

Company registration number 04104529 (England and Wales)

NORTHERN & SHELL PROPERTIES LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022



NORTHERN & SHELL PROPERTIES LIMITED

COMPANY INFORMATION

| | |
|--------------------------|--|
| Directors | Mr R C Desmond Mr R Sanderson Mr M S Ellice |
| Secretary | Mr R Sanderson |
| Company number | 04104529 |
| 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 SG Kleinwort Hambros Bank One Bank Street Canary Wharf London United Kingdom E14 4SG Goldman Sachs Plumtree Court 25 Shoe Lane London United Kingdom EC4A 4AU |

NORTHERN & SHELL PROPERTIES LIMITED

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NORTHERN & SHELL PROPERTIES LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022

The directors present the strategic report for the year ended 31 December 2022.

Business review and future developments

The principal activity of the company continued to be that of a holding company for a group of companies engaged in property related businesses. The company also holds a portfolio of current asset investments.

The conflict in Ukraine has raised short-term economic uncertainties, adversely impacting financial markets during the year. Following these events, 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 company's net assets were £386.2 million as at 31 December 2022 (2021: £452.5 million).

Principal risks and uncertainties

The company's operations expose it to a variety of financial risks that include liquidity, interest rate, foreign exchange and market risks. The company has mechanisms in place that seek to limit the impact of the adverse effects of these risks on 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.

Interest rate risk

The company has interest bearing assets and liabilities. The interest bearing assets are cash balances, current asset investments and amounts owed by group undertakings, subject to floating interest rates. The interest bearing liabilities are amounts owed to group undertakings, subject to floating interest rates. The directors keep these measures under constant review.

Foreign exchange risk

The company has foreign currency assets. Where appropriate, the company utilises financial instruments to manage the risk of fluctuating exchange rates. The directors keep these measures under constant review.

Market risk

The company mitigate the risk of loss of capital through diversification of its investment portfolio. The company's market positions are monitored on a daily basis.

Geopolitical risk

The conflict in Ukraine has raised short-term economic uncertainties. The company's financial market positions are monitored and kept under review.

Consideration of climate change risk

In preparing the financial statements, the directors have considered the impact of climate change, particularly in the context of the risks identified in the Task Force on Climate related Financial Disclosures (TCFD). There has been no material impact identified on the financial reporting judgements and estimates. In particular, the directors considered the impact of climate change in respect of the following areas:

- going concern and viability of the company over the next three years; and
- cash flow forecasts used in the impairment assessments of fixed asset investments.

Whilst there is currently no short or medium-term impact expected from climate change, the directors are aware of the ever-changing risks attached to climate change and will regularly assess these risks against judgements and estimates made in preparation of the company's financial statements.

NORTHERN & SHELL PROPERTIES LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

Key performance indicators

The company uses a range of key performance indicators (KPI's) to monitor performance and progress towards strategic objectives. The principal KPI's include: share prices and month on month variance analysis.

On behalf of the board



Mr R Sanderson

Director

21 June 2023

NORTHERN & SHELL PROPERTIES LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022

The directors present their annual report and financial statements for the year ended 31 December 2022.

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 C Desmond
Mr R Sanderson
Mr M S Ellice

Results and dividends

The results for the year are set out on page 9.

After incurring losses from current asset investments of £77.9 million (2021: £20.0 million income), the company recorded a loss before taxation of £82.9 million (2021: £18.6 million profit).

No ordinary dividends were paid (2021: £nil). The directors do not recommend payment of a final dividend.

Political donations

The company made no political donations or incurred any political expenditure during the year (2021: £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.

On behalf of the board



Mr R Sanderson
Director
21 June 2023

NORTHERN & SHELL PROPERTIES LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2022

The directors are responsible for preparing the Annual 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.

NORTHERN & SHELL PROPERTIES LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF NORTHERN & SHELL PROPERTIES LIMITED

Opinion

We have audited the financial statements of Northern & Shell Properties Limited ("the company") for the year ended 31 December 2022 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 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including 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").

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.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for the going concern period.

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 above conclusions are not a guarantee that the company will continue in operation.

