Northumberland Estates Limited

Report and Financial Statements

31 March 2019

Directors
The Duke of Northumberland
R C St. J Wilson
C Barnes
C Davidson
L Ilderton

Secretary
L Ilderton

Auditors
RSM UK Audit LLP
1 St James Gate
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NE1 4AD

Bank
Barclays Bank plc
Barclays House
5 St Ann's Street
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Strategic report

The directors present their strategic report and the financial statements for the year ended 31 March 2019.

Principal activity and review of the business

The principal activity of Northumberland Estates Limited company and its group is commercial and residential property investment and development in the UK, Europe and North America.

Future property investment opportunities are continually being reviewed and assessed. Future investments along with realisations of development land at uplifted values, will further strengthen the group's position going forward. The policy of maintaining properties to a high standard and enhancing their value will be continued during the forthcoming year.

Group revenues increased by 71% to £57 million in the year ended 31 March 2019. This is a direct result of increased property development revenues. Rental income remained consistent year-on-year at £14 million, although the number of investment properties reduced, the process of lease re-gearing, attracting tenants to vacant units and sustaining underlying rents helped maintain revenues.

As part of the ongoing review of the property portfolio, the group acquired one property, completed construction of two properties and disposed of six properties in 2019. The group reduced its debt as a result of the property sales which further strengthened its balance sheet. The group also acquired development land in Germany in 2019.

Objectives and strategy

The group's strategy is to remain aligned to its core policy objective of maintaining a mix of assets that generate a reliable and growing income stream, and in addition, to continue its development programme to generate capital receipts and / or rental income from its own land.

Key performance indicators ("KPI's")

The directors consider that the key financial performance indicators are those that communicate the financial performance and strength of the group as a whole, these being loan-to-value debt ratio, property vacancy rates, development profit, development programme timescales and in the case of residential developments also the frequency of sale completions.

The Group maintains internal parameters for the loan-to-value debt ratio and at 31 March 2019 this was 47.8% which is within the required parameter. Vacancy rates are continually reviewed and at 31 March 2019 the UK rate 7.1%, Switzerland 13.5% and Germany nil%.

As residential sites matured during the year sale completions increased revenues by 130% and margins achieved were within KPI expectations.

Principal risks and uncertainties

The group is exposed to a number of operational, financial and commercial risks and it is the responsibility of the directors to assess these risks and ensure appropriate controls are in place to mitigate their effect. The directors consider that the principal risks and mitigating controls are as follows:

Acquisition and development

An element of the group's strategy is to grow the business through acquisition and development of commercial property. Such activity has associated risks such as valuation, timing, integration / set-up and management resources. All investment and development proposals undergo a rigorous evaluation process incorporating pay-back evaluation which targets a minimum IRR in accordance with an established criteria for approving investments.

Time delays and complexities in planning processes

Failure to obtain planning within appropriate timescales on developments could have negative returns and associated costs. The group mitigates such risk by using external planning specialists where necessary to work alongside its internal planning department.

Residential house sales

There are a number of external factors that may affect the group's ability to generate residential house sales. The group mitigates such risks by monitoring reservation rates (and cancellation rates) and progress against a pre-agreed project development timeline.

Strategic report

Property valuation

Property valuations in 2019 were undertaken by the directors, whom have significant industry experience. The values have been adopted by the group and are reflected in the balance sheet. In arriving at these valuations various factors are taken into account, including but not limited to the macro-economic environment, tenancy schedules at the balance sheet date, environmental matters and nature and timing of any zoning and planning permission submitted or obtained.

Funding and liquidity risk

The group operates a prudent approach to liquidity management using a mixture of long-term debt together with cash and cash equivalents.

Foreign exchange risk

Foreign exchange rates have undergone a period of volatility. While the group attempts to mitigate this risk, a net exposure will remain to currencies which may depreciate against Sterling in the future. The group mitigates this risk using financial instruments as it deems appropriate to the size of the transaction.

Interest rate risk

The group adopts a policy of ensuring that an appropriate proportion of its exposure to changes in interest rates on borrowings is covered. Interest rate swaps are entered into to achieve an appropriate mix of fixed and floating exposure.

Tenant credit risk

The group rents out property to a wide range of commercial tenants. All tenants are credit checked before they enter into a lease. However, the group is exposed to the risk of tenants' credit position.

Taxation

The group undertakes transactions of an international nature with varying corporation tax rates, regimes and tax structuring. The group is exposed to any changes in rates or legislation changes which could increase the group's effective tax rate, to mitigate this risk the group seeks expert local tax advice and planning with regards to all significant international transactions.

