

Registered number: 00489113

CHELSEA HARBOUR LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2019

CHELSEA HARBOUR LIMITED

COMPANY INFORMATION

Directors	T S Cole M N Steinberg S R Collins
Registered number	00489113
Registered office	319 Harbour Yard Chelsea Harbour London SW10 0XD
Independent auditors	Haysmacintyre LLP 10 Queen Street Place London EC4R 1AG

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**STRATEGIC REPORT
FOR THE YEAR ENDED 30 SEPTEMBER 2019**

The directors present their strategic report for the year ended 30 September 2019.

Business review

During the year under review occupancy rates remained high as the site continued to perform well. Whilst the site continued to be developed, marketing and void costs increased but it is expected that these will normalise next financial year when it is expected that the main development works will be complete.

The investment property's value remained at £317,000,000. During the year £11.2m was spent on developing the Chelsea Harbour site. Whilst the value of the site in the financial statements remains the same year on year, we expect this investment in the site to add further revenues and value to the site in future years. There have been no material changes to the group's financing structure ensuring a strong stable base on which to grow the business.

Principal risks and uncertainties

The Company is exposed to Finance and cash flow risk, Property value risk, Tenant credit risk and occupancy levels and Third party risk.

Finance and cash flow risk

The group of which the company is part of, is dependent on loan funding. Following the extension of the loan in 2018 by one year the loan is now repayable in April 2022. The company prepares long term cashflow and financing forecasts in order to de risk its long term strategy, forecast future working capital and long term financing needs. These are reviewed regularly by management and updated as necessary

Property value risk

Falling property values will have a negative impact on the company's net asset position. The directors ensure that the company's investment property is intensively managed in order to maintain and enhance its value. They constantly review the company's business and income, seeking opportunities for further development or more profitable use

Tenant credit risk and occupancy levels

Decreasing occupancy levels will reduce the profitability of the company and returns to investors. Management reduce the risk of vacant units by seeking to let all units to reputable tenants on leases of normal commercial terms and length. Lease expiry dates are reviewed on a regular basis and marketing initiatives commenced for units where management consider there to be a risk that a tenant may leave in advance of the expiry date.

Third party risk

The Company is exposed to third party risk as they entered into agreements and cross guarantees with fellow group undertakings in respect of loan facility held by the parent undertaking as detailed in note 19.

Financial key performance indicators

The Directors consider occupancy rates to be a key driver of profitability and hence a key performance indicator. Occupancy rates have not significantly fluctuated during the year. As at 30 September 2019 the occupancy rate was 94% (30 September 2018: 94%).

This report was approved by the board on 30 September 2020 and signed on its behalf.

M N Steinberg
Director

**DIRECTORS' REPORT
FOR THE YEAR ENDED 30 SEPTEMBER 2019**

The directors present their report and the financial statements for the year ended 30 September 2019.

Principal activity

The Company's principal activity is property investment and the provision of property management services.

Results and dividends

The loss for the year, after taxation, amounted to £2,327,000 (2018 - profit £31,758,000).

The directors do not recommend the payment of a dividend.

Post balance sheet events

The worldwide outbreak of the COVID19 virus represents a significant event since the end of the financial period. In light of the impact of the virus upon supply chain and tenant stability, the Company has reviewed its cash flow forecasts and considered the impact on going concern, concluding that the going concern basis remains as appropriate basis of preparation for these financial statements given the likely cashflow impact of operations 12 months from the date of signing this report. Please refer to note 2.3 for further details on the Company's going concern basis of preparation.

COVID19 is considered to be a non-adjusting post balance sheet event and therefore has not been taken into account in preparing the statement of financial position as at 30 September 2019.

Future developments

Management intend to further develop the property held by the company.

Directors

The directors who served during the year were:

T S Cole
M N Steinberg
S R Collins

Matters covered in the strategic report

Future developments and exposure to risk are discussed in the strategic report.

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 30 SEPTEMBER 2019

Directors' responsibilities statement

The directors are responsible for preparing the Strategic Report, the Directors' Report and 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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 for the Company's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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 to enable them to ensure that the financial statements comply with the Companies Act 2006. 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements and other information included in Directors' Reports may differ from legislation in other jurisdictions.

Disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditors

The auditors, Haysmacintyre LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 30 September 2020 and signed on its behalf.

