COMPANY REGISTRATION NUMBER 02051458

MARSHALL GROUP PROPERTIES LIMITED

REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2018

MARSHALL GROUP PROPERTIES LIMITED

REPORT AND FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

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MARSHALL GROUP PROPERTIES LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

Board of directors	R. H. Howe R. D. Marshall S. J. Moynihan S.V. Cummins
Company Secretary	S. J. Moynihan
Registered Office	Airport House The Airport Cambridge CB5 8RY
Auditor	Ernst & Young LLP One Cambridge Business Park Cambridge CB4 0WZ
Bankers	Barclays Bank plc 9/11 St Andrews Street Cambridge CB2 3AA

MARSHALL GROUP PROPERTIES LIMITED

STRATEGIC REPORT

YEAR ENDED 31 DECEMBER 2018

The directors of Marshall Group Properties Limited ("the company") present their Report and Financial Statements containing a Strategic Report, Directors' Report and the financial statements for the year ended 31 December 2018.

PRINCIPAL ACTIVITIES

The principal activities of the company are the farming of agricultural land, the holding and rental of property to third parties and to the Marshall of Cambridge (Holdings) Limited group ("the Group") and the property development of the company's land.

The company aims to be a long-term wealth creator for the Marshall of Cambridge (Holdings) Limited group, whilst maintaining its close relationships with the rest of the Group's activities.

STRATEGY AND OBJECTIVES

The company's strategic objectives are aligned with those of the Marshall of Cambridge (Holdings) Limited group:

- Making Cambridge a better place - our property developments will provide vibrant extensions to the city and significant space for new communities to flourish and succeed.

- Creating long term value – we will optimise the value of our land assets, creating a fitting legacy for the Group with the associated value generated, supporting the business for future generations.

- Serve our customers in a way that no one else can – we will develop unique additions to the city to benefit the local community and invest in our property assets to generate state-of-the-art facilities.

BUSINESS ENVIRONMENT

The company holds and rents out both investment properties and properties used in, or important to, the business of other group companies, sited within Cambridge as well as carrying out farming and related agricultural activities on its land. It has an increasingly proactive property development role, particularly within the Cambridge residential market which has a high demand for new private and affordable housing.

POSITION

The company is currently progressing two major development projects in Cambridge:

- The Wing development – a proposed development of up to 1,300 homes, replacement car showrooms, a commercial hub, primary school and open space for the community to enjoy. A key driver for this project has been to create an impetus for investment in modern facilities for the Group businesses currently located on North Works.
- Land North of Cherry Hinton – in partnership with the adjoining landowner, the outline planning application was submitted in March 2018 for the development of around 1,200 homes, a primary school, secondary school, local centre and spine road which will provide a relief road for Cherry Hinton. The scheme will deliver around 700 homes on Marshall owned land.

In support of the development projects, an estate masterplan has been prepared to provide clarity on the on-site requirements for Marshall Aerospace and Defence Group in the medium term, and in particular the strategy for relocating businesses from the North Works to facilitate Wing.

PERFORMANCE

WING

Following the establishment of the new Joint Venture (Hill Marshall LLP), with equal representation from Marshall and Hill Residential, 2018 has seen a considerable focus on the detailed reserved matters planning applications, submission and approval of the design code and discharging the necessary pre-commencement conditions to allow the development to commence. With the infrastructure reserved matters secured, the emphasis has now switched to the first (of two) planning applications for the residential dwellings, with a target for obtaining planning approval by Summer 2019. Wing will also deliver c. 150 affordable homes across phase 1 providing both affordable rented and shared ownership accommodation for the City.

The £22.4m loan, secured from Homes England to fund the construction of the GRE and to allow early delivery of Wing infrastructure, was successfully drawn in the year following the transfer of land to Hill Marshall LLP and Hill Marshall (Phase 2) LLP on the 29th March 2018.

GROUND RUNNING ENCLOSURE (GRE)

A key enabling project of Wing is the relocation of the aircraft ground running activity from the current site adjoining Newmarket Road to a new purpose-built Aircraft Ground Run Enclosure (GRE), close to Hangar 17 apron/Delta Taxiway. Planning permission was granted in November 2017 and construction commenced in Spring 2018. The project remains on programme with practical completion forecast in Summer 2019 and thereafter commissioning of the GRE.

LAND NORTH OF CHERRY HINTON

The outline planning application for Land North of Cherry Hinton was submitted in March 2018, for up to 1,200 homes, with associated primary and secondary schools, and other community facilities, to the North of Cherry Hinton. The development will deliver around 700 homes on Marshall owned land, and will retain flexibility for a future phase should the company wish to bring it forward. The company anticipates the grant of outline planning permission during 2019.

FUTURE DEVELOPMENTS

The overarching delivery of the Wing and Land North of Cherry Hinton developments form the key development projects along with the successful relocation of existing aircraft ground running activities and the Marshall of Cambridge (Holdings) Limited businesses on the North Works.