On behalf of the Board:

L Ilderton

L Ilderton
Director
4th December, 2019

Registered No. 05941545

Directors' report

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

Results and dividends

The group profit for the year after taxation amounted to £26,031,735 (2018 – £26,750,697). The directors do not recommend a dividend for the year ended 31 March 2019 (31 March 2018 – £nil).

Going concern

The directors have received confirmation that the shareholders will not request repayment of the loans owed to them (note 17) for a period of at least one year from the date of these financial statements and will not do so unless or until funds are available within the group to repay these loans.

The directors believe that the group is well placed to manage its business risks successfully in the future.

The directors have a reasonable expectation that the company and group have adequate resources to continue in operation for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

Directors

The current directors are shown on page 1.

Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the group's auditor, each director has taken all the steps that they are obliged to take as a director in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditors

RSM UK Audit LLP were appointed on 25 February 2019 and a resolution to reappoint RSM UK Audit LLP as auditors will be put to the members at the Annual General Meeting.

On behalf of the Board:

L Ilderton

L Ilderton
Director
4th December, 2019

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 group and the company and of the profit or loss of the group 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and the company's transactions and disclose with reasonable accuracy at any time the financial position of the group and the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the group and the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NORTHUMBERLAND ESTATES LIMTIED

Opinion

We have audited the financial statements of Northumberland Estates Limited ('the parent company') and its subsidiaries (the 'group') for the year ended 31 March 2019 which comprise the Group Income Statement, the Group and Parent Company Statement of Comprehensive Income, the Group and Parent Company Statement of Changes in Equity, the Group and Parent Company Statement of Financial Position, the Group Cash Flow Statement and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the group's and of the parent company's affairs as at 31 March 2019 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NORTHUMBERLAND ESTATES LIMTIED (CONTINUED)

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NORTHUMBERLAND ESTATES LIMTIED (CONTINUED)

Responsibilities of directors

As explained more fully in the Statement of directors' responsibilities set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Use of our report

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.

RSM UK Audit LLP

Claire Leece (Senior statutory auditor)

for and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
1 St. James' Gate
Newcastle upon Tyne
NE1 4AD

16 December 2019

Group Income Statement

for the year ended 31 March 2019

	Notes	2019 £	2018 £
Turnover	2	57,257,054	33,459,720
Operating expenses	3	(43,432,239)	(21,426,693)
Other operating income		666,742	418,538
Operating profit	3	14,491,557	12,451,565
Share of profit in joint ventures		12,282	690,161
Loss on sale of development sites		(63,263)	-
Profit on sale of investment property		5,495,717	1,758,592
Profit on sale of investments		2,478,212	733,750
Gain on revaluation of financial instrument		9,740,000	-
Write off of goodwill arising on acquisition of subsidiary undertaking		(65,435)	(1,107,229)
Gain on revaluation of investment properties		5,780,991	16,093,257
Profit before interest and taxation		37,870,061	30,620,096
Interest receivable and similar income	5	101,406	241,343
Interest payable and similar charges	6	(5,840,609)	(4,964,297)
Gain on financial liabilities at fair value through income statement		267,739	2,105,473
Profit before taxation		32,398,597	28,002,615
Tax charge	7(a)	(6,366,862)	(1,251,918)
Profit for the financial year		26,031,735	26,750,697

All amounts relate to continuing operations.

Group and Company Statement of Comprehensive Income

for the year ended 31 March 2019

Group statement of comprehensive income

	2019	2018
	£	£
Profit for the financial year	26,031,735	26,750,697
Foreign exchange gain / (loss)	15,765	(1,942,300)
Total other comprehensive / (loss)	15,765	(1,942,300)
Total comprehensive income for the year	26,047,500	24,808,397

Company statement of comprehensive income

There is no comprehensive income other than the profit attributable to the shareholders of the company of £7,039,228 in the year ended 31 March 2019 (2018 – £12,508,289).