M N Steinberg
Director

INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF CHELSEA HARBOUR LIMITED

Opinion

We have audited the financial statements of Chelsea Harbour Limited (the 'Company') for the year ended 30 September 2019, which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 September 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 Auditors' 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 United Kingdom, including the Financial Reporting Council's Ethical Standard, 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.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the 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.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our Auditors' Report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, 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.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF CHELSEA HARBOUR LIMITED (CONTINUED)

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or 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
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement on page 3, 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.

Auditors' 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 Auditors' 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 Auditors' Report.

Use of our report

This report is made solely to the Company's member in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's member those matters we are required to state to them in an Auditors' 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 member for our audit work, for this report, or for the opinions we have formed.

David Cox (Senior Statutory Auditor)
for and on behalf of
Haysmacintyre LLP
Statutory Auditors
10 Queen Street Place
London
EC4R 1AG

30 September 2020

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 SEPTEMBER 2019**

	Note	2019 £000	2018 £000
Turnover	4	14,137	14,468
Gross profit		<u>14,137</u>	<u>14,468</u>
Administrative expenses		(8,755)	(5,815)
Other operating income	5	1,914	1,351
Operating profit	6	<u>7,296</u>	<u>10,004</u>
Interest payable and expenses	8	(2)	(1)
Other gains and (losses)	12	(11,191)	25,065
(Loss)/profit before tax		<u>(3,897)</u>	<u>35,068</u>
Tax on (loss)/profit	9	1,570	(3,310)
(Loss)/profit for the financial year		<u><u>(2,327)</u></u>	<u><u>31,758</u></u>

There was no other comprehensive income for 2019 (2018: £nil).

The notes on pages 9 to 21 form part of these financial statements.

BALANCE SHEET
AS AT 30 SEPTEMBER 2019

	Note	2019 £000	2018 £000
Fixed assets			
Tangible assets	10	78	106
Investment property	12	317,000	317,000
		<u>317,078</u>	<u>317,106</u>
Current assets			
Debtors: amounts falling due within one year	13	4,363	4,888
Cash at bank and in hand	14	1,298	1,312
		<u>5,661</u>	<u>6,200</u>
Creditors: amounts falling due within one year	15	(93,445)	(90,115)
Net current liabilities		<u>(87,784)</u>	<u>(83,915)</u>
Total assets less current liabilities		229,294	233,191
Provisions for liabilities			
Deferred tax	16	(28,020)	(29,590)
Net assets		<u>201,274</u>	<u>203,601</u>
Capital and reserves	17		
Non distributable profit reserve	18	174,656	184,277
Profit and loss account	18	26,618	19,324
		<u>201,274</u>	<u>203,601</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 30 September 2020.

M N Steinberg
 Director

T S Cole
 Director

The notes on pages 9 to 21 form part of these financial statements.

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER 2019**

	Non distributable reserve £000	Profit and loss account £000	Total equity £000
At 1 October 2017	162,522	9,321	171,843
Comprehensive income for the year			
Profit for the year	-	31,758	31,758
Total comprehensive income for the year	-	31,758	31,758
Transfer to/from profit and loss account	21,755	(21,755)	-
At 1 October 2018	184,277	19,324	203,601
Comprehensive income for the year			
Loss for the year	-	(2,327)	(2,327)
Total comprehensive income for the year	-	(2,327)	(2,327)
Transfer to/from profit and loss account	(9,621)	9,621	-
At 30 September 2019	<u>174,656</u>	<u>26,618</u>	<u>201,274</u>

The notes on pages 9 to 21 form part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019**

1. General information

The company is a private limited company registered in England and Wales with the registered number 00489113 and registered office 319 Harbour Yard Chelsea Harbour, London, SW10 0XD. The Company's principal activity is property investment and the provision of property management services.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Financial reporting standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 4 Statement of Financial Position paragraph 4.12(a)(iv);
- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.41(b), 11.41(c), 11.41(e), 11.41(f), 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Chelsea Harbour Estates Limited as at 30 September 2019 and these financial statements may be obtained from the registered address, 319 Harbour Yard Chelsea Harbour, London, SW10 0XD .

2.3 Going concern

The financial statements have been prepared on the going concern basis. The recent COVID19 pandemic represents a significant risk for the Group and the Company. This includes potential business interruptions, including suspended or reduced operations relating to COVID19 and other such events outside of the Group's control which could have a material adverse impact on the operating results and financial condition.