KEY PERFORMANCE INDICATORS (KPIs)

The following KPIs are used to monitor the business:

	2018 Actual	2017 Actual
Rental income (£000s)	7,183	6,632
Farm revenues (£000s)	200	162
Operating profit (£000s)	2,058	2,818

Profitability has fallen during the year as the company continues to explore development opportunities and establish its strategic plans. Overall rental income increased in the year as additional property was let to external and internal customers.

PRINCIPAL RISKS AND UNCERTAINTIES

Market Risk

Property markets are cyclical and the company is exposed to market fluctuations. To help mitigate this risk, the company ensures the property is maintained to a good standard and actively markets vacant suites to ensure the property is as fully occupied as possible, with the best possible return being achieved.

Property Risk

The principal risk in property investment is the loss of income. The company's exposure is minimised by ensuring that the property is properly maintained and managed, occupancy is maximised and exposure to any one individual tenant is managed.

The principal risks to the company are:

- Delivery of the purpose-built aircraft ground running enclosure to reduce aircraft noise and effects on development sites, which is a critical enabling project for both Wing and Land North of Cherry Hinton;
- Obtaining the planning permission for the Cherry Hinton development as the planning process carries its own inherent risks (e.g. political);
- Finding suitable solutions to facilitate the relocation of the existing businesses displaced on the North Works because of the Wing development; and
- Voids and unoccupied buildings within the core property portfolio.

The company maintains effective and open dialogue with all of its tenants, both internal and external third parties, working with them to improve tenant satisfaction and ensuring premises continue to comply all with statutory requirements, particularly with regard to health, safety and environmental management.

This report was approved by the board of directors on 26 March 2019, and signed on its behalf.

S. J. Moynihan
Company Secretary

MARSHALL GROUP PROPERTIES LIMITED

DIRECTORS' REPORT

YEAR ENDED 31 DECEMBER 2018

The directors present their Report and Financial Statements of the company for the year ended 31 December 2018.

RESULTS AND DIVIDENDS

The company made a profit of £19,916,500 (2017 - £1,944,853) in the year. During the year the company paid an interim dividend of £nil (2017 - £4,000,000). The directors do not recommend the payment of a final dividend for the year (2017 - £nil).

DIRECTORS

The directors who served the company during the year and to the date of this report, except as stated otherwise, were as follows:

R. H. Howe
S. V. Cummins
R. D. Marshall
S. J. Moynihan
R.P. Oakley (resigned 31 May 2018)

In accordance with the Articles of Association, R. D. Marshall and R. H. Howe retire by rotation and, being eligible, offers themselves for re-election.

S. V. Cummins and R. D. Marshall are directors of the ultimate parent company. R. H. Howe and S. J. Moynihan are directors of other subsidiary undertakings of the ultimate parent undertaking. R.D. Marshall's interest in the share capital of the ultimate parent company are disclosed in that company's financial statements. No other director had interest in the share capital of the company or of any other group company during the year.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

The ultimate parent company has granted an indemnity to one or more of its directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. Such qualifying third-party indemnity provision remains in force as at the date of approving the directors' report.

GOING CONCERN

The company's business activities and its future developments are set out in the Strategic Report on pages 2 to 4.

The company participates in the Marshall of Cambridge (Holdings) Limited group's treasury arrangements coordinated by the company's immediate and ultimate parent company. Under this arrangement, it has access to and shares banking arrangements and facilities with its immediate and ultimate parent company and fellow group undertakings.

Excluding the long-term debtor balances, the company has net current liabilities and has received a letter of support from the ultimate parent company.

The directors, having considered the company's forecast cash flows for the foreseeable future and having assessed the responses of the directors of the company's immediate and ultimate parent company to their enquiries have no reason to believe that a significant uncertainty exists that may cast doubt about the ability of the Marshall of Cambridge (Holdings) Limited group to continue as a going concern or its ability to continue with the current banking arrangements.

On the basis of their assessment of the company's financial position and of the enquiries made of the directors of Marshall of Cambridge (Holdings) Limited, the company's directors have a reasonable expectation that the company will be able to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing their report and financial statements.

MARSHALL GROUP PROPERTIES LIMITED

FIXED ASSETS
Details of changes in tangible fixed assets are set out in note 9 to the financial statements. Included within freehold land and buildings are properties which are rented to fellow group undertakings. FRS 102 Chapter 16 requires these properties to be accounted for as Investment Properties at fair value unless obtaining the fair value would result in undue cost and effort. In the directors' opinion, the market value of these properties substantially exceeds their book value, but no professional valuation has been undertaken due to the undue cost and effort involved as permitted by FRS 102, due to the specialist nature and use of the assets along with the relevance given that the assets will continue to be wholly necessary, and utilised solely, for the purposes of the present activities of the Marshall of Cambridge (Holdings) Limited group.