Group Statement of changes in equity

for the year ended 31 March 2019

	Called-up share capital	Other reserve	Translation reserve	Non-distributable reserve	Profit and loss account	Total equity
	£	£	£	£	£	£
At 1 April 2017	30,000,000	22,931	3,355,786	11,612,494	(15,521,516)	29,469,695
Profit for the year	-	-	-	16,093,257	10,657,440	26,750,697
Reserves transfer	-	33,689	-	-	(33,689)	-
Exchange differences on translation of foreign operations	-	-	375,891	-		375,891
Revaluation reserve reclassification	-	-	-	(4,391,088)	4,391,088	-
Loss on monetary items forming part of net investment in foreign operations	-	-	(1,942,300)	-	-	(1,942,300)
Total comprehensive income for the year	-	33,689	(1,566,409)	11,702,169	15,014,839	25,184,288
At 31 March 2018	30,000,000	56,620	1,789,377	23,314,663	(506,677)	54,653,983
Profit for the year	-	-	-	5,780,991	20,250,744	26,031,735
Exchange differences on translation of foreign operations	-	-	(493,136)	-	-	(493,136)
Realisation of gain on asset disposal	-	-	-	(2,033,738)	2,033,738	-
Revaluation reserve reclassification	-	-	-	1,323,530	(1,323,530)	-
Gain on monetary items forming part of net investment in foreign operations	-	-	15,765	-	-	15,765
Total comprehensive income for the year	-	-	(477,371)	5,070,783	20,960,952	25,554,364
At 31 March 2019	30,000,000	56,620	1,312,006	28,385,446	20,454,275	80,208,347

Group statement of financial position

at 31 March 2019

	Notes	2019 £	2018 (restated) £
Fixed assets			
Tangible assets	8	187,801,689	224,468,553
Intangible assets	9	338,231	-
Investment in joint ventures	10	1,581,011	1,609,556
Other investments	10	19,270,856	13,531,090
		208,991,787	239,609,199
Current assets			
Debtors	11	25,411,304	11,430,692
Debtors falling due after more than one year	11	-	6,700,783
Stocks	12	25,044,468	26,041,942
Cash at bank and in hand		7,575,626	8,285,432
		58,031,398	52,458,849
Creditors: amounts falling due within one year	13	(58,493,654)	(93,209,223)
Net current liabilities		(462,256)	(40,750,374)
Total assets less current liabilities		208,529,531	198,858,825
Creditors: amounts falling due after more than one year	14	(125,109,070)	(142,116,277)
Provisions for liabilities			
Deferred tax	7	(3,212,114)	(2,088,565)
Net assets		80,208,347	54,653,983
Capital and reserves			
Called up share capital	15	30,000,000	30,000,000
Non-distributable reserve	20	28,385,446	23,314,663
Profit and loss account		20,454,275	(506,677)
Other reserve	20	56,620	56,620
Translation reserve	20	1,312,006	1,789,377
		80,208,347	54,653,983

These financial statements were approved by the Board of Directors on 4th December 2019 and signed on their behalf by:

L Ilderton

L Ilderton

Director

Company statement of changes in equity

for the year ended 31 March 2019

	Called-up share capital	Non-distributable reserve	Profit and loss account	Total equity
	£	*£*	*£*	*£*
At 1 April 2017	30,000,000	3,680,560	(27,097,527)	6,583,033
Profit for the year	-	9,102,305	3,405,984	12,508,289
Revaluation reserve reclassification	-	(1,413,129)	1,413,129	-
At 31 March 2018	30,000,000	11,369,736	(22,278,414)	19,091,322
Profit for the year	-	(364,978)	7,404,206	7,039,228
Revaluation reserve reclassification	-	861,708	(861,708)	-
At 31 March 2019	30,000,000	11,866,466	(15,735,916)	26,130,550

Company statement of financial position

at 31 March 2019

	Notes	*2019* £	*2018 (restated)* £
Fixed assets			
Tangible assets	8	31,722,802	72,902,282
Investments	10	2,486,819	2,278,975
		34,209,621	75,181,257
Current assets			
Debtors	11	141,144,739	116,786,024
Debtors falling due after more than one year	11	-	4,760,000
Stocks	12	1,543,993	1,522,019
Cash at bank and in hand		2,667,525	3,713,959
		145,356,257	126,782,002
Creditors: amounts falling due within one year	13	(78,474,271)	(92,219,647)
Net current assets		66,881,986	34,562,355
Total assets less current liabilities		101,091,607	109,743,612
Creditors: amounts falling due after more than one year	14	(74,961,057)	(90,600,703)
Provisions for liabilities			
Deferred tax	7(c)	-	(51,587)
Net assets		26,130,550	19,091,322
Capital and reserves			
Called up share capital	15	30,000,000	30,000,000
Non-distributable reserve	20	11,866,466	11,369,736
Profit and loss account		(15,735,916)	(22,278,414)
		26,130,550	19,091,322

The profit attributable to the shareholders of the company is £7,039,228 in the year ended 31 March 2019 (2018 – £12,508,289).