The directors consider the going concern basis to be appropriate because the Company has reviewed its cash flow forecasts and considered the impact on going concern, concluding that the going concern basis remains as appropriate basis of preparation for these financial statements given the likely cashflow impact of operations 12 months from the date of signing this report.

2.4 Functional currency

The company's financial statements are presented in pounds sterling, which is also the Company's functional currency. Amounts are rounded to the nearest pound, unless otherwise stated.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019**

2. Accounting policies (continued)**2.5 Exemption from preparing consolidated financial statements**

The Company is a parent Company that is also a subsidiary included in the consolidated financial statements of its immediate parent undertaking established under the law of an EEA state and is therefore exempt from the requirement to prepare consolidated financial statements under section 400 of the Companies Act 2006.

2.6 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue principally comprises income recognised by the company in respect of rent charged and other ancillary services supplied during the year, exclusive of Value Added Tax and trade discounts.

Rental income and property management fees are recognised on an accrual basis over the term of the lease. Amounts invoiced in advance of a tenancy period are deferred accordingly and recognised as income in the period to which they relate.

Lease premium income is recognised upon receipt in its entirety, as no further rights and obligations are due to the leaseholders.

2.7 Tangible fixed assets

Tangible fixed assets under the cost model, other than investment properties, are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Fixtures and fittings	- 20% to 33% per annum
Other fixed assets	- 4% per annum

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Comprehensive Income.

2.8 Investment property

Investment properties, which is property held to earn rentals and/or for capital appreciation, including property under construction for such purposes, is initially measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the period in which they arise, including the corresponding tax effect. Fair values are determined based on using a yield methodology. This uses market rental values capitalised at a market capitalisation rate but there is an inevitable degree of judgement involved in that each property is unique and value can only ultimately be reliably tested in the market itself.

Investment properties are derecognised either when they have been disposed of (i.e., at the date the recipient obtains control) or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the period of derecognition.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019**

2. Accounting policies (continued)

2.9 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.10 Debtors

Short term debtors are measured at transaction price, less any impairment.

2.11 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.12 Financial instruments

The Company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities which includes trade and other debtors and creditors, and loans to and from fellow subsidiaries and related parties.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the balance sheet date.

Financial assets and liabilities are offset and the net amount reported in the Balance Sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

2.13 Creditors

Short term creditors are measured at the transaction price.

2.14 Operating leases: the Company as lessor

Rentals income from operating leases is credited to the Statement of Comprehensive Income on a straight line basis over the term of the relevant lease.

Amounts paid and payable as an incentive to sign an operating lease are recognised as a reduction to income over the lease term on a straight line basis, unless another systematic basis is representative of the time pattern over which the lessor's benefit from the leased asset is diminished.

2.15 Borrowing costs

All borrowing costs are recognised in the Statement of Comprehensive Income in the year in which they are incurred.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019**

2. Accounting policies (continued)

2.16 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance Sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019**

3. Judgments in applying accounting policies and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Significant judgements :

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

Determining whether an Arrangement Contains a Lease

Determine whether leases entered into by the Company either as a lessor or a lessee are operating or lease or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.

Going Concern

Significant judgement is required in the Group's assessment of the Company's use of the Going Concern basis, and further information on this is included in note 2.3. These include preparing cashflow, and budgets and timing of events held in the next accounting period.

Critical accounting estimates:

Valuation of Investment Properties

As described in note 12 to the financial statements, investment properties are stated at fair value based on the valuation performed by an independent professional valuer with recent experience in the location and category of property valued. The valuer used observable market prices adjusted as necessary for any difference in the future, location or condition of the specific asset.

Deferred tax

Deferred tax liabilities are assessed on the basis of assumptions regarding the future, the likelihood that assets will realised and liabilities will be settled, and estimates as to the timing of those future events and as to the future tax rates that will be applicable.

4. Turnover

	2019 £000	2018 £000
Rental income	14,137	14,468
	<u>14,137</u>	<u>14,468</u>

All turnover arose within the United Kingdom.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019**

5. Other operating income

	2019 £000	2018 £000
Lease premium income	1,356	797
Property management fees	558	554
	<u>1,914</u>	<u>1,351</u>

6. Operating profit

The operating profit is stated after charging:

	2019 £000	2018 £000
Depreciation of tangible fixed assets	28	34
Impairment of trade debtors	512	144
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	17	15
Fees payable to the Company's auditor in respect of:		
- Preparation of the annual financial statements	2	2
- Taxation compliance services	7	6
	<u>7</u>	<u>6</u>

7. Employees

All staff costs are borne by a fellow group subsidiary and recharged to the Company. No directors (2018: none) received remuneration from the Company during the year. Recharged staff costs were as follows:

	2019 £000	2018 £000
Wages and salaries	1,053	742
	<u>1,053</u>	<u>742</u>

The Company has no employees other than the directors, who did not receive any remuneration (2018 - £NIL).

8. Interest payable and similar expenses

	2019 £000	2018 £000
Bank interest payable	2	1
	<u>2</u>	<u>1</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019**
9. Taxation

	2019 £000	2018 £000
Total current tax	-	-
Deferred tax		
Deferred tax (credit)/charge on property revaluation	(1,570)	3,310
Total deferred tax	(1,570)	3,310
Taxation on (loss)/profit on ordinary activities	<u>(1,570)</u>	<u>3,310</u>

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2018 - lower than) the standard rate of corporation tax in the UK of 19%(2018 - 19%). The differences are explained below:

	2019 £000	2018 £000
(Loss)/profit on ordinary activities before tax	<u>(3,897)</u>	<u>35,067</u>
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018 - 19%)	(740)	6,663
Effects of:		
Expenses not deductible for tax purposes	2,129	3
Capital allowances for year in excess of depreciation	5	-
Non-taxable income	(182)	-
Capital gains	(2,010)	(1,583)
Transfer pricing adjustments	(711)	(700)
Other differences leading to an increase in the tax charge	202	-
Group relief	(263)	(1,073)
Total tax charge for the year	<u>(1,570)</u>	<u>3,310</u>

Factors that may affect future tax charges

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2016 (on 6 September 2016). These include reductions to the main rate to reduce the rate to 17% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

At Budget 2020, the government announced that the Corporation Tax main rate (for all profits except ring fence profits) for the years starting 1 April 2020 and 2021 would remain at 19%. This change has been substantially enacted post year end and the deferred tax balance at 30 September 2020 will be remeasured at 19%.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019

10. Tangible fixed assets

	Fixtures and fittings £000	Other fixed assets £000	Total £000
Cost or valuation			
At 1 October 2018	64	76	140
Disposals	(34)	(7)	(41)
At 30 September 2019	30	69	99
Depreciation			
At 1 October 2018	27	7	34
Charge for the year on owned assets	21	7	28
Disposals	(34)	(7)	(41)
At 30 September 2019	14	7	21
Net book value			
At 30 September 2019	16	62	78
At 30 September 2018	37	69	106

During the year assets with a net book value of £nil have been disposed.

11. Fixed asset investments

Subsidiary undertaking

The following was a subsidiary undertaking of the Company:

Name	Registered office	Class of shares	Holding
Creative Hat Limited	319 Harbour Yard, Chelsea Harbour, London SW10 0XD	Ordinary	100 %

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019

12. Investment property

	Freehold investment property £000
Valuation	
At 1 October 2018	317,000
Additions at cost	11,191
Revaluation deficit	(11,191)
At 30 September 2019	317,000

The bank loan facility held in, the company's immediate parent, Chelsea Harbour Estates Limited is secured by the Company's land and buildings which have a carrying value of £317m (2018: £317m).

The valuation has been prepared by the Directors at 30 September 2019 based on an independent valuation as at 28 June 2019 which was prepared in accordance with the RICS valuation - Global Standards 2017 (incorporating the International Valuations Standards) and the UK national supplement 2018 ("the Red Book"). During the year £11.2m was spent on developing the Chelsea Harbour site. Whilst the value of the site in the financial statements remains the same year on year, we expect this investment in the site to add further revenues and value to the site in future years.

If freehold property were included in the balance sheet on an historical cost basis, then the carrying amount would be £116,794,000 (2018: £105,604,000), before any depreciation.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019**

13. Debtors

	2019 £000	2018 £000
Trade debtors	3,623	4,427
Amounts owed by group undertakings	-	55
Other debtors	257	-
Prepayments and accrued income	483	406
	<u>4,363</u>	<u>4,888</u>

14. Cash and cash equivalents

	2019 £000	2018 £000
Cash at bank and in hand	1,298	1,312
	<u>1,298</u>	<u>1,312</u>

15. Creditors: Amounts falling due within one year

	2019 £000	2018 £000
Trade creditors	4,498	2,784
Amounts owed to group undertakings	80,825	77,102
Other taxation and social security	202	44
Other creditors	2,221	4,086
Accruals and deferred income	5,699	6,099
	<u>93,445</u>	<u>90,115</u>

The balance of £80,825k (2018: £77,102k) to the parent company is repayable on demand. It is unsecured and does not bear interest.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019**

16. Deferred taxation

	2019 £000	2018 £000
At beginning of year	(29,590)	(26,280)
Charged to profit or loss	1,570	(3,310)
At end of year	(28,020)	(29,590)

The provision for deferred taxation is made up as follows:

	2019 £000	2018 £000
Accelerated capital allowances	(2,850)	(2,550)
Deferred tax on property valuation	(25,170)	(27,040)
	(28,020)	(29,590)

17. Share capital

	2019 £	2018 £
Allotted, called up and fully paid		
200 (2018 - 200) Ordinary shares of £1.00 each	200	200

18. Reserves

Other reserves

The non distributable reserve includes all accumulated unrealised gains and losses on the company's investment property net of deferred tax.

Profit and loss account

This reserve includes all accumulated profits and losses of the company.

19. Contingencies and guarantees

The company has entered into a cross-guarantee and debenture across the company's investment properties in respect of the indebtedness of its parent undertaking and fellow subsidiaries. Chelsea Harbour Limited has entered into a cross guarantee with Chelsea Harbour Estates Limited, CHEL (No. 3) Limited, Chelsea Harbour Property Management Limited and Creative Hat Limited. At 30 September 2019 the total amount outstanding subject to the guarantee was £188,500,000 (2018: £187,114,000).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2019

20. Capital commitments

As at 30 September 2019 the company had contracted property development work remaining amounting to £500,110 (2018: £5,179,101) relating to the Design Centre project.

21. Commitments under operating leases

The Company has entered into leases on its property portfolio, the commercial property leases typically have remaining lease terms between 1 and 9 years and include clauses to enable periodic upward revisions of the rental charge according to prevailing market conditions. Some leases contain options to break before the end of the lease term.

The Company has also entered into leases where it receives annual ground rent from the tenants. The leases typically have remaining lease terms between 1 and 10 years and include clauses to enable periodic upward revisions of the rental charge according to prevailing market conditions. Some leases contain options to break before the end of the lease term.

At 30 September 2019 the Company had contracted with tenants, under non-cancellable operating leases, for the following future minimum lease receipts:

	2019 £000	2018 £000
Within one year	12,328	12,547
Within 2 to 5 years	16,204	18,616
After 5 years	1,716	1,293
	<u>30,248</u>	<u>32,456</u>

22. Related party transactions

Advantage has been taken of exemptions under FRS 102 not to disclose transactions between wholly owned fellow subsidiary companies of the CHEL (Shares) LLP group. The following balances are due to related parties at the year end:

	2019 £000	2018 £000
LLP under common control	117	-
Companies under common control	<u>139</u>	<u>23</u>

Management fees of £300,000 (2018: £300,000) and costs of £216,732 (2018: £187,672) in respect of IT support were paid to companies related to Chelsea Harbour Limited by virtue of common directors and ultimate shareholders.

Rent of £39,880 (2019: £38,880) was received from a company related by virtue of common directors and ultimate shareholders.

Marketing costs of £1,769,522 were charged to the company by fellow subsidiaries of CHEL (Shares) LLP.

In the opinion of the Directors there are no key management personnel except for the directors. The directors do not receive remuneration from the company.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019**

23. Post balance sheet events

The worldwide outbreak of the COVID19 virus represents a significant event since the end of the financial period. In light of the impact of the virus upon supply chain and tenant stability, the Company has reviewed its cash flow forecasts and considered the impact on going concern, concluding that the going concern basis remains as appropriate basis of preparation for these financial statements given the likely cashflow impact of operations 12 months from the date of signing this report. Please refer to note 2.3 for further details on the Company's going concern basis of preparation.

COVID19 is considered to be a non-adjusting post balance sheet event and therefore has not been taken into account in preparing the statement of financial position as at 30 September 2019. Possible financial effects on the company in future periods cannot currently be estimated.

24. Immediate and ultimate controlling party

The smallest group into which the company is consolidated is Chelsea Harbour Estates Limited, which is registered in England and Wales.

The company's ultimate parent undertaking, and largest group into which the company is consolidated is CHEL (Shares) LLP, an entity registered in England and Wales.

The immediate parent undertaking and controlling party is Chelsea Harbour Estates Limited, the ultimate parent undertaking is CHEL (Shares) LLP.

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.