In addition, there is a number of properties held for investment potential with rental income negotiated at arm's length, which are classified as investment properties. These properties were informally revalued to fair value by the directors as at 31 December 2018 at £7,502,646 (2017 - £8,515,000). The original cost of the investment properties is £2,728,704 (2017 - £2,593,204).

Also included in tangible fixed assets are cumulative costs of £4,367,000 (2017 - £3,765,000) which relate to costs incurred on planning applications, both submitted and to be submitted.

All costs associated with the construction of the Ground Running Enclosure ("GRE") are classified as assets under construction until such time that the GRE is commissioned and brought into use.

CHARITABLE CONTRIBUTIONS
The company have not made any charitable donations during the year (2017 – £nil).

DISCLOSURE OF INFORMATION TO AUDITOR
So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the company's auditor, each director has taken all the steps that he/she is obliged to take as a director in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information.

AUDITOR
In accordance with Section 487(2) of the Companies Act 2006, Ernst & Young LLP will continue in office as the auditor of the company.

This report was approved by the board of directors on 26 March 2019, and signed on its behalf.

S. J. Moynihan
Company Secretary

MARSHALL GROUP PROPERTIES LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

YEAR ENDED 31 DECEMBER 2018

The directors are responsible for preparing the Strategic Report, Directors' Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the directors to prepare the financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- 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 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MARSHALL GROUP PROPERTIES LIMITED

Opinion

We have audited the financial statements of Marshall Group Properties Limited for the year ended 31 December 2018 which comprise the Income Statement, the Statement of Financial Position, the Statement of Changes in Equity and the related notes 1 to 21, 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 FRS 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 company's affairs as at 31 December 2018 and of its profit 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 Auditor's responsibilities for the audit of the financial statements section of our report below. 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 FRC'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 other information comprises the information included in the Report and financial statements, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.
Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this 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 the other information, we are required to report that fact.

We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF MARSHALL GROUP PROPERTIES LIMITED *(continued)*

Opinions 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 directors' report have been prepared in accordance with applicable legal requirements.

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 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 statement of directors' responsibilities set out on page 7, 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.

This report is made solely to the company's members, as a body, 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 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.

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

Ernst & Young LLP

Bob Forsyth (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Cambridge, UK
26 March 2019

MARSHALL GROUP PROPERTIES LIMITED

INCOME STATEMENT

YEAR ENDED 31 DECEMBER 2018

	Notes	2018 £	2017 £
TURNOVER	2	7,951,324	7,116,351
Cost of sales		(3,262,790)	(1,451,278)
GROSS PROFIT		4,688,534	5,665,073
Administrative expenses		(2,662,208)	(2,846,843)
Foreign exchange gains		31,964	-
OPERATING PROFIT	3	2,058,290	2,818,230
Loss on disposal of tangible fixed assets		(81,563)	-
Profit on transfer of land to joint venture entities	14	22,621,112	-
Gain on revaluation of investment properties	9	84,824	125,297
Interest receivable and similar income	4	1,038,026	24,172
Interest payable and similar charges	5	(92,859)	(11,532)
PROFIT BEFORE TAXATION		25,627,830	2,956,167
Tax on profit	7	(5,711,330)	(1,011,314)
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR		19,916,500	1,944,853

All of the activities of the company are classed as continuing.

The company has no recognised gains or losses other than the profit for the current and preceding years, as set out above. Therefore, no statement of total comprehensive income is presented.

The notes on pages 13 to 25 form part of the Report and Financial Statements.

MARSHALL GROUP PROPERTIES LIMITED

STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2018

	Notes	2018 £	2017 £
FIXED ASSETS			
Tangible assets	9	44,083,008	39,728,620
Investments:			
Investment in subsidiary undertaking	10	100	100
Investment in joint ventures	10	20	20
		44,083,128	39,728,740
CURRENT ASSETS			
Stocks	11	37,363	161,165
Debtors:			
amounts falling due within one year	12	2,176,543	4,107,504
amounts falling due after more than one year	12	51,919,226	702,273
		54,095,769	4,809,777
Cash at bank		393,425	76,831
		54,526,557	5,047,773
CREDITORS: Amounts falling due within one year	13	(6,170,283)	(5,504,338)
NET CURRENT ASSETS / (LIABILITIES)		48,356,274	(456,565)
TOTAL ASSETS LESS CURRENT LIABILITIES		92,439,402	39,272,175
CREDITORS: Amounts falling due after more than one year	14	(31,295,013)	-
PROVISION FOR LIABILITIES	16	(3,579,377)	(1,623,663)
NET ASSETS		57,565,012	37,648,512
CAPITAL AND RESERVES			
Called up share capital	18	10,000	10,000
Non-distributable reserve	19	24,898,804	6,074,802
Profit and loss account		32,656,208	31,563,710
SHAREHOLDER'S FUNDS		57,565,012	37,648,512

The Report and Financial Statements were approved by the directors and authorised for issue on 26 March 2019, and are signed on their behalf by:

R. H. Howe
Director

Company Registration Number: 02051458

The notes on pages 13 to 25 form part of the Report and Financial Statements.

MARSHALL GROUP PROPERTIES LIMITED

STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2018

	Share Capital	Non-distributable reserve (note 19)	Profit and Loss reserve	Total Equity
	£	£	£	£
At 1 January 2017	10,000	5,949,505	33,744,154	39,703,659
Profit for the financial year and Total Comprehensive Income		-	1,944,853	1,944,853
Revaluation of investment properties (see note 9)		125,297	(125,297)	
Equity dividend paid (see note 8)		-	(4,000,000)	(4,000,000)
At 31 December 2017	10,000	6,074,802	31,563,710	37,648,512
Profit for the financial year and Total Comprehensive Income	-	-	19,916,500	19,916,500
Revaluation of investment properties (see note 9)	-	84,824	(84,824)	-
Unrealised profit on transfer of land	-	18,739,178	(18,739,178)	-
At 31 December 2018	10,000	24,898,804	32,656,208	57,565,012

The notes on pages 13 to 25 form part of the Report and Financial Statements.

1. ACCOUNTING POLICIES

a) Statement of compliance

Marshall Group Properties Limited is a limited liability company, incorporated in England and Wales. The registered office is Airport House, The Airport, Cambridge, CB5 8RY.

The company's financial statements have been prepared in compliance with the Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") as it applies to the financial statements of the company for the year ended 31 December 2018.

b) Basis of preparation and change in accounting policy

The financial statements of the company were authorised for issue on 26 March 2019 by the board of directors. The financial statements have been prepared in accordance with applicable accounting standards. The financial statements are prepared in sterling which is the functional currency of the company.

c) Going concern

The company's business activities and its future developments are set out in the Strategic Report on pages 2 to 4.

The company participates in the Marshall of Cambridge (Holdings) Limited group's treasury arrangements coordinated by the company's immediate and ultimate parent company. Under this arrangement, it has access to and shares banking arrangements and facilities with its immediate and ultimate parent company and fellow group undertakings.

Excluding the long-term debtor balances, the company has net current liabilities and has received a letter of support from the ultimate parent company.

The directors, having considered the company's forecast cash flows for the foreseeable future and having assessed the responses of the directors of the company's immediate and ultimate parent company to their enquiries have no reason to believe that a significant uncertainty exists that may cast doubt about the ability of the Marshall of Cambridge (Holdings) Limited group to continue as a going concern or its ability to continue with the current banking arrangements.

On the basis of their assessment of the company's financial position and of the enquiries made of the directors of Marshall of Cambridge (Holdings) Limited, the company's directors have a reasonable expectation that the company will be able to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing their report and financial statements.

d) Consolidation

In accordance with section 400 of the Companies Act 2006 consolidated financial statements have not been prepared as the company is a wholly owned subsidiary of Marshall of Cambridge (Holdings) Limited, the ultimate parent company of the group, which is registered in England and Wales, for which consolidated financial statements are publicly available.

These financial statements therefore present information about the company alone and not about its group.

1. ACCOUNTING POLICIES *(continued)*

e) 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 the company's shareholders.

The company has taken advantage of the following disclosure exemptions under FRS 102 reduced disclosure framework:

(a) The requirements of Section 4, Statement of Financial Position paragraph 4.12(a)(iv);
(b) The requirements of Section 7, Statement of Cash Flows and Section 3 Financial Statement Presentation paragraph 3.17(d);
(c) The requirements of Section 11, paragraphs 11.39 to 11.48A and Section 12, paragraphs 12.26 to 12.29A;
(d) The requirements of Section 26, Share-based payment paragraphs 26.18(b), 26.19 and 26.23; and
(e) The requirements of Section 33, Related Party Disclosures paragraph 33.7.

f) Judgements 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 revenue and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The following judgement and estimates have the most significant effect on amounts recognised in the financial statements:

Judgements
Recoverability of development costs
The directors have made a judgement that the development costs the company is incurring will be recoverable on the basis that they expect full planning permission will be obtained in the foreseeable future.

Stock provision
Stocks are stated at the lower of cost and net realisable value. Cost includes all costs incurred in bringing each product to its present location and condition, as follows:

Finished goods, which is solely farm stock, consumables and goods for resale – purchase cost on a first-in, first-out basis.

Recoverability of inter company assets
The directors of the company have reviewed the recoverability of inter company assets, no indicators suggest these balances will not be recovered.

Estimate
Investment properties
Investment properties are valued at fair value, with changes in fair value being recognised in the income statement. Management engaged independent valuation specialists to assist the directors in determining their fair value at 31 December 2018. The value determines fair value by considering comparable local market data such as rental yields, location, condition and nature of the property.

Undue cost and effort
In the directors' opinion, the market value of the company's land and buildings substantially exceeds its book value, but no professional valuation has been undertaken due to the undue cost and effort involved as permitted by FRS 102, due to the specialist nature and use of the assets along with the relevance given that the assets will continue to be wholly necessary, and utilised solely, for the purposes of the present activities of the Marshall of Cambridge (Holdings) Limited group.

1. ACCOUNTING POLICIES *(continued)*

g) Turnover
The turnover shown in the profit and loss account represents amounts invoiceable in relation to rental and farming activities during the year. Turnover is recognised evenly over the period of the related lease and on the sale of goods to customers.

h) Unwind of discounting
The finance income associated with the time value of money on discounted receivables is recognised within interest receivable and similar income as the discount unwinds over the life of the relevant item.

i) Investments
Fixed asset investments are stated at cost less provision for diminution in value.

j) Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Such cost includes costs directly attributable to making the asset capable of operating as intended.

Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost, less estimated residual value, of each asset on a systematic basis over its useful economic life as follows

Freehold buildings	Residential properties	50 years
	Garage properties	25 years
	Hangars and workshops	20 years
	Offices	15 - 40 years
	Temporary shelters	5 years
Plant and equipment		3 - 8 years
Plant related to buildings		10 - 20 years

Property, plant and equipment is classified as an Asset held for resale when management are committed to the sale and a sale is highly probable and expected to be completed within one year from the date of classification. Such items are stated at cost less accumulated depreciation to the date of transfer. From the date of transfer, Assets held for resale are not depreciated.

Assets under construction are not depreciated. Depreciation is provided when the asset is brought into use.

Costs wholly attributable to future property developments are capitalised to the extent they are considered recoverable against future economic benefits. Depreciation is provided when the asset is available for use.

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

k) Investment properties
Certain of the company's properties are held for long term investment. Investment properties, details of which are found in note 9, are accounted for as follows:

(i) Investment properties are initially recorded as cost which includes purchase cost and any directly attributable expenditure, and

1. ACCOUNTING POLICIES *(continued)*

k) Investment properties *(continued)*

(ii) After initial recognition, investment properties whose fair value can be measured reliably without undue cost or effort are recorded at fair value. The surplus or deficit on revaluation is recognised in the income statement and accumulated in the non-distributable reserve. The company engages independent valuers to assist the directors in determining fair value.

(iii) Expenditure to improve the rentals or capital appreciation are recorded as additions to investment properties. Where a substantial development is commenced with a view to the sale, the property is transferred to inventory.

(iv) Properties held in the course of development are valued using the discounted cash flow technique to arrive at the fair value of the asset.

(v) Transfers into and out of investment properties are performed at fair value , determined above.

l) Stocks

Stocks are valued at the lower of cost and net realisable value, after making allowance for obsolete and slow moving items. Net realisable value is based on estimated selling price less any further costs expected to be incurred for completion and disposal.

m) Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

n) Deferred taxation

Deferred taxation is recognised in respect of all timing differences which are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements, except that:

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that the directors consider that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

o) Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

p) Leases

Rentals payable under operating leases are charged in the Income Statement on a straight-line basis over the lease term. Lease incentives are recognised over the lease term on a straight-line basis.

q) Joint venture

Entities in which the company holds an interest and which are jointly controlled by the company and one or more other venturer under a contractual arrangement are treated as joint ventures. The company itself is not a parent company and has elected to account for its investments in jointly controlled entities using the cost model.

1. ACCOUNTING POLICIES *(continued)*

r) Foreign currencies
Transactions in foreign currencies are initially recorded in the company's functional currency by applying the spot exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

s) Derivative financial instruments
The company uses forward foreign currency contracts to reduce exposure to foreign exchange rates.

Derivative financial instruments are initially measured at fair value on the date on which a derivative contract is entered into and are subsequently measured at fair value through profit and loss. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.
The fair value of the forward currency contract is calculated by reference to current forward exchange contracts with similar maturity profiles. In 2018 the currency derivatives met the requirements for hedge accounting in full and qualified for fair value hedge accounting.

t) Non-current assets
All long-term balances which are basic financial instruments are initially recognised at the present value of consideration payable by the counterparty (including interest). After initial recognition they are measured at amortised cost using the effective interest rate method, less impairment. The effective interest rate amortisation (unwinding of discount) is included as part of interest receivable and similar income in the income statement.

2. TURNOVER

Turnover represents the amounts derived from the provision of goods and services which fall within the company's ordinary activities, stated net of value added tax and trade accounts.

All turnover is earned within the United Kingdom and is attributable to the holding and rental of property along with farming and related agricultural activities.

Turnover analysed by activity is as follows:

	2018	2017
	£	£
Holding and rental of property	7,751,804	6,954,637
Farming and related agricultural activities	199,520	161,714
	7,951,324	7,116,351

3. OPERATING PROFIT

Operating profit is stated after charging/(crediting):

	2018	2017
	£	£
Depreciation of owned tangible fixed assets (note 9)	1,326,596	1,354,943
Auditor's remuneration for audit of the financial statements of the company	10,025	8,689
Operating lease rentals	1,217,600	126,764
Loss on disposal of tangible fixed assets	81,563	-
Foreign exchange gains	(31,964)	-

4. INTEREST RECEIVABLE AND SIMILAR INCOME

	2018	2017
	£	£
Interest receivable from ultimate parent undertaking	24,890	24,172
Interest receivable from joint ventures	45,186	-
Unwind of discounting	967,950	-
	1,038,026	24,172

5. INTEREST PAYABLE AND SIMILAR CHARGES

	2018	2017
	£	£
Interest payable to joint ventures	92,859	-

Interest payable to joint ventures relates to a Homes England infrastructure loan to fund the construction of the Ground Running Enclosure, drawn by Hill Marshall LLP. The loan is secured by a fixed charge over land transferred to Hill Marshall LLP and Hill Marshall (Phase 2) LLP. The loan bears interest at 2.5% above the EC base rate.

6. STAFF COSTS

All of the directors of the company are also directors of either the ultimate parent company or other group undertakings. A management charge of £1,180,000 (2017 - £1,300,000) in respect of administration costs has been made by Marshall of Cambridge (Holdings) Limited, the ultimate parent company, includes the directors' emoluments, which are not possible to identify separately. There were no other employees during the year (2017 - none).

7. TAX ON PROFIT

(a) Analysis of charge in the year

	2018	2017
	£	£
Current tax:		
UK corporation tax based on the profit for the year at 19.00% (2017 – 19.25%)	3,739,189	955,414
Adjustments in respect of prior years	16,427	198,754
Total current tax	3,755,616	1,154,168
Deferred tax:		
Origination and reversal of timing differences	1,950,909	(87,666)
Adjustment in respect of prior years	4,805	(55,188)
Total deferred tax	1,955,714	(142,854)
Tax on profit	5,711,330	1,011,314

7. TAX ON PROFIT *(Continued)*

(b) Factors affecting tax charge

The tax assessed on the profit for the year is lower (2017 – higher) than the standard rate of corporation tax in the UK of 19.00% (2017 – 19.25%).

	2018	2017
	£	£
Profit before taxation	25,627,830	2,956,167
Profit multiplied by the standard rate of corporation tax	4,869,288	569,062
Expenses not deductible for tax purposes	443,098	350,279
Income not taxable	(4,466,425)	-
Deferred taxation arising on investment properties	(154,632)	(11,802)
Effect of difference between corporation tax and deferred tax rate	(3,710)	4,216
Deferred taxation arising on rolled over gains	-	(44,008)
Deferred taxation arising on held over gains	2,074,000	-
Adjustments in respect of prior years	21,232	143,567
Tax on capital gains	2,928,479	-
Total tax on profit (note 7(a))	5,711,330	1,011,314

(c) Factors that may affect future tax charges

The standard rate of tax applied during the year is 19.00% (2017: 19.25%). The applicable tax rate has changed following the substantive enactment of the Finance Act 2013. Finance (No. 2) Act 2015 enacted a corporation tax rate of 19% for the financial years starting 1 April 2017, 2108 and 2019 and Finance Act 2016 enacted another reduction in the UK corporation tax rate to 17% with effect from 1 April 2020.

8. EQUITY DIVIDENDS

	2018	2017
Declared and paid during the year	£	£
Interim dividend paid on ordinary shares of £1 each	-	4,000,000

9. TANGIBLE FIXED ASSETS

	Freehold land and buildings £	Investment properties £	Plant and machinery £	Assets held for resale £	Assets under construction £	Total £
COST OR VALUATION						
At 1 January 2018	51,076,718	8,515,000	10,700,969	2,809,784	-	73,102,471
Additions	742,589	-	33,254	-	9,017,393	9,793,236
Disposals	(629,342)	(1,372,784)	(1,784)	(2,809,784)	-	(4,813,694)
Transfers between other categories	(1,107,303)	-	-	-	1,107,303	-
Transfers to investment properties	(1,086,826)	1,116,080	(29,254)	-	-	-
Eliminated on transfer to investment properties	-	(840,474)	-	-	-	(840,474)
Revaluation	-	84,824	-	-	-	84,824
At 31 December 2018	48,995,836	7,502,646	10,703,185	-	10,124,696	77,326,363
DEPRECIATION						
At 1 January 2018	23,548,853	-	9,819,005	5,993	-	33,373,851
Charge for the year	1,117,832	-	208,764	-	-	1,326,596
Disposals	(609,733)	-	(892)	(5,993)	-	(616,618)
Transfers to investment properties	(820,477)	840,474	(19,997)	-	-	-
Eliminated on transfer to investment properties	-	(840,474)	-	-	-	(840,474)
At 31 December 2018	23,236,475	-	10,006,880	-	-	33,243,355
NET BOOK VALUE						
At 31 December 2018	25,759,361	7,502,646	696,305	-	10,124,696	44,083,008
At 31 December 2017	27,527,865	8,515,000	881,964	2,803,791	-	39,728,620

Investment properties included are stated at fair value with changes in fair value being recognised in the income statement. No depreciation is provided in respect of such properties in accordance with FRS 102 Chapter 16 Investment Property. Residential investment properties have been included at a directors' valuation of £300,000 (2017 - £1,675,001), having taken professional advice. Fair value is determined by considering comparable market data such as rental yields, location, condition and nature of the property. The remaining freehold investment properties have been included at a directors' valuation of £7,202,646 (2017 - £6,840,000), having taken professional advice. The revaluation surplus on investment properties, of £84,824 (2017 - £125,297), has been taken to non-distributable reserves. The historical cost of the investment properties is £2,728,704 (2017 - £2,593,204).

9. TANGIBLE FIXED ASSETS *(Continued)*

Included within freehold land and buildings are properties which are rented to fellow group undertakings. FRS 102 Chapter 16 requires these properties to be accounted for as Investment Properties at fair value unless obtaining the fair value would result in undue cost and effort. In the directors' opinion, the market value of these properties substantially exceeds their book value, but no professional valuation has been undertaken due to the undue cost and effort involved as permitted by FRS 102, due to the specialist nature and use of the assets along with the relevance given that the assets will continue to be wholly necessary, and utilised solely, for the purposes of the present activities of the Marshall of Cambridge (Holdings) Limited group.

Also included in freehold land and buildings are cumulative costs of £4,367,000 (2017 - £3,765,000) which relate to costs incurred on planning applications submitted and to be submitted.

On the 21st December 2017 Hill Marshall LLP secured a loan facility from the Homes England amounting to £22,440,000, which expires on 31 December 2027. The loan was secured by a fixed charge over land transferred to Hill Marshall LLP and Hill Marshall (Phase 2) LLP by Marshall Group Properties Limited. The land transfer was a condition precedent to drawing the loan, which took place on 29th March 2018. The proportion of the gain attributable to the company's interest in the joint venture entities was deferred with the remainder of the gain, attributable to the interest of the joint venture partner, being recognised in the Income Statement.

10. INVESTMENTS

	Investment in Subsidiary undertaking £	Investment in joint ventures £	Total £
At 1 January 2017	100	-	100
Additions	-	20	20
At 1 January 2018	100	20	120
Additions	-	-	-
At 31 December 2018	100	20	120

The company holds 50% (2017 – 50%) of the members' capital of Hill Marshall LLP and 50% (2017 – 50%) of members' capital of Hill Marshall (Phase 2) LLP. Both LLPs were incorporated in the UK and undertake property development. Neither of the LLPs are deemed to be under the control of the company and are therefore accounted for as a joint venture.

The company's investment in its subsidiary undertaking at 31 December 2018 was as follows:

	Proportion Held	Ordinary shares of £1 each	Principal activity
Marshall of Cambridge (Airport Properties) Limited	100%	100	Dormant

11. STOCKS

	2018	2017
	£	£
Finished goods	37,363	161,165

The difference between purchase price and production cost of stocks and their replacement cost is not considered material by the directors.

Stocks recognised as an expense in the year were £76,818 (2017 - £82,275).

12. DEBTORS

	2018	2017
	£	£
Amounts falling due within one year:		
Trade debtors	26,945	100,170
Amounts owed by group undertakings	25,155	2,759,418
Corporation tax receivable	202,465	-
VAT receivable	716,662	111,908
Derivative financial instruments	220,016	-
Prepayments and accrued income	985,300	1,136,008
	2,176,543	4,107,504
Amounts falling due within more than one year:		
Amounts owed by joint ventures	51,919,226	702,273
	54,095,769	4,809,777

Amounts owed by group undertakings are receivable on demand.

Amounts owed by joint ventures comprise £49,978,006 representing the fair value of land transferred to Hill Marshall LLP ("LLP1") and Hill Marshall (Phase 2) LLP ("LLP2") and £1,941,220 comprising costs settled by the company on behalf of LLPs. The balance outstanding due to the transfer of the land does not attract interest until the joint venture partner makes contributions into the LLP at which time interest will be payable at 4.75% on an amount equal to those joint venturer's contributions. The loan of £1,350,186 to cover the costs incurred on behalf of LLP1 attracts interest at a rate of 4.75%. The loan of £591,034 to cover the costs incurred on behalf of LLP2 is currently interest free until the joint venture for Phase 2 is finalised.

13. CREDITORS: Amounts falling due within one year

	2018	2017
	£	£
Trade creditors	1,259,885	1,072,023
Amounts owed to group undertakings	876,881	18,626
Accruals and deferred income	4,033,517	4,413,689
	6,170,283	5,504,338

Amounts owed to group undertakings are payable on demand.

14. CREDITORS: Amounts falling due after more than one year

	2018	2017
	£	£
Deferral of profit on land transfer to joint venture entities	23,589,062	-
Amounts owed to joint ventures	7,705,951	-
	31,295,013	-

Amounts owed to joint ventures relates to Homes England infrastructure loan drawn by Hill Marshall LLP to fund the construction of the Ground Running Enclosure.

Following the company's transfer of land to joint venture entities, Hill Marshall LLP and Hill Marshall (Phase 2) LLP, on 29 March 2019, the company deferred the proportion of the profit attributable to the interests of the company. The gain attributable to the other venturer interests was recognised in the Income Statement.

15. COMMITMENTS UNDER OPERATING LEASES

The company operates the Quorum office building under a fifteen-year lease that commenced in November 2017. At 31 December 2018, the company had the following minimum lease payments under the non-cancellable operating lease as set out below.

	2018	2017
	£	£
Operating lease which expires:		
- In 1 year	1,217,600	1,217,600
- In 2 – 5 years	5,007,690	4,880,961
- Later than 5 years	12,686,526	14,030,855
	18,911,815	20,129,415

16. PROVISION FOR LIABILITIES

The movement in the deferred tax liability during the year was:

	2018	2017
	£	£
At 1 January	1,623,663	1,766,517
Debit/(credit) to profit and loss for the year	1,955,714	(142,854)
At 31 December	3,579,377	1,623,663

The deferred tax liability consists of the tax effect of timing differences in respect of:

	2018	2017
	£	£
Excess of taxation allowances over depreciation on tangible fixed assets	1,041,520	1,039,251
Revaluation gains on investment properties	192,016	319,448
Roll over/ Hold over gains	2,345,841	271,841
Other timing differences	-	(6,877)
	3,579,377	1,623,663

The company does not expect a material reduction in the liability in 2019.

17. RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption in FRS 102, Section 33 Related Party Disclosure paragraph 33.1A not to disclose transactions with fellow subsidiary undertakings of the Marshall of Cambridge (Holdings) Limited group.

The company has a 50% ownership in each of the joint venture vehicles, Hill Marshall LLP ("LLP1") and Hill Marshall (Phase 2) LLP ("LLP2"), which were created to enable Phase 1 and 2 of the Wing development.

The following table shows the aggregate transactions with related parties carried out during the year:

	Net interest received/(paid)		Amounts receivable		Amounts payable	
	2018	2017	2018	2017	2018	2017
	£	£	£	£	£	£
LLP1	(47,673)	-	31,136,327	702,273	(7,705,951)	-
LLP2	-	-	20,782,899	-	-	-
	(47,673)	-	51,919,226	702,273	(7,705,951)	-

The amounts receivable in the above table include deferred proceeds from the transfer of land to LLP1 and LLP2 amounting to £36,300,000 and £22,200,000 respectively, discounted as a long-term debt as described in note 12 resulting in a receivable of £49,978,006.

18. SHARE CAPITAL

Allotted, called up and fully paid:	2018	2017
	£	£
10,000 ordinary shares of £1 each	10,000	10,000

There is a single class of ordinary shares. There are no restrictions on the distribution of dividends and the repayment of capital.

19. NON-DISTRIBUTABLE RESERVE

The reserve is used to record increases in the fair value of land and buildings and decreases to the extent that such decreases relates to an increase in the same asset. The directors consider that these unrealised movements are non-distributable until realised.

Following the company's transfer of land to joint venture entities, Hill Marshall LLP and Hill Marshall (Phase 2) LLP, on 29 March 2018 at deferred consideration, the company recognised the proportion of the profit attributable to the interests of the company as deferred in its Statement of Financial Position. The gain attributable to the joint venture partner interests was recognised in the Income Statement and classified as non-distributable unrealised profit in the Statement of Changes in Equity.

20. CAPITAL COMMITMENTS

	2018	2017
	£	£
Authorised by the Board and contracted but not provided for	6,691,828	15,709,221

21. ULTIMATE PARENT COMPANY AND CONTROLLING PARTY

The parent undertaking of the smallest and largest group of undertakings for which consolidated financial statements are prepared and of which the company is a member is Marshall of Cambridge (Holdings)

Limited, registered in England and Wales, and this is therefore considered to be the ultimate and immediate parent undertaking and also the controlling party. Copies of the consolidated financial statements can be obtained from Marshall of Cambridge (Holdings) Limited, Airport House, The Airport, Cambridge, CB5 8RY.