These financial statements were approved by the Board of Directors on 4th December 2019 and signed on their behalf by:

L Ilderton

L Ilderton

Director

Group statement of cash flows

for the year ended 31 March 2019

	Note	2019 £	2018 (restated) £
Net cash (outflow) / inflow from operating activities	16	(4,620,918)	7,750,922
Investing activities			
Interest received		16,263	30,824
Receipts from joint venture		40,829	-
Payments to acquire subsidiary undertaking		(395,560)	-
Payments to acquire tangible fixed assets		(1,625,870)	(7,452,092)
Receipts from sales of tangible fixed assets		56,379,468	9,663,473
Payments to acquire remainder of joint venture		-	(2,607,999)
Payments to acquire investments		(6,829,550)	(5,702,484)
Receipts from sales of investments		3,567,996	733,750
Net cash flow from investing activities		51,153,576	(5,334,528)
Financing activities			
Interest paid		(5,129,893)	(4,681,862)
New loans to joint venture		-	(75,880)
New loans		-	10,125,000
Repayment of loans		(42,112,571)	(6,281,529)
Net cash flow from financing activities		(47,242,464)	(914,271)
(Decrease) / increase in cash		(709,806)	1,502,123
Cash at 1 April 2018		8,285,432	6,783,309
Cash at 31 March 2019		7,575,626	8,285,432

Notes to the financial statements

at 31 March 2019

1. Accounting policies

Statement of compliance

Northumberland Estates Limited is a limited company by shares incorporated in England. The Registered Office address is Suite 2A, Quayside House, 110 Quayside, Newcastle upon Tyne, NE1 3DX and the company registered number is 05941545.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards.

The accounting principles used to prepare the financial statements are based on historical cost, unless stated otherwise.

The financial statements are prepared in GBP sterling which is the functional currency of the group and company.

The 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 the 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 7 'Statement of Cash Flows' – Presentation of a statement of cash flow and related notes and disclosures.

Going concern

The directors have received confirmation that the shareholders will not request repayment of the loans owed to them (note 16) for a period of at least one year from the date of signing these financial statements. As such the directors' believe that it is appropriate to prepare the financial statements on a going concern basis.

Group financial statements

The consolidated income statement and statement of financial position consolidate the financial statements of the company and its subsidiary undertakings and equity account the company's interest in its joint ventures. The results of subsidiaries sold or acquired are included in the consolidated income statement up to, or from, the date control passes. Intra-group transactions are eliminated fully on consolidation. No income statement is presented for the parent company, Northumberland Estates Limited, as permitted by section 408 of the Companies Act 2006.

Basis of consolidation

- Subsidiaries

Subsidiaries are all entities (including special purposes entities) over which the group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are de-consolidated from the date control ceases.

- Joint ventures

Joint ventures are those entities over whose activities the group has joint control, established by contractual agreement.

Investments in joint ventures are accounted for by the equity method of accounting and are initially recognised at cost.

The group's share of its joint ventures' post-acquisition profits or losses is recognised in the income statement. The group's share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment.

Unrealised gains on transactions between the group and its joint ventures are eliminated to the extent of the group's interest in joint ventures.

Notes to the financial statements

at 31 March 2019

Accounting policies (continued)

Judgements and key sources of estimation uncertainty

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

Valuation of investment properties

The group carries its investment properties at fair value, with changes in fair value being recognised through the income statement. The valuation was undertaken by the directors for the year ended 31 March 2019 and has been made in accordance with the RICS Appraisal and Valuation Manual. The determined fair value of the investment property is most sensitive to the estimated yield as well as the long term vacancy rate.

Appraisal of future developments

Management appraise all developments for technical, economic and financial feasibility through an established internal criteria.

Development sites sale obligations

The group makes development site sales from time-to-time. Where there is a post-sale obligation, management estimates the financial impact. Such obligations require input from various sectors and as such are sensitive to price changes in raw materials, professional fees and unforeseen complications in performing the obligation.

Significant accounting policies

Revenue recognition

Revenue comprises gross rentals exclusive of VAT. Gross rental income is recognised on a straight line basis over the lease term on an accruals basis. The group records deferred revenue when it receives consideration from a customer before achieving certain criteria that must be met for revenue to be recognised, which mainly is the timing of when rentals are due.

The group discounts its long term receivables from development site sales to their net present value using an appropriate discount rate.

Development site sales are recognised as follows:

- On sites that are sold outright - when legal completion occurs.
- On sites that are developed under a management agreement with a third party the sales are recognised when a certain milestones are achