situated at 9, 10 and 11 New Square, Bedfont Lakes Business Park, Feltham which is leased to Cisco Systems Limited.

2 Statement of compliance

The financial statements of the Company have been prepared in compliance with United Kingdom Accounting Standards, including FRS 102, 'The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland' ('FRS102') and the Companies (Jersey) law, 1991.

3 Summary of significant accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements:

(a) Basis of preparation

The financial statements are prepared in accordance with United Kingdom Accounting Standards under the historical cost convention, as modified by the revaluation of investment property and certain financial assets and liabilities.

The functional currency of the Company is considered to be pounds sterling because that is the currency of the primary economic environment in which the Company operates. The financial statements are also presented in pounds sterling.

(b) Going concern

These financial statements are prepared on a going concern basis, despite the existence of negative shareholder's funds.

The Directors believe that the Company is a going concern based on the following factors:

- The Company maintains detailed cash flow models which are regularly reviewed by the Directors to ensure that the Company can continue to meet its liabilities as they fall due, including interest payments on its loan facility;
- The Company is funded by loans from it's immediate parent company, Frasers Property Holdings UK Limited, and has no external debt; the Company has received confirmation that it's immediate parent company will provide such support that is necessary in order for the Company to meet its liabilities as they fall due.

The Directors have given full consideration to all of the factors detailed above and consider that the Company has adequate resources to continue its operational existence for the twelve months following signing of these financial statements. Thus, the Directors continue to adopt the going concern basis in preparing the annual financial statements.

3 Summary of significant accounting policies (continued)

(c) Investment property

Freehold investment properties are initially recognised at cost, being the fair value of the consideration given, including transaction costs associated with the acquisition of the investment property.

As at 30 September 2020, Knight Frank carried out a valuation of the property on the basis of market value in the sum of £131,900,000.

(d) Financial instruments

The Company has chosen to adopt the Sections 11 and 12 of FRS 102 in respect of financial instruments.

(i) Financial assets

Basic financial assets, including debtors and cash at bank, are initially recognised at transaction price. Such assets are subsequently carried at amortised cost using the effective interest method. At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment.

However where the arrangement constitutes a financing transaction, the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

(ii) Financial liabilities

Basic financial liabilities, including loans and creditors, are initially recognised at transaction price. Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

However where the arrangement constitutes a financing transaction, the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Derivatives, including interest rate swaps, are not basic financial instruments.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or income as appropriate.

The Company does not currently apply hedge accounting for interest rate derivatives.

3 Summary of significant accounting policies (continued)

(d) Financial instruments (continued)

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

(e) Cash and cash equivalents

Cash and cash equivalents are defined as cash in hand, demand deposits and highly liquid investments readily convertible within three months or less to known amounts of cash and subject to insignificant risk of changes in value.

The Company's cash and cash equivalents comprise of cash at bank.

(f) Revenue recognition

Revenue is recognised as follows:

(i) Rental income

Rental income from operating leases is net of sales taxes and VAT and is recognised on a straight line basis over the lease term.

The costs of any lease incentives provided are recognised over the lease term, on a straight line basis as a reduction of rental income. The resulting asset is reflected as a receivable in the Statement of financial position. The valuation of the investment properties is reduced by the total of the unamortised lease incentive balances. Any remaining lease incentive balances in respect of properties disposed of are included in the calculation of profit and loss arising at disposal.

Lease incentives from previous periods have not been restated under transition to FRS102 in accordance with paragraph 35.10 of that standard.

(ii) Interest income and expense

Interest income is recognised on a time proportion basis using the effective interest method.

(g) Current and deferred income tax

Deferred taxation is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax is recognised in full on all revaluation gains.

Deferred income tax is provided for in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

The Company is liable to tax in the jurisdiction in which the property is located on any net rental income earned.

(h) Exemptions for qualifying entities under FRS 102

FRS 102 allows a qualifying entity certain disclosure exemptions, subject to certain conditions, which have been complied with, including notification of, and no objection to, the use of exemptions by Company's shareholders.

The Company has not taken advantage of any available exemption for qualifying entities.

4 Taxation

Tax losses carried forward, that had previously not been recognised, were utilised to offset the profits arising in the year. Remaining profits have been taxed at 19%, being the prevailing tax rate in the UK.

5 Investment property

	2020	2019
	Freehold	Freehold
	£	£
Freehold interest in the land and buildings situated at 9, 10 and 11 New Square, Bedfont Lakes Business Park, Feltham		
Balance at 31 March	**131,900,000**	144,400,000

The property was initially acquired by Bedfont Lakes Limited on 17 July 2006 for £162.6 million (which includes £6.6 million acquisition cost).

As at 30 September 2020, Knight Frank carried out a valuation of the property on the basis of market value in the sum of £131,900,000.

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6 Debtors

	2020	2019
	£	£
Property agent's account	**185,621**	38,773
Due from Bedfont Lakes Investment Company Limited	**-**	234,520
Due from Frasers Property Holdings UK Limited	**100,000**	-
Prepayments and other debtors	**226,403**	1,148
	552,024	274,441

7 Loans

	2020	2019
	£	£
Amounts falling due within one year		
HSH Nordbank LIBOR term loans	**-**	153,212,127

The bank loan was partially repaid upon the change of ownership of the company during the year with an amount of £35,538,000 being written off.

8 Creditors: Amounts falling due within one year

	2020	2019
	£	£
Accrued expenses	**37,520**	16,123,267
Deferred income	**2,853,461**	2,404,865
VAT payable	**1,590,331**	1,064,95
Corporation tax	**1,858,550**	-
Accounts payable	**192,246**	128,227
	6,532,109	19,721,314

Deferred income consists of rental income received in advance that relates to future reporting periods.

9 Intergroup payables

	2020	2019
Amounts due in less than one year	£	£
Due to Bedfont Lakes (Holdings) Limited	**-**	12,058,308
Due to Frasers Property Holdings UK Limited	**3,389,889**	-
Amounts due in more than one year		
Due to Frasers Property Holdings UK Limited	**132,582,519**	-

The loan is unsecured and is repayable on 22 January 2027. Interest is charged at 4.2% on the first £108,000,000.

10 Financial instruments

	2020 £	2019 £
Financial assets		
Financial assets measured at amortised cost	**9,347,097**	5,122,388
Financial liabilities		
Financial liabilities measured at amortised cost	**138,621,645**	182,586,884
Financial liabilities measured at fair value through profit or loss	**-**	33,100,993
	138,621,645	215,687,877

Financial assets measured at amortised cost comprise cash and debtors.

Financial liabilities measured at amortised cost comprise bank loans, intergroup payables, creditors and accruals but exclude deferred income.

11 Stated capital

	2020 £	2019 £
Authorised		
The Company is authorised to issue any number of no par value shares of any class.	-	-
Allotted, called up and fully paid		
2 no par value ordinary shares	**2**	2

The Company is wholly owned by Frasers Property Holdings UK Limited, which in turn is wholly owned by Frasers Property International Pte Ltd, a company registered in Singapore.

13 Lessor commitments

The Company leases out the investment property under an operating lease with an original lease length of 25 years. The future aggregate minimum rentals receivable under non-cancellable operating leases are as follows:

	2020	2019
	£	£
Less than one year	**12,085,262**	10,615,101
Between one and five years	**45,129,347**	45,151,352
More than five years	**-**	14,783,678
	57,214,609	70,550,131

14 Critical accounting estimates and judgements

The Directors make estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions 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.

(i) Estimates *of fair value of investment properties*

The Company carries its investment property at fair value, with changes in fair value being recognised in profit or loss. The Company engaged an independent valuation specialist to determine fair value. The determined fair value of the investment property is most sensitive to the estimated yield.

15 Fair value hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of assets and financial instruments by valuation technique:

- Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2: Inputs are inputs other than quoted price included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3: Inputs are unobservable inputs for the asset or liability.

Any transfer between levels are based on changes to the circumstances of the item in question.

15 Fair value hierarchy (continued)

The Company held the following items measured at fair value:

	Level1	Level2	Level3	Total
	£	£	£	£
As at 30 September 2020:				
Investment property	-	-	131,900,000	131,900,000
Derivatives	-	-	-	-
As at 31 March 2019:				
Investment property	-	-	144,400,000	144,400,000
Derivatives	-	-	33,100,993	33,100,993

During the periods ended 30 September 2020 and 31 March 2019, there were no transfers between level 1 and level 2 fair value measurements, and no transfers into and out of level 3 fair value measurements.

The cash and cash equivalents, short term receivables, and other payables are excluded from the fair value information due to their short term nature and/or their carrying values are reasonable estimates of their fair values.

The determined fair value of the investment property is most sensitive to the estimated yield.

- A 25 basis point increase in the estimated net initial yield would decrease the fair value of the investment property by approximately £5,000,000.
- A 25 basis point decrease in the estimated net initial yield would increase the fair value of the investment property by approximately £5,500,000.

The fair value of derivatives were made in accordance with HSH Nordbank AG's own internal models and calculation methods. Accordingly, the valuations reflect HSH Nordbank AG's own view of the economic value and risk of the transactions. This view may not correspond with any valuation of the transactions given by another market participant, nor with the quotation that HSH Nordbank AG may give to enter into the same or an equivalent transaction. Further, the valuations given above may not correspond with the value of the transactions as they appear in the books of account of HSH Nordbank AG.