Company Registration No. 08025695 (England and Wales)

WESTFERRY DEVELOPMENTS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

WESTFERRY DEVELOPMENTS LIMITED

COMPANY INFORMATION

Directors	Mr R Sanderson Mr R Martin Mr M S Ellice Mr D Rancombe
Secretary	Mr R Sanderson
Company number	08025695
Registered office	The Northern & Shell Building Number 10 Lower Thames Street London United Kingdom EC3R 6EN
Auditor	KPMG LLP 15 Canada Square London United Kingdom E14 5GL
Bankers	Barclays Bank 27 Soho Square London United Kingdom W1D 3QR

WESTFERRY DEVELOPMENTS LIMITED

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WESTFERRY DEVELOPMENTS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

The directors present their annual report and financial statements for the year ended 31 December 2019.

Principal activities
The principal activity of the company is property development.

Directors
The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Mr R Sanderson
Mr R Martin
Mr M S Ellice
Mr D Rancombe

Results and dividends
The results for the year are set out on page 8.

The company recorded a loss before taxation of £2.0 million (2018: £2.0 million).

No ordinary dividends were paid. The directors do not recommend payment of a final dividend.

Review of the period and future developments
The principal activity of the company is that of property development. Work is underway to implement a consented planning scheme on the company's site on the Isle of Dogs in London. Having demolished the old printworks and associated buildings in 2017 and finished the excavation of the common basement tub in early 2019, the main focus of the site works during the year was the package to deliver utilities diversion, surface water discharge and drainage across the site.

In July 2018, the company submitted to the London Borough of Tower Hamlets a new planning application for a comprehensive mixed-use redevelopment comprising 1,540 residential units (subsequently revised to 1,524 units), shops, offices, flexible workplaces, financial and professional services, restaurants, cafes and bars, community uses, car and cycle basement parking, associated landscaping, new public realm and all other necessary enabling works. In addition, we are also providing the land for a 1,200 place secondary school with extensive outdoor amenities and recreational sports facilities.

After many months of engaging with the local authority and the Greater London Authority (GLA), during which the statutory period for determining the application expired in November 2018, and with no visibility as to when the application would be put forward to the planning committee, the company made the decision to appeal to the Planning Inspectorate against the non-determination of its application for the revised Westferry Printworks masterplan. The resultant hearing was held in August and September of 2019 and, given the strategic importance of the site, the Secretary of State for Housing, Communities and Local Government assumed the role of adjudicator and subsequently gave his approval to the planning permission in January 2020. This approval was challenged by the GLA and the London Borough of Tower Hamlets, which bodies jointly requested from the Courts approval to bring a formal appeal against the Secretary of State's decision. In May 2020, the Secretary of State decided not to contest the London Borough of Tower Hamlets' claim, with the result that the planning permission was formally quashed and as at the date of this report, the case has reverted back to the Department for Housing, Communities and Local Government (DHCLG) for another Minister in the department to determine.

Naturally, the company is disappointed with the interminable delay and the continued unwarranted obstruction of the local authorities. However, we remain committed to deliver on our promise to bring this significant development to fruition, providing over 1,500 much needed new homes for Londoners in what will be a vibrant new waterfront neighbourhood just minutes from Canary Wharf and remain confident that the scheme will ultimately secure approval by the end of 2020.

Aside from the planning machinations, the company is pleased with the overall progress of the development works which, to date, have progressed under the 2016 consent with the works being also applicable to the new scheme. The new scheme will not be implemented until consent is received and any resultant legal challenges have been overruled, however, the company at its own financial risk is currently working with its professional team on the detailed design of the new scheme so as to lose as little time as possible in the development and sales programme.

The directors consider the underlying performance of the company to be satisfactory. It is the intention of the company to continue trading in its principal activity for the foreseeable future.

The risks, uncertainties and key performance indicators pertaining to the company are consistent with those experienced by the company's fellow subsidiaries. They are discussed in the Strategic Report of Northern & Shell Plc , *the ultimate parent of the company.*

During the year, the company issued 59,000,000 ordinary shares of £1 each in the capital of the company for a consideration of £59.0 million (note 13). The company's net assets were £85.3 million as at 31 December 2019 (2018: £28.3 million).

Financial risk management
The company's operations expose it to a variety of financial risks that include liquidity risk. The company has mechanisms in place that seek to limit the impact of the adverse effects of these risks on the financial performance of the company.

Liquidity risk
The company manages its cash and borrowing requirements in order to maximise interest income and minimise interest expense, whilst ensuring the company has sufficient liquid resources to meet the operating needs of the business.

Political donations
The company made no political donations or incurred any political expenditure during the year (2018: £nil).

Auditor
The auditor, KPMG LLP, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

Statement of disclosure 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 of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

Going concern

The Directors have considered the financing required to continue to fund the development of the company's site on the Isle of Dogs in London. These expenditures are to be financed by other companies of the Northern & Shell group. The directors have prepared cash flow forecasts for the group to 31 December 2021. Based on the group's current cash, cash equivalents and listed investments, it would be able to fund this development beyond 31 December 2021. In the event of unforeseen and more severe downsides than forecast, the group has potential mitigating actions, including reducing the level of controllable costs, including capital expenditure on the development site on the Isle of Dogs, which would further increase the group's headroom.

A letter of support has been provided by the ultimate parent company, Northern & Shell Plc, stating that this company intends to provide financial support as necessary to enable the group and the company to meet their obligations as and when they fall due. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so. Accordingly, the directors are satisfied that it is appropriate to prepare the financial statements on a going concern basis.

This report has been prepared in accordance with the provisions applicable to companies entitled to the small companies exemption.

On behalf of the board

Mr R Sanderson
Director
22 June 2020

WESTFERRY DEVELOPMENTS LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2019

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), 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 these financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

WESTFERRY DEVELOPMENTS LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF WESTFERRY DEVELOPMENTS LIMITED

Opinion
We have audited the financial statements of Westferry Developments Limited for the year ended 31 December 2019 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including of FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland;* 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern
The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model, and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Directors' report
The directors are responsible for the directors' report. Our opinion on the financial statements does not cover that report and we do not express an audit opinion thereon.

Our responsibility is to read the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the directors' report;
- in our opinion the information given in that report for the financial year is consistent with the financial statements; and
- in our opinion that report has been prepared in accordance with the Companies Act 2006.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF WESTFERRY DEVELOPMENTS LIMITED

Matters on which we are required to report by exception
Under the Companies Act 2006 we are required 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; or
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.

We have nothing to report in these respects.

Directors' responsibilities
As explained more fully in their statement set out on page 4, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; 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; 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 they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities
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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities
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.

Mark Prince (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

15 Canada Square
London
United Kingdom
E14 5GL

24 June 2020

WESTFERRY DEVELOPMENTS LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 £000	2018 £000
Turnover	3	(3)	49
Administrative expenses		(623)	(1,057)
Operating loss		(626)	(1,008)
Interest payable and similar expenses	7	(1,393)	(1,004)
Loss before taxation		(2,019)	(2,012)
Taxation	8	(6)	342
Loss for the financial year		(2,025)	(1,670)
Other comprehensive income		-	-
Total comprehensive income for the year		(2,025)	(1,670)

The Statement of Comprehensive Income has been prepared on the basis that all operations are continuing operations.

The notes on pages 11 to 20 form an integral part of these financial statements.

WESTFERRY DEVELOPMENTS LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2019

		2019		2018	
	Notes	**£000**	**£000**	**£000**	**£000**
Current assets					
Stocks	**9**	81,365		69,705	
Debtors	**10**	6,433		7,208	
Cash at bank and in hand	**14**	887		720	
		88,685		77,633	
Creditors: amounts falling due within one year	**11**	(3,414)		(49,337)	
Net current assets			85,271		28,296
Net assets			85,271		28,296
Capital and reserves					
Called up share capital	**13**		94,000		35,000
Profit and loss reserves			(8,729)		(6,704)
Total equity			85,271		28,296

The notes on pages 11 to 20 form an integral part of these financial statements.

The financial statements were approved by the board of directors and authorised for issue on 22 June 2020 and are signed on its behalf by:

Mr R Sanderson
Director

Company Registration No. 08025695

WESTFERRY DEVELOPMENTS LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

	Share capital	Profit and loss reserves	Total
	£000	£000	£000
Balance at 1 January 2018	35,000	(5,034)	29,966
Year ended 31 December 2018:			
Total comprehensive income for the year	-	(1,670)	(1,670)
Balance at 31 December 2018	35,000	(6,704)	28,296
Year ended 31 December 2019:			
Total comprehensive income for the year	-	(2,025)	(2,025)
Issue of share capital (note 13)	59,000	-	59,000
Balance at 31 December 2019	94,000	(8,729)	85,271

The notes on pages 11 to 20 form an integral part of these financial statements.

1 Accounting policies

Company information

Westferry Developments Limited is a private company limited by shares incorporated in England and Wales. The registered office is The Northern & Shell Building, Number 10 Lower Thames Street, London, United Kingdom, EC3R 6EN.

1.1 Accounting convention

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.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £000 (unless stated otherwise).

The financial statements have been prepared 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. The principal accounting policies adopted are set out below.

This company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements:

- Section 4 'Statement of Financial Position' – Reconciliation of the opening and closing number of shares;
- Section 7 'Statement of Cash Flows' – Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues' – Carrying amounts, interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income;
- Section 33 'Related Party Disclosures' – Compensation for key management personnel.

The financial statements of the company are consolidated in the financial statements of Northern & Shell Plc. These consolidated financial statements are available from its registered office, The Northern & Shell Building, Number 10 Lower Thames Street, London, EC3R 6EN.

The company has taken advantage of the exemption provided in section 33.1A of Financial Reporting Standard 102 from the requirement to disclose transactions with other wholly owned group members of Northern & Shell Plc.

Northern & Shell Plc and its subsidiary undertakings are hereinafter referred to as the "group".

1 Accounting policies **(Continued)**

1.2 Going concern

The principal activity of the company is that of property development. The Directors have considered the financing required to continue to fund the development of the company's site on the Isle of Dogs in London. These expenditures are to be financed by other companies of the group. The directors have prepared cash flow forecasts for the group to 31 December 2021. Based on the group's current cash, cash equivalents and listed investments, it would be able to fund this development beyond 31 December 2021. In the event of unforeseen and more severe downsides than forecast, the group has potential mitigating actions, including reducing the level of controllable costs, including capital expenditure on the development site on the Isle of Dogs, which would further increase the group's headroom.

A letter of support has been provided by the ultimate parent company, Northern & Shell Plc, stating that this company intends to provide financial support as necessary to enable the group and the company to meet their obligations as and when they fall due. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so. Accordingly, the directors are satisfied that it is appropriate to prepare the financial statements on a going concern basis.

1.3 Turnover

Turnover is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

When cash inflows are deferred and represent a financing arrangement, the fair value of the consideration is the present value of the future receipts. The difference between the fair value of the consideration and the nominal amount received is recognised as interest income.

Rental income is recognised on an accruals basis. Rental income is recognised on a straight line basis over the shorter of the entire lease term or the period to the first break option. Where a lease incentive does not enhance the property, it is amortised on a straight line basis over the period from the date of lease commencement to the earlier of the first rent review to the prevailing market rent, the first break option, or the end of the lease term. On new leases with rent free periods, rental income is allocated evenly over the period from the date of lease commencement to the earlier of the first rent review to the prevailing market rate and the lease end date.

Turnover and profit in respect to the sale of property is recognised on legal completion.

1.4 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Costs comprise land and development costs including direct materials and, where applicable, subcontractor labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

1.5 Cash and cash equivalents

Cash at bank and in hand are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1 Accounting policies **(Continued)**

1.6 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 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

Financial liabilities and equity instruments are classified 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.

1 Accounting policies **(Continued)**

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

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

Derecognition of financial liabilities

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

1.7 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1.8 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date, and any adjustment to tax payable/receivable in respect of previous years.

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the standard enacted rate of corporation tax in the UK of 17% (2018: 17%). Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

1 Accounting policies **(Continued)**

1.9 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets at the lower of the assets fair value at the date of inception and the present value of the minimum lease payments. The related liability is included in the balance sheet as a finance lease obligation. Lease payments are treated as consisting of capital and interest elements. The interest is charged to the profit and loss account so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Rental income from operating leases is recognised on a straight line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight line basis over the lease term.

Rentals payable under operating leases, including any lease incentives received, are charged to income on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the company's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the company's net investment outstanding in respect of leases.

2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount 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 where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

The directors consider the judgement associated with these financial statements to be over the carrying value of work in progress.

3 Turnover

An analysis of the company's turnover is as follows:

	2019	2018
	£000	£000
Rental income	(3)	49

Turnover analysed by geographical market

	2019	2018
	£000	£000
United Kingdom	(3)	49

4 Auditor's remuneration

Auditor's remuneration of £6,000 in respect of the audit of these financial statements for the year ended 31 December 2019 (2018: £4,000) is borne by Northern & Shell Plc, the ultimate parent undertaking. There were no non audit services (2018: £nil).

5 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

	2019 Number	2018 Number
Administration (including directors)	4	4

Their aggregate remuneration comprised:

	2019 £000	2018 £000
Wages and salaries	355	318
Pension costs	7	6
	362	324

6 Directors' remuneration

	2019 £000	2018 £000
Remuneration for qualifying services	355	318
Company pension contributions to defined contribution schemes	7	6
	362	324

Remuneration disclosed above include the following amounts paid to the highest paid director:

Remuneration for qualifying services	122	109
	122	109

During the year, directors' emoluments were borne by Northern & Shell Plc and £362,000 (2018: £324,000) was recharged to the company as part of a management charge from that company.

There were no employees during the year other than the directors (2018: nil).

7 Interest payable and similar expenses

	2019 £000	2018 £000
Interest payable to group undertakings	1,393	1,004

8 Taxation

	2019 £000	2018 £000
Deferred tax		
Origination and reversal of timing differences	-	(342)
Adjustment in respect of prior periods	6	-
Total deferred tax	6	(342)

A reduction in the UK corporation tax rate from 19% to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016, and the UK deferred tax asset as at 31 December 2019 has been calculated based on this rate. In the 11 March 2020 Budget it was announced that the UK tax rate will remain at the current rate of 19% and not reduce to 17% from 1 April 2020. This change was substantively enacted on 17 March 2020 and will have a consequential effect on the company's future tax charge. If this rate change had been substantively enacted at the current balance sheet date the deferred tax asset would have increased by £732,000.

The actual charge/(credit) for the year can be reconciled to the expected credit for the year based on the profit or loss and the standard rate of tax as follows:

	2019 £000	2018 £000
Loss before taxation	(2,019)	(2,012)
Expected tax credit based on the standard rate of corporation tax in the UK of 19.00% (2018: 19.00%)	(384)	(382)
Effect of change in corporation tax rate	-	40
Deferred tax adjustments in respect of prior years	6	-
Group relief not paid for	384	-
Taxation charge/(credit) for the year	6	(342)

The company has tax losses of £5.3 million (2018: £5.3 million) available to carry forward against future profits. The company expects to be able to benefit from tax losses carried forward in the period to 2030.

9 Stocks

	2019 £000	2018 £000
Work in progress	81,365	69,705

The company's policy is to carry out an annual review of its stock. In carrying out their impairment review, the directors have prepared a range of future forecasts covering several different scenarios. The forecasts give a range of recoverable values but based on the available evidence and taking a balanced valuation, the directors consider that the stock's recoverable amount is greater than its carrying amount and consequently no impairment is considered necessary.

Work in progress is expected to be recoverable during the period in more than one year.

10 Debtors

Amounts falling due within one year:	2019 £000	2018 £000
Trade debtors	5	8
Other debtors	205	971
	210	979
Deferred tax asset (note 12)	6,223	6,229
	6,433	7,208

11 Creditors: amounts falling due within one year

	2019 £000	2018 £000
Amounts due to group undertakings	2,845	48,038
Accruals and deferred income	569	1,299
	3,414	49,337

Amounts due to group undertakings carry interest at 2% above base rate, are unsecured and repayable on demand.

12 Deferred taxation

The following is the analysis of the deferred tax balances for financial reporting purposes:

Balances:	Assets 2019 £000	Assets 2018 £000
Other timing differences	5,323	5,323
Tax losses	900	906
	6,223	6,229

Movements in the year:	2019 £000
Liability/(Asset) at 1 January 2019	(6,229)
Charge to profit or loss	6
Liability/(Asset) at 31 December 2019	(6,223)

13 Share capital

	2019 £000	2018 £000
Ordinary share capital		
Issued and fully paid		
94,000,000 (2018: 35,000,000) Ordinary of £1 each	94,000	35,000

During the year, the company issued 59,000,000 ordinary shares of £1 each in the capital of the company to Northern & Shell Properties Limited, its immediate parent undertaking, for a consideration of £59.0 million.

14 Financial commitments, guarantees and contingent liabilities

During the year, the company entered into a bank guarantee with a supplier in relation to development works. The bank, subject to the terms of the guarantee but otherwise unconditionally, undertakes to pay to the supplier on demand any sum or sums due under the terms of the guarantee to an amount not exceeding £168,000. The company has also pledged cash balances to an amount of £168,000 in a restricted account as security for the bank guarantee facility.

In 2014, the company acquired freehold interest in property for the total sum of £18.1 million, included in stock. Under the terms of the acquisition deed, further amounts may become due payable to the seller, a third party. Accordingly, as at 31 December 2019, the company held in place a bank guarantee. The bank, subject to the terms of the guarantee but otherwise unconditionally, undertakes to pay to the seller on demand any sum or sums due under the terms of the guarantee to an amount not exceeding £719,000. The company has also pledged cash balances to an amount of £719,000 in a restricted account as security for the bank guarantee facility.

As at 31 December 2019, the company held in place bank guarantees totalling £887,000 (2018: £719,000).

15 Related party transactions

There were no transactions with related parties other than with the group.

16 Controlling party

The immediate parent undertaking is Northern & Shell Properties Limited, incorporated in the United Kingdom with a registered office at The Northern & Shell Building, Number 10 Lower Thames Street, London, EC3R 6EN. The ultimate parent undertaking is Northern & Shell Plc.

The ultimate controlling party is Richard Desmond, the Chairman of Northern & Shell Plc.

The largest and smallest groups into which these accounts are consolidated are Northern & Shell Plc. Northern & Shell Plc is registered in England. Copies of the financial statements of Northern & Shell Plc can be obtained from The Northern & Shell Building, Number 10 Lower Thames Street, London EC3R 6EN, United Kingdom.