UK LAND ESTATES (PARTNERSHIP) LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

Company Registration Number 04393103

UK LAND ESTATES (PARTNERSHIP) LIMITED

FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

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UK LAND ESTATES (PARTNERSHIP) LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

YEAR ENDED 31 DECEMBER 2020

The board of directors	A K Taylor C J Whitfield S Smith R Pellatt N J Turner J M Pedlow F M Schaefer
Business address	Suites 5 & 6 Enterprise House Kingsway Team Valley Gateshead NE11 0SR
Registered office	Suites 5 & 6 Enterprise House Kingsway Team Valley Gateshead NE11 0SR
Independent auditors'	PricewaterhouseCoopers LLP Level 5 and 6 Central Square South Orchard Street Newcastle upon Tyne NE1 3AZ
Bankers	HSBC Bank Plc 110 Grey Street Newcastle upon Tyne NE1 6JG
Valuers	CB Richard Ellis Limited St Martin's Court 10 Paternoster Row London EC4M 7HP

The directors present their strategic report of the company for the year ended 31 December 2020.

Principal activities

The company's principal activity is commercial property investment and development.

The company's properties are mostly situated in the North East region of England. The directors are confident that the region has good prospects for growth and it will continue to be the main focus for its investment.

Review of the business

The company made a profit for the year of £517k (2019: £1,313k).

Changing conditions in the property market led to a £177k revaluation increase in the investment property portfolio (2019: decrease £466k).

The combination of these results provided a net liabilities position of £36,484k at 31 December 2020 (2019: £37,001k).

Throughout the year, the company has remained in compliance with its banking covenants.

KPIs

A number of KPIs are used to monitor the performance of the company, including property void rates, interest cover ratios and property valuations, as well as traditional financial KPIs such as profitability and working capital management.

Principal risks and uncertainties

The principal risks and uncertainties facing the company can be broadly categorised as:

- Void properties – the company does not earn any revenue from empty or void properties and must bear the cost of their upkeep whilst they remain vacant. Empty properties attract a lower market valuation than those which are occupied. The utilisation of properties is a key area of focus for the business.

- Movements in commercial property prices – the company's balance sheet could be impacted by negative movements in commercial property values.

- Funding risks – the company uses external funding from banks and loan note holders. There is a risk that sufficient funding may not always be available at the right times as needed by the investment and development property portfolio.

- Development and construction risks – the company's developments may be delayed if planning or other consents are not given on a timely basis.

The treasury risks are summarised further below.

Treasury policy

The objective of the policy is to manage the company's financial risk and to minimise the adverse effects of fluctuations in interest rates on reported profitability and on the cash flows of the company.

The company finances its activities with a combination of bank loans, loan notes and cash. The company also enters into, where necessary, derivative transactions, namely interest rate swaps and caps. The main risks associated with the company's financial assets and liabilities are set out below, as are the policies agreed for their management.

Interest rate risk

The company's policy is to manage its cost of borrowings predominantly through fixed rate debt and interest rate swaps and caps on variable rate debt. At the year-end 100% (2019: 100%) of the company's external borrowings, excluding loan notes, were at a fixed rate or fixed rate plus LIBOR.

Where necessary, the company uses interest rate swaps with third parties to generate the desired interest profile. The purpose is to manage the interest rate risks arising from the company's operations and its sources of finance. The company only utilises interest rate swaps to manage identified exposures and does not trade in such instruments for speculative purposes. As at the year end the company had interest rate swaps in place covering 60% (2019: 67%) of the company's borrowings, excluding loan stock.

Liquidity risk

The company aims to mitigate liquidity risk by managing cash balances, payments and collections throughout the company, and by ensuring that adequate credit facilities are in place. All capital expenditure is approved by the board.

Credit risk

This risk is limited to normal trade risk. The company's policies are aimed at minimising such losses and require that deferred terms are only granted to tenants who demonstrate an appropriate payment history and satisfy creditworthiness procedures. Levels of overdue debt are closely monitored by management.

Foreign currency risk

The company does not transact in any currency other than sterling and therefore this is not considered a significant risk.

Impact of COVID-19

Having undertaken a going concern review, the directors have considered the group and company's principal risk areas, including the potential impact of the COVID-19 pandemic, that they consider material to the assessment of going concern.

Following the outbreak of the COVID-19 pandemic the Directors have further considered its potential impact on the company and the UK Land Estates Partnership (Holdings) Ltd group ("group"). They have stress tested the forecasts making assumptions around a reduction in revenue and a reduction in investment property values.

The group and company meets its day-to-day working capital requirements through cash flows from operations and capital projects are financed through a combination of operating cash flows and the use of a secured loan facility. The facility was renewed on 19 December 2019 for a period of four years with an option to extend to five years. In March 2021 an additional term loan facility of £15m was agreed. The total loan facility has an available to draw balance of £18m to date.

The facility includes covenants in respect of group rental cover, group EBIT (Earnings before Interest and Tax) cover and group loan to value ratio (LTV). The group is operating comfortably within their covenants and is forecast to do so going forward. Sensitivity analysis has been prepared which indicates that a revenue reduction by one-third would not threaten a breach of covenants, and would still allow a very significant capital refurbishment programme to be funded, to underpin the long-term value of the property portfolio. The group's loan-to-value covenant could withstand a value reduction of 25%; current market indicators do not indicate that this is likely.

Should a breach of covenants occur, management would need to obtain a waiver from the group's bankers in order for the borrowing facilities to continue to be available. Having carried out a downside scenario analysis the directors do not foresee a breach of covenants occurring and have therefore concluded that this does not cause the Group or company any issue with going concern.

Approved by the Board and signed on its behalf by:

A K Taylor
Director

18 May 2021

The directors present their report and the audited financial statements of the company for the year ended 31 December 2020.

Results and dividends

The profit of the company for the year was £517k (2019: £1,313k). The directors do not recommend the payment of any dividends.

Future developments

The directors will continue the active management of the investment portfolio and take advantage of development opportunities when they arise.

Going Concern

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.

As of and for the year ended 31 December 2020, the group and company met its day-to-day working capital requirements through cash flows from operations. Capital projects were financed using a combination of working capital cash flows and the utilisation of the group's agreed revolving loan facility. During the financial year 2020 the group has seen an increase in demand for industrial workspace. The group has agreed an additional term loan facility of £15m with its lenders post year end. This will enable the group to progress with a significant capital refurbishment programme and make strategic acquisitions where appropriate to meet this demand for industrial workspace.

The Group's forecasts and projections at the year end, considering reasonably possible changes in trading performance, showed that the group would be able to continue to operate within the level of its current and forecasted operational cash flow and agreed bank facilities.

While the longer-term impact of the coronavirus pandemic on the Group remains uncertain, the directors are confident that the Group is well positioned to withstand a significant reduction in revenue should this occur. Sensitivity analysis has been prepared which indicates that a revenue reduction by one-third would not threaten a breach of covenants, and would still allow a very significant capital refurbishment programme to be funded, to underpin the long-term value of the property portfolio.

The group maintains a substantial unrestricted cash on hand balance that is sufficient to meet its obligations for a period of at least 12 months from the date of signing these financial statements. The group has access to an undrawn £18m credit facility to date which will be called upon to assist with the financing of capital projects where required.

Additionally, the group has a flexible cost structure that allows it to react quickly to reduce expenses, defer discretionary capital expenditure and use government support schemes, where necessary.

The group has strong controls in place for the recovery of trade debtors and management of working capital.

The group maintains a constant dialog and strong relationship with its lenders and are confident of their continued support during this time.

Going Concern *(continued)*

Management have modelled a number of potential downside scenarios, which illustrate that group interest cover covenants could withstand a fall in revenue of more than one-third. Actual performance does not indicate that any such reductions are likely. The group's loan-to-value covenant could withstand a value reduction of 25%; current market indicators do not indicate that this is likely. Having reviewed the models the directors are confident that the group and company will continue to operate as a going concern for at least the next 12 month period.

The company financial statements are prepared on a going concern basis, which assumes that the company will continue in operational existence for the foreseeable future and be able to meet its liabilities as they fall due.

Net current liabilities

At 31 December 2020 the company had net current liabilities of £21,374k (2019: £31,227k) and net liabilities of £36,484k (2019: £37,001k). However, the company is supported by its parent, UK Land Estates Partnership (Holdings) Limited.

On the basis that the parent company will support the company, the directors believe that the company is a going concern. Therefore, the directors believe it is appropriate to prepare the financial statements of the company on a going concern basis and the financial statements do not include any adjustments that may be required should the company not be a going concern

Directors

The directors of the company who were in office during the year and up to the date of signing the financial statements were:

A K Taylor
C J Whitfield
S Smith
R Pellatt
M O'Shaughnessy (resigned 08/07/20)
J M Pedlow
F M Schaefer (appointed 06/02/20)
J C K Anselme (resigned 06/02/20)
N J Turner (appointed 08/07/20)

Directors' Indemnities

The Company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of approval of this report.

Post Balance Sheet Events

The company agreed a new term loan facility of £15m on 22 March 2021. The loan facility runs in line with the current term loan until December 2023 with the option to extend for one year.

Statement of directors' responsibilities in respect of the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). Under company law, 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;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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 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 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.

Directors' confirmation

In the case of each director in office at the date the directors' report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Strategic report

Details of the company's financial risk management objectives and policies and exposure to credit, interest rate, foreign currency and liquidity risk are included within the Strategic Report and form part of this report by cross reference.

Independent auditors

A resolution to reappoint PricewaterhouseCoopers LLP as auditors for the ensuing year will be proposed at the forthcoming Annual General Meeting.

Approved by the Board and signed on its behalf by:

A K Taylor
Director

18 May 20

Report on the audit of the financial statements

Opinion

In our opinion, UK Land Estates (Partnership) Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Financial Statements (the "Annual Report"), which comprise: the balance sheet as at 31 December 2020; the statement of comprehensive income and the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 December 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to the applicable legal requirements, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to increase profit and investment properties, or through management bias in manipulations of accounting estimates. Audit procedures performed by the engagement team included:

- Enquiry of management and those charged with governance around actual and potential litigation claims;
- Reviewing minutes of meetings of those charged with governance;
- reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations;
- Identifying and testing journal entries, in particular any journal entries with unusual account combinations;
- Reviewing legal expenditure in the year to identify potential non-compliance with laws and regulations;
- Challenging assumptions and judgements made by management in their significant accounting estimates, in particular *fair value of investment property and consideration of the impact of COVID-19 on going concern.*

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Nicholas Cook (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Newcastle
18 May 2021

UK LAND ESTATES (PARTNERSHIP) LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020 £'000	2019 £'000
Turnover	3	7,819	8,313
Cost of sales		(1,788)	(1,716)
Gross profit		6,031	6,597
Administrative expense		(2,397)	(2,169)
Other operating income		17	99
Operating profit		3,651	4,527
Loss on disposal of investment properties		-	(157)
Fair value gain/(loss) on investment properties	9	177	(466)
Profit before interest and taxation		3,828	3,904
Finance costs (net)	6	(3,352)	(2,456)
Profit before taxation	4	476	1,448
Tax on profit	7	41	(135)
Profit for the financial year		517	1,313

All operations are classed as continuing.

The notes on page 15 to 28 form part of these financial statements.

UK LAND ESTATES (PARTNERSHIP) LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2020

	Called up share capital £'000	Revaluation reserve £'000	Profit and loss account £'000	Total shareholders' deficit £'000
As at 1 January 2019	223	21,066	(59,603)	(38,314)
Profit for the financial year	-	-	1,313	1,313
In year revaluation loss moved to revaluation reserve	-	(466)	466	-
Revised revaluation loss on property sales	-	4,821	(4,821)	-
Balance at 31 December 2019	223	25,421	(62,645)	(37,001)
Profit for the financial year	-	-	517	517
In year revaluation gains moved to revaluation reserve	-	177	(177)	-
Balance at 31 December 2020	223	25,598	(62,305)	(36,484)

The notes on page 15 to 28 form part of these financial statements.

UK LAND ESTATES (PARTNERSHIP) LIMITED

Registered Number 04393103

BALANCE SHEET

AS AT 31 DECEMBER 2020

	Note	2020 £'000	2019 £'000
Fixed assets			
Investments	8	1	1
Tangible assets	9	119,470	113,428
		119,471	113,429
Current assets			
Debtors	10	85,184	81,502
Cash at bank and in hand		2,452	3,474
		87,636	84,976
Creditors: amounts falling due within one year	11	(109,010)	(116,203)
Net current liabilities		(21,374)	(31,227)
Total assets less current liabilities		98,097	82,202
Creditors: amounts falling due after more than one year	12	(134,581)	(119,203)
Net liabilities		(36,484)	(37,001)
Capital and reserves			
Called up share capital	16	223	223
Revaluation reserve		25,598	25,421
Profit and loss account		(62,305)	(62,645)
Total shareholders' deficit		(36,484)	(37,001)

These financial statements on pages 12 to 28 were approved by the directors and authorised for issue on 18 May 2021 and are signed on their behalf by:

A K Taylor
Director

The notes on page 15 to 28 form part of these financial statement.

1. General information

UK Land Estates (Partnership) Limited is a private company limited by shares incorporated in the United Kingdom under the Companies Act 2006 and registered in England and Wales. The Registered office Suites 5 & 6, Enterprise House, Kingsway, Team Valley, Gateshead, NE11 0SR.

The company's principal activity is commercial property investment and development.

2. Accounting policies

Basis of accounting
These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006, including the provisions of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, and under the historical cost convention, modified to include the revaluation of freehold properties and to include investment properties and certain financial instruments at fair value.

Monetary amounts in these financial statements are rounded to the nearest whole £1,000, except where otherwise indicated.

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

The company meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of financial instruments and presentation of a cash flow statement.

The accounting policies have been applied consistently during the current and prior year.

Fundamental accounting concept
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.

As of and for the year ended 31 December 2020, the group and company met its day-to-day working capital requirements through cash flows from operations. Capital projects were financed using a combination of working capital cash flows and the utilisation of the group's agreed revolving loan facility. During the financial year 2020 the group has seen an increase in demand for industrial workspace. The group has agreed an additional term loan facility of £15m with its lenders post year end. This will enable the group to progress with a significant capital refurbishment programme and make strategic acquisitions where appropriate to meet this demand for industrial workspace.

The Group's forecasts and projections at the year end, considering reasonably possible changes in trading performance, showed that the group would be able to continue to operate within the level of its current and forecasted operational cash flow and agreed bank facilities.

While the longer-term impact of the coronavirus pandemic on the Group remains uncertain, the directors are confident that the Group is well positioned to withstand a significant reduction in revenue should this occur. Sensitivity analysis has been prepared which indicates that a revenue reduction by one-third would not threaten a breach of covenants, and would still allow a very significant capital refurbishment programme to be funded, to underpin the long-term value of the property portfolio.

2. Accounting policies *(continued)*

Fundamental accounting concept *(continued)*

Going Concern

The group maintains a substantial unrestricted cash on hand balance that is sufficient to meet its obligations for a period of at least 12 months from the date of signing these financial statements. The group has access to an undrawn £18m credit facility to date which will be called upon to assist with the financing of capital projects where required.

Additionally, the group has a flexible cost structure that allows it to react quickly to reduce expenses, defer discretionary capital expenditure and use government support schemes, where necessary.

The group has strong controls in place for the recovery of trade debtors and management of working capital.

The group maintains a constant dialog and strong relationship with its lenders and are confident of their continued support during this time.

Management have modelled a number of potential downside scenarios, which illustrate that group interest cover covenants could withstand a fall in revenue of more than one-third. Actual performance does not indicate that any such reductions are likely. The group's loan-to-value covenant could withstand a value reduction of 25%; current market indicators do not indicate that this is likely. Having reviewed the models the directors are confident that the group and company will continue to operate as a going concern for at least the next 12 month period.

The company financial statements are prepared on a going concern basis, which assumes that the company will continue in operational existence for the foreseeable future and be able to meet its liabilities as they fall due.

Net current liabilities

At 31 December 2020 the company had net current liabilities of £21,374k (2019: £31,227k) and net liabilities of £36,484k (2019: £37,001k). However, the company is supported by its parent, UK Land Estates Partnership (Holdings) Limited.

On the basis that the parent company will support the company, the directors believe that the company is a going concern. Therefore, the directors believe it is appropriate to prepare the financial statements of the company on a going concern basis and the financial statements do not include any adjustments that may be required should the company not be a going concern

Basis of consolidation

Under section 400 of the Companies Act 2006 the company is exempt from preparing consolidated financial statements because it is a subsidiary of UK Land Estates Partnership (Holdings) Limited, a company registered in an EEA state, and that company prepares and files consolidated financial statements, which include the results of this company. Therefore, these financial statements present information about the company as an individual undertaking and not about its group.

The consolidated financial statements of UK Land Estates Partnership (Holdings) Limited are available from its registered office Suites 5 & 6, Enterprise House, Kingsway, Team Valley, Gateshead, NE11 0SR.

2. Accounting policies *(continued)*

Investments

Investments in subsidiaries are carried at cost plus incidental expenses less any provision for impairment. Impairment reviews are performed by the directors when there has been an indication of impairment.

Investment properties

Investment properties (including properties held under an operating lease) are initially measured at cost and subsequently measured at fair value. Changes in fair value are recognised in profit or loss.

Development properties

Properties under development are stated at the lower of cost or net realisable value in fixed assets. Net realisable value is assessed by the directors based on a detailed development appraisal for each development. Included within properties under development are costs incurred on the development of properties representing external costs of construction invoiced to the company.

Costs relating to property development include finance costs directly attributable to the developments which arise from the start of development activity up to the date that development is substantially completed. No further finance costs are included in development costs during a period in which active development is suspended. Finance costs are included at rates based on the company's weighted average cost of borrowings.

Dilapidations

At the end or termination of a lease, the company can in certain circumstances, receive payments in relation to dilapidation of the relevant property from its tenant. Where the receipts will be used to improve the property, both the income and the related expenditure are recorded within fixed assets. Where no improvements are to be made to the property the income is recognised as part of turnover.

Taxation

The tax expense represents the sum of the current tax expense and deferred tax expense. Current tax assets are recognised when tax paid exceeds the tax payable.

Current tax is based on taxable profit for the year. Taxable profit differs from total comprehensive income because it excludes items of income or expense that are taxable or deductible in other periods. Current tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised, or the liability is settled based on tax rates that have been enacted or substantively enacted by the reporting date. Deferred tax is not discounted.

Deferred tax liabilities are recognised in respect of all timing differences that exist at the reporting date. Timing differences are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in different periods from their recognition in the financial statements. Deferred tax assets are recognised only to the extent that it is probable that they will be recovered by the reversal of deferred tax liabilities or other future taxable profits.

2. Accounting policies *(continued)*

Taxation *(continued)*

Deferred tax is recognised on income and or expenses from subsidiaries, associates, branches and interests in jointly controlled entities, that will be assessed to or allow for tax in a future period except where the company is able to control the reversal of the timing difference and it is probable that the timing difference will not reverse in the foreseeable future.

Deferred tax is recognised on differences between the value of assets (other than goodwill) and liabilities recognised in a business combination and the amounts that can be deducted or assessed for tax. The deferred tax recognised is adjusted against goodwill.

For non-depreciable assets measured using the revaluation model and investment properties measured at fair value (except investment property with a limited useful life held by the Company to consume substantially all of its economic benefits), deferred tax is measured using the tax rates and allowances that apply to the sale of the asset or property.

Current and deferred tax is charged or credited in profit or loss, except when it relates to items charged or credited to other comprehensive income or equity, when the tax follows the transaction or event it relates to and is also charged or credited to other comprehensive income or equity.

Current tax assets and current tax liabilities and deferred tax assets and deferred tax liabilities are offset, if and only if, there is legally enforceable right to set off the amounts and the entity intends either to settle on a net asset basis or to realise the asset and settle liability simultaneously.

Operating leases

Rental income from assets leased under operating leases is recognised on a straight line basis over the term of the lease. Rent free periods or other incentives given to the lessee are accounted for as a reduction to the rental income and recognised on a straight line basis over the lease term.

Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at banks and in hand and short term deposits with an original maturity date of three months or less.

2. Accounting policies *(continued)*

Financial instruments

The Company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102, in full, to all of its financial instruments.

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument, and are offset only when the Company currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Trade and Intercompany Debtors

Trade and Intercompany debtors which are receivable within one year and which do not constitute a financing transaction are initially measured at the transaction price. Trade and intercompany debtors are subsequently measured at amortised cost, being the transaction price less any amounts settled and any impairment losses.

Where the arrangement with a trade or intercompany debtor constitutes a financing transaction, the debtor is initially and subsequently measured at the present value of future payments discounted at a market rate of interest for a similar debt instrument.

A provision for impairment of trade and intercompany debtors is established when there is objective evidence that the amounts due will not be collected according to the original terms of the contract. Impairment losses are recognised in profit or loss for the excess of the carrying value of the trade or intercompany debtor over the present value of the future cash flows discounted using the original effective interest rate. Subsequent reversals of an impairment loss that objectively relate to an event occurring after the impairment loss was recognised, are recognised immediately in profit or loss.

Financial liabilities and equity

Financial instruments are classified as liabilities and equity instruments according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

Equity instruments

Financial instruments classified as equity instruments are recorded at the fair value of the cash or other resources received or receivable, net of direct costs of issuing the equity instruments.

Trade and Intercompany creditors

Trade and intercompany creditors payable within one year that do not constitute a financing transaction are initially measured at the transaction price and subsequently measured at amortised cost, being the transaction price less any amounts settled.

Where the arrangement with a trade or intercompany creditor constitutes a financing transaction, the creditor is initially and subsequently measured at the present value of future payments discounted at a market rate of interest for a similar instrument.

2. Accounting policies *(continued)*

Financial liabilities and equity *(continued)*

Derivatives

The company uses derivative financial instruments to reduce exposure to interest rate movements. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured to fair value, at each reporting date. Fair value gains and losses are recognised in profit or loss.

Borrowings

Borrowings are initially recognised at the transaction price, including transaction costs, and subsequently measured at amortised cost using the effective interest method. Interest is recognised on the basis of the effective interest method and is included in interest payable and other similar expenses.

Critical accounting judgments and key sources of estimation uncertainty

In the application of the company's accounting policies described above, the directors are required to make judgements (other than those involving estimations) that have a significant impact of the amounts recognised and to make estimates and assumptions about the carrying value of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision only affects that period, or in the period of revision and future periods if the revision affects both the current and future periods.

Critical judgements in applying the company's accounting policies

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

Categorisation of operating leases

In categorising leases as operating leases management makes judgements as to whether significant rewards risks and rewards of ownership have transferred to the lessee, where the company is a lessor.

Key sources of estimation

Valuation of investment property

The valuation of investment property is a key estimate that has a significant risk of causing a material adjustment to the carrying amounts of assets. The company instructs an external independent valuer to determine the valuation of investment property, in accordance with the appraisal and valuation manual of the Royal Institute of Chartered Surveyors. The valuation is calculated based on assumptions made in respect of property yields, market rents, occupation levels and future prospects. The value of investment properties at the year end is £119,350k (2019: £113,310k).

3. Turnover

All turnover arises in the United Kingdom and is attributable to one activity, being the development of and investment in property.

Turnover represents amounts derived from rents and service charges which fall within the company's ordinary activities after deduction of value added tax. Turnover can also include one-off surrender and dilapidations income arising from lease terms and conditions.

4. Profit before taxation

	2020	2019
Profit before taxation is stated after charging:	£'000	£'000
Auditors' remuneration – audit services	(72)	(42)

5. Staff costs

The company has no employees (2019: nil). The company's assets are managed by UKLES LLP, a related party, for which a management charge is levied between the companies. The management charge has been disclosed in note 19. The directors of the company did not receive any emoluments in the year from any other company within the group.

6. Finance costs (net)

	2020 £'000	2019 £'000
Interest payable and similar expenses	(3,566)	(2,350)
Investment Income	1,109	45
Other finance (costs) / income	(895)	(151)
	(3,352)	(2,456)

Interest payable and other similar expenses

	2020 £'000	2019 £'000
Other interest	(364)	(115)
Bank interest payable	(2,834)	(1,727)
Amortisation of finance costs	(368)	(508)
	(3,566)	(2,350)

Investment Income

	2020 £'000	2019 £'000
Interest receivable on intercompany borrowing	1,109	45
	1,109	45

Other finance costs

	2020 £'000	2019 £'000
Fair value loss on interest rate derivatives	(895)	(151)
	(895)	(151)

7. Tax on profit

(a) Tax (credit) / charge

The current tax (credit) / charge for the year is (£41k) (2019: £135k). There is no deferred tax charge (2019: £nil).

(b) Factors affecting current tax (credit) / charge

The tax assessed on profit for the year differs from (2019: differs from) the standard rate of corporation tax in the UK of 19% (2019: 19%). The differences are reconciled below:

	2020 £'000	2019 £'000
Profit before taxation	476	1,448
Profit before taxation multiplied by standard rate of corporation tax in the UK of 19% (2019: 19%)	90	275
Expenses not deductible for tax purposes/(income not taxable)	1	(13)
Accelerated capital allowances	(114)	(79)
Group relief received	(111)	(212)
Revaluations not taxable	134	118
Accounting profit on chargeable assets	-	46
Adjustments in respect of prior periods	(41)	-
Total tax (credit)/ charge	(41)	135

(c) Factors that may affect future tax charge

In the Spring Budget 2021, the government announced that from 1 April 2023 the headline corporation tax rate will increase to 25%. As the proposal to increase the rate to 25% had not been substantively enacted at the balance sheet date, its effects are not included in these financial statements. However, as there is no deferred tax provided in the financial statements, there would be no change in tax expense for the period had it been substantively enacted by the balance sheet date.

(d) Deferred tax

The unprovided deferred tax assets are as follows:

	2020 £'000	2019 £'000
Revaluation deficit less capital losses	311	994
Deferred tax assets	311	994

The deferred tax asset has not been recognised as it is not foreseen that the asset will be realised.

8. **Investments**

Company	**Subsidiaries £'000**	**Total £'000**
Cost:		
At 1 January 2020 and 31 December 2020	1	1
Amounts provided:		
At 1 January 2020 and 31 December 2020	-	-
Net book value:		
At 1 January 2020 and 31 December 2020	1	1

Subsidiary undertakings

The company holds investments in the following subsidiaries:

Subsidiary undertaking	**Class of Share Held**	**Proportion of Shares Held**	**Principal Activity**	**County Of Incorporation**
Ever 1855 Limited*	Ordinary	100%	Property company	UK
UKLEP (2003) Limited*	Ordinary	100%	Investor in NEPP LP	UK
North East Property Partnership Limited*	Ordinary	100%	General Partner of NEPP LP	UK
North East Property Partnership ("NEPP LP")#	Partner	100%	Property company	UK
North East Regeneration Partnership LLP ("NERP LLP")#	Partner	100%	Property company	UK

*Held directly by UK Land Estates (Partnership) Limited
#Held indirectly by UK Land Estates (Partnership) Limited

Registered office of all subsidiary undertakings listed is Suites 5 & 6 Enterprise House, Kingsway, Team Valley, Gateshead, NE11 0SR.

9. **Tangible Assets**

	Leasehold Investment Property £'000	**Freehold Investment Property £'000**	**Development Property £'000**	**Total £'000**
Cost or valuation and net book value:				
At 1 January 2020	48,330	64,980	118	113,428
Additions	580	5,283	2	5,865
Disposals	-	-	-	-
Revaluation (losses) / gains	(1,690)	1,867	-	177
At 31 December 2020	47,220	72,130	120	119,470

9. Tangible Fixed Assets (continued)

On the historic cost basis, certain fixed assets would have been included as follows:

Historic cost basis	Leasehold Investment Property £'000	Freehold Investment Property £'000	Development Land £'000	Total £'000
At 31 December 2019	42,935	44,953	118	88,006
At 31 December 2020	43,515	50,235	120	93,870

Properties classified as investment properties were valued on 31 December 2020 by CBRE Ltd on the basis of market value, in accordance with the appraisal and valuation manual of the Royal Institution of Chartered Surveyors. The investment properties provide security in respect of the banking facility which contains some restrictions on their realisability.

Freehold land with a value of £3,990k included in the freehold investment property value above was last valued by CBRE Ltd on 31 December 2019, the directors deem there to be no material valuation movements between 31 December 2019 and 31 December 2020.

Note 3 details property rental income earned during the year. No contingent rents have been recognised as income in the current or prior year.

At the balance sheet date the company had contracted with tenants for the following future minimum lease payments:

	2020 £'000	2019 £'000
Within one year	5,700	4,158
In the second to fifth years inclusive	11,123	10,203
After five years	1,073	9,371
	17,896	23,732

The company has entered into non-cancellable contractual commitments in respect of investment properties totalling £Nil (2019: £289k). The company is contractually obliged to carry out annual repairs and maintenance in respect of investment property, which in the current year amounted to £83k (2019: £198k).

10. Debtors

	2020 £'000	2019 £'000
Trade debtors	934	1,037
Amounts owed by group undertakings	81,914	79,045
Taxation and social security	770	-
Prepayments and accrued income	1,566	1,420
	85,184	81,502

Amounts owed by group undertakings of £30,265k (2019: £30,265k) are unsecured, interest free, and repayable on demand.

Amounts totalling £50,540k (2019: £48,780k) included within amounts owed by group undertakings relates to bank loan funds transferred to North East Property Partnership. The funds will be recalled in line with the bank loan facility agreement on 18th December 2023.

Interest is accrued on the balance at the rate charged on the bank facility at LIBOR plus 2%. Accrued interest amounting to £1,109k is included within amounts owed by group undertakings.

11. Creditors: Amounts falling due within one year

	2020 £'000	2019 £'000
Trade creditors	(143)	(17)
Amounts owed to group undertakings	(106,026)	(113,287)
Other creditors	(321)	(388)
Taxation and social security	-	(261)
Derivatives	(171)	-
Accruals and deferred income	(2,349)	(2,250)
	(109,010)	(116,203)

Amounts owed to group undertakings of £106,026k (2019: £113,287k) are unsecured, interest free and payable on demand.

12. Creditors: Amounts falling due after more than one year

	2020 £'000	2019 £'000
Bank loans and overdrafts (note 13)	(133,525)	(118,946)
Derivatives	(1,056)	(257)
	(134,581)	(119,203)

The following liabilities disclosed under creditors falling due after more than one year are secured by the company:

	2020 £'000	2019 £'000
Bank loans and overdrafts (note 13)	(134,500)	(120,000)
	(134,500)	(120,000)

13. Loans

There is an unlimited multilateral guarantee in existence between UK Land Estates (Partnership) Limited and its subsidiary company Ever 1855 Limited.

	Club Loan LIBOR + 2% £'000	Total £'000
2020		
Amounts repayable:		
In one year or less, or on demand	-	-
In more than one year but not more than two years	-	-
In more than two years but not more than five years	(134,500)	(134,500)
	(134,500)	(134,500)
In more than five years	-	-
Adjust for arrangement fees	975	975
	(133,525)	(133,525)
Adjust for amounts due in less than one year	-	-
	(133,525)	(133,525)

	Club Loan LIBOR + 2% £'000	Total £'000
2019		
Amounts repayable:		
In one year or less, or on demand	-	-
In more than one year but not more than two years	-	-
In more than two years but not more than five years	(120,000)	(120,000)
	(120,000)	(120,000)
In more than five years	-	-
	-	-
Adjust for arrangement fees	1,054	1,054
	(118,946)	(118,946)
Adjust for amounts due in less than one year	-	-
	(118,946)	(118,946)

The bank loans are secured on the investment properties. The terms of the loan contain some restrictions in respect of the sale and acquisition of investment properties.

14. Financial Instruments

The carrying amount of the company's financial instruments at 31 December were:

	2020 £'000	2019 £'000
Financial assets:		
Cash	2,452	3,474
Debt instruments measured at amortised cost	82,848	80,083
	85,300	83,557
Financial liabilities		
Measured at amortised cost	(239,693)	(232,250)
Measured at fair value through profit and loss	(1,227)	(257)
	(240,920)	(232,507)

15. Derivative financial instruments

The movements on derivative financial instruments are as follows:

	Interest rate swap 2020 £'000	Interest rate swap 2019 £'000
Fair value at 1 January	(257)	(53)
Additions	(173)	(123)
Disposals	187	77
Accrued interest	(89)	(7)
Change in fair value included in profit and loss	(895)	(151)
Fair value at 31 December	(1,227)	(257)

16. Called up share capital

	2020 No	2020 £'000	*2019* *No*	*2019* *£'000*
Ordinary shares of £1 each	223,040	223	223,040	223
	223,040	223	223,040	223

17. Capital commitments

The company had capital commitments totalling £14k at 31 December 2020 (2019: £295k).

18. Operating lease commitments

Annual commitments under non-cancellable operating leases for the company are as follows:

	Land and Buildings 2020	2019
Operating leases which expire:	**£'000**	**£'000**
In less than one year		
In more than one but less than five years	-	-
In more than five years	-	-
	-	-

19. Related party transactions

Transactions between the Company and its related parties are disclosed below:

2020	Sales £'000	Purchases £'000	Debtors £'000	Creditors £'000
UK Land Estates (Services) Limited	-	-	-	-
UKLES LLP	-	1,895	-	-
North East Property Partnership	-	50	51,649	11,510
2019				
UK Land Estates (Services) Limited	-	17	-	-
UKLES LLP	-	1,746	-	-
North East Property Partnership	-	43	48,780	11,449

During the year UK Land Estates (Partnership) Limited paid a management charge for the provision of management and administration services to UKLES LLP. UKLES LLP owns 100% of UK Land Estates (Services) Limited. Some of the members of UKLES LLP are also directors of UK Land Estates (Partnership) Limited.

20. Parent company and controlling party

The company's immediate parent company is UK Land Estates Partnership (Holdings) Limited, a company incorporated in England.

The company's ultimate parent company and controlling party is NW Europe Holdings SARL, company incorporated in Luxembourg.

The smallest company to prepare consolidated financial statements that include results of UK Land Estates (Partnership) Limited is UK Land Estates Partnership (Holdings) Limited, these can be obtained from its registered office Suites 5 & 6, Enterprise House, Kingsway, Team Valley, Gateshead, NE11 0SR.

The largest company to prepare consolidated financial statements that include results of UK Land Estates (Partnership) limited is NW Europe Holdings Sarl (Luxembourg), registered office 2, Boulevard de la Foire, L-1528, Luxembourg. The financial statements are publicly available at https://www.lbr.lu/

21. Post balance sheet events

The company agreed a new term loan facility of £15m on 22 March 2021. The loan facility runs in line with the current term loan until December 2023 with the option to extend for one year.