NORTHERN & SHELL PROPERTIES LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF NORTHERN & SHELL PROPERTIES LIMITED

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors and inspection of policy documentation as to the company's high-level policies and procedures to prevent and detect fraud, including the company's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board minutes.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account possible pressures to meet profit targets, we perform procedures to address the risk of management override of controls, in particular the risk that company management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition because the company is not listed, does not hold any external debt and internal performance indicators are not revenue-based which means that there is limited pressure on management from sources inside or outside the company to achieve certain revenue targets.

We did not identify any additional fraud risks. We performed procedures including identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted to unusual accounts.

Identifying and responding to risks of material misstatement related to compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors and other management (as required by auditing standards), and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

NORTHERN & SHELL PROPERTIES LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF NORTHERN & SHELL PROPERTIES LIMITED

Secondly, the company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: health and safety, data protection laws, employment law, anti-bribery, anti-money laundering, recognising the financial nature of the company's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Directors' report and strategic report

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

Our responsibility is to read the strategic report and 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 strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

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.

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.

NORTHERN & SHELL PROPERTIES LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF NORTHERN & SHELL PROPERTIES LIMITED

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

23 June 2023

NORTHERN & SHELL PROPERTIES LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2022

| | | 2022 | 2021 |
|--|-------|-----------------|---------------|
| | Notes | £000 | £000 |
| (Loss)/income from current asset investments | 3 | (77,917) | 20,000 |
| Administrative expenses | | (2,367) | (614) |
| Operating (loss)/profit | | (80,284) | 19,386 |
| Interest receivable and similar income | 6 | 2,166 | 2,048 |
| Interest payable and similar expenses | 7 | (4,804) | (2,853) |
| (Loss)/profit before taxation | | (82,922) | 18,581 |
| Tax on (loss)/profit | 8 | 16,655 | (2,017) |
| (Loss)/profit for the financial year | | (66,267) | 16,564 |
| Other comprehensive income | | - | - |
| Total comprehensive income for the year | | (66,267) | 16,564 |

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

NORTHERN & SHELL PROPERTIES LIMITED

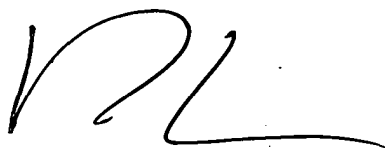
BALANCE SHEET

AS AT 31 DECEMBER 2022

| | Notes | 2022 £000 | 2021 £000 |
|---|-------|----------------|----------------|
| Fixed assets | | | |
| Investments | 9 | 206,321 | 206,321 |
| | | <u>206,321</u> | <u>206,321</u> |
| Current assets | | | |
| Debtors | 11 | 41,694 | 60,322 |
| Investments | 12 | 223,647 | 319,249 |
| Cash at bank and in hand | | 57,903 | 23,867 |
| | | <u>323,244</u> | <u>403,438</u> |
| Creditors: amounts falling due within one year | 13 | (143,374) | (140,589) |
| | | <u></u> | <u></u> |
| Net current assets | | 179,870 | 262,849 |
| Total assets less current liabilities | | 386,191 | 469,170 |
| Provisions for liabilities | 14 | - | (16,712) |
| | | <u></u> | <u></u> |
| Net assets | | 386,191 | 452,458 |
| | | <u></u> | <u></u> |
| Capital and reserves | | | |
| Share capital | 16 | 109,958 | 109,958 |
| Share premium account | | 35,000 | 35,000 |
| Profit and loss reserves | | 241,233 | 307,500 |
| | | <u></u> | <u></u> |
| Total equity | | 386,191 | 452,458 |
| | | <u></u> | <u></u> |

The notes on pages 12 to 22 form an integral part of these financial statements.

The financial statements were approved by the board of directors and authorised for issue on 21 June 2023 and are signed on its behalf by:



Mr R Sanderson
Director

Company Registration No. 04104529

NORTHERN & SHELL PROPERTIES LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2022

| | Share capital £000 | Share premium account £000 | Profit and loss reserves £000 | Total £000 |
|---|--------------------------|-------------------------------------|--|---------------|
| Balance at 1 January 2021 | 109,958 | 35,000 | 290,936 | 435,894 |
| Year ended 31 December 2021: | | | | |
| Total comprehensive income for the year | - | - | 16,564 | 16,564 |
| Balance at 31 December 2021 | 109,958 | 35,000 | 307,500 | 452,458 |
| Year ended 31 December 2022: | | | | |
| Total comprehensive loss for the year | - | - | (66,267) | (66,267) |
| Balance at 31 December 2022 | 109,958 | 35,000 | 241,233 | 386,191 |

The notes on pages 12 to 22 form an integral part of these financial statements.

NORTHERN & SHELL PROPERTIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

Company information

Northern & Shell Properties 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 company has taken advantage of the exemption under section 400 of the Companies Act 2006 not to prepare consolidated accounts. The financial statements present information about the company as an individual entity and not about its group.

Northern & Shell Properties Limited is a wholly owned subsidiary of Northern & Shell Plc and the results of Northern & Shell Properties Limited are included in the consolidated financial statements of Northern & Shell Plc which 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".

NORTHERN & SHELL PROPERTIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

(Continued)

1.2 Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the company has sufficient resources to continue in operational existence for at least 12 months from the date of approval of these financial statements. The directors also recognise that in case of severe downside scenarios, then financial support might be required. Consequently, the ultimate parent company, Northern & Shell Plc, has indicated its intention to make available such funds as are needed by the company for at least 12 months from the date of approval of these financial statements.

In assessing the Northern & Shell Plc group's ability to continue as a going concern its directors have prepared cash flow forecasts for the group for a period of at least 12 months from the date of approval of these financial statements ("the going concern assessment period") and considered the principal areas of uncertainty within the forecasts and the underlying assumptions, in particular those relating to market and customer risks, cost management and working capital management in this period. These forecasts, sensitised for reasonably possible and certain downside scenarios, indicate that the group will have sufficient funds to meet its liabilities for that period. Having considered the downside risk, the group's directors note that it has significant cash, cash equivalent and current asset investments, that, if needed in extreme circumstances, could be realised to support its activities.

The group's directors have also considered its ability to provide ongoing support to those subsidiaries which may require it, including the company, and have concluded that the group has sufficient resources to provide the support required by those subsidiaries in the going concern assessment period.

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.

Consequently, the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

1.3 Fixed asset investments

Interests in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

A subsidiary is an entity controlled by the company. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

1.4 Cash at bank and in hand

Cash and cash equivalents 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.

1.5 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.

NORTHERN & SHELL PROPERTIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

(Continued)

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.

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Current asset investments are liquid resources which are disposable without curtailing or disrupting the business and are either readily convertible into known amounts of cash at or close to their carrying value or traded in an active market. Liquid resources comprise cash, equities, managed funds, corporate bonds and government securities.

Current asset investments are measured at fair value with the resultant gains or losses taken to the profit and loss account. Net gains and losses from current asset investments includes realised and unrealised fair value changes and foreign exchange gains and losses but excludes interest and dividend income.

Dividend income is recognised in the profit and loss account on the date at which the right to receive payment is established.

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.

NORTHERN & SHELL PROPERTIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

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.

Other financial liabilities

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Derecognition of financial liabilities

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

1.6 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.

1.7 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.

NORTHERN & SHELL PROPERTIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

(Continued)

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 tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on the tax rates substantively enacted at the balance sheet date. 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.

1.8 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation in the period are included in profit or loss.

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 investments and recoverability of debtor balances.

3 (Loss)/income from current asset investments

| | 2022 £000 | 2021 £000 |
|---|--------------|--------------|
| Dividend income | 731 | 622 |
| Net fair value (loss)/gain from current asset investments | (78,655) | 19,127 |
| Bond interest income | 7 | 251 |
| (Loss)/gain | (77,917) | 20,000 |

The net fair value (loss)/gain from current asset investments includes losses on foreign exchange forward contracts of £21.0 million (2021: £1.1 million gain).

NORTHERN & SHELL PROPERTIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

4 Auditor's remuneration

Auditor's remuneration of £15,000 in respect of these financial statements for the year ended 31 December 2022 (2021: £13,000) is borne by Northern & Shell Plc, the ultimate parent undertaking. There were no non audit services (2021: £nil).

5 Directors' remuneration

The directors are also directors of other companies within the group headed by Northern & Shell Plc. These directors' services to the company do not occupy a significant amount of their time and, as such, the directors do not consider that they have received any remuneration for their incidental services to the company during the years ended 31 December 2022 and 31 December 2021.

Remuneration attributable to services provided to the company's subsidiaries amounted to £211,000 (2021: £168,000) including remuneration paid to the highest paid director of £115,000 (2021: £92,000).

There were no employees during the year other than the directors (2021: nil).

6 Interest receivable and similar income

| | 2022 £000 | 2021 £000 |
|---|-------------------|-------------------|
| Interest on bank deposits and other income | 570 | 3 |
| Interest receivable from group undertakings | 1,596 | 2,045 |
| | <u> </u> | <u> </u> |
| Total interest revenue | 2,166 | 2,048 |
| | <u> </u> | <u> </u> |

7 Interest payable and similar expenses

| | 2022 £000 | 2021 £000 |
|--|-------------------|-------------------|
| Interest payable to group undertakings | 4,804 | 2,853 |
| | <u> </u> | <u> </u> |
| | 4,804 | 2,853 |
| | <u> </u> | <u> </u> |

8 Taxation

| | 2022 £000 | 2021 £000 |
|---|-------------------|-------------------|
| Current tax | | |
| UK corporation tax on profits for the current period | - | 54 |
| Double tax relief | - | (54) |
| | <u> </u> | <u> </u> |
| Total UK current tax | - | - |
| | <u> </u> | <u> </u> |
| Foreign current tax on profits for the current period | 57 | 54 |
| | <u> </u> | <u> </u> |
| Total current tax | 57 | 54 |
| | <u> </u> | <u> </u> |

NORTHERN & SHELL PROPERTIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

8 Taxation (Continued)

Deferred tax

| | | |
|--|-----------------|--------------|
| Origination and reversal of timing differences | (16,712) | 1,963 |
| | <u>(16,712)</u> | <u>1,963</u> |
| Total tax (credit)/charge | (16,655) | 2,017 |
| | <u>(16,655)</u> | <u>2,017</u> |

An increase in the UK corporation rate from 19% to 25% (effective 1 April 2023) was substantively enacted on 24 May 2021. This will increase the company's future current tax charge accordingly. The deferred tax liability at 31 December 2022 has been calculated based on these rates, reflecting the expected timing of reversal of the related timing differences.

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

| | 2022 £000 | 2021 £000 |
|---|--------------|--------------|
| (Loss)/profit before taxation | (82,923) | 18,581 |
| Expected tax (credit)/charge based on the standard rate of corporation tax in the UK of 19.00% (2021: 19.00%) | (15,755) | 3,530 |
| Effect of change in corporation tax rate | (2,226) | 2,226 |
| Deferred tax adjustments in respect of prior years | 107 | (269) |
| Group relief not paid for | - | (3,470) |
| Foreign tax suffered | 57 | - |
| Deferred tax asset not recognised | 1,162 | - |
| Taxation (credit)/charge for the year | (16,655) | 2,017 |

The company has tax losses of £11.6 million (2021: £nil) available to carry forward against future profits. Whilst the company expects to be able to benefit from tax losses carried forward, a deferred tax asset has only been recognised in respect of £5.5 million (2021: £nil) of the available losses as future benefit is not certain.

9 Fixed asset investments

| | Notes | 2022 £000 | 2021 £000 |
|-----------------------------|-------|--------------|--------------|
| Investments in subsidiaries | 10 | 206,321 | 206,321 |

Impairment testing:

The company's policy is to carry out annual reviews of its investments. Based on operating results for the subsidiary undertakings, future forecasts and their net assets, the directors consider that the investments' recoverable amount is greater than its carrying amount and consequently no impairment is considered necessary.

NORTHERN & SHELL PROPERTIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

9 Fixed asset investments (Continued)

Movements in fixed asset investments

| | Shares in group undertakings £000 |
|--------------------------------------|---|
| Cost or valuation | |
| At 1 January 2022 & 31 December 2022 | 206,321 |
| Carrying amount | |
| At 31 December 2022 | 206,321 |
| At 31 December 2021 | 206,321 |

10 Subsidiaries

Details of the company's subsidiaries at 31 December 2022 are as follows:

| Name of undertaking | Registered office | Nature of business | Class of shares held | % Held | |
|---|-------------------|----------------------|----------------------|--------|----------|
| | | | | Direct | Indirect |
| Northern & Shell Broadcasting (CI) Limited | Jersey | Holding company | Ordinary | 100.00 | - |
| Northern & Shell Enterprises United Kingdom Limited | United Kingdom | Holding company | Ordinary | - | 100.00 |
| Westferry Developments Limited | United Kingdom | Property development | Ordinary | 100.00 | - |

With the exception of Northern & Shell Broadcasting (CI) Limited, the above subsidiary undertakings are 100% owned and incorporated in the United Kingdom, with a registered office at The Northern & Shell Building, 10 Lower Thames Street, London, EC3R 6EN.

Northern & Shell Broadcasting (CI) Limited is 100% owned and incorporated in Jersey, with a registered office at IFC 5, St Helier, JE1 1ST.

There were no changes in ownership or class of shares held during the year.

11 Debtors

| | 2022 £000 | 2021 £000 |
|-------------------------------------|--------------|--------------|
| Amounts due from group undertakings | 41,694 | 60,310 |
| Prepayments and accrued income | - | 12 |
| | 41,694 | 60,322 |
| Deferred tax asset (note 15) | - | - |
| | 41,694 | 60,322 |

NORTHERN & SHELL PROPERTIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

11 Debtors

(Continued)

Debtors include amounts owed by group undertakings of £41.7 million (2021: £60.3 million) expected to be recoverable during the period in more than one year.

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

12 Current asset investments

| | 2022 £000 | 2021 £000 |
|---|----------------|----------------|
| Bonds | - | 307 |
| Listed investments | 223,647 | 305,621 |
| Unlisted investments | - | 13,321 |
| | <u>223,647</u> | <u>319,249</u> |
| Listed investments included above: | | |
| Listed investments carrying amount | <u>223,647</u> | <u>305,621</u> |

The company holds a mixed portfolio of current asset investments. Short term cash deposits of three months or less are recognised within cash at bank and in hand.

The fair value of the foreign exchange forward contract is based on mark to market calculations prepared by SG Kleinwort Hambros Bank Limited. The fair value as at the balance sheet date is a liability and has therefore been presented within creditors (note 13) as at 31 December 2022.

Movements in current asset investments

| | | |
|---------------------------------------|----------------|----------------|
| At 1 January | 319,249 | 242,378 |
| Additions | 164,370 | 217,894 |
| Disposals | (202,356) | (162,414) |
| Fair value (loss)/gain on revaluation | (57,616) | 21,391 |
| | <u>223,647</u> | <u>319,249</u> |
| At 31 December | <u>223,647</u> | <u>319,249</u> |

NORTHERN & SHELL PROPERTIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

13 Creditors: amounts falling due within one year

| | 2022 £000 | 2021 £000 |
|-----------------------------------|----------------|----------------|
| Amounts due to group undertakings | 143,108 | 138,304 |
| Other creditors | 221 | 2,265 |
| Accruals and deferred income | 45 | 20 |
| | <u>143,374</u> | <u>140,589</u> |

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

Included in other creditors is the fair value of the foreign exchange forward contract. This is based on mark to market calculations prepared by SG Kleinwort Hambros Bank Limited (note 12).

14 Provisions for liabilities

| | 2022 £000 | 2021 £000 |
|--------------------------|--------------|---------------|
| Deferred tax liabilities | 15 | 16,712 |
| | <u>-</u> | <u>16,712</u> |

15 Deferred taxation

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

| | Liabilities 2022 £000 | Liabilities 2021 £000 | Assets 2022 £000 | Assets 2021 £000 |
|--------------------------|-----------------------------|-----------------------------|------------------------|------------------------|
| Balances: | | | | |
| Tax losses | - | - | 1,370 | - |
| Other timing differences | (1,370) | (16,712) | - | - |
| | <u>(1,370)</u> | <u>(16,712)</u> | <u>1,370</u> | <u>-</u> |

| | 2022 £000 |
|-------------------------------|--------------|
| Movements in the year: | |
| Liability at 1 January 2022 | 16,712 |
| Credit to profit or loss | (16,712) |
| | <u>-</u> |
| Liability at 31 December 2022 | <u>-</u> |

NORTHERN & SHELL PROPERTIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

16 Share capital

| | 2022 | 2021 |
|---------------------------------|-------------|-------------|
| | £000 | £000 |
| Ordinary share capital | | |
| Issued and fully paid | | |
| 109,957,584 Ordinary of £1 each | 109,958 | 109,958 |

17 Related party transactions

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

18 Controlling party

The immediate and ultimate parent undertaking is Northern & Shell Plc.

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

The largest and smallest group into which these accounts are consolidated is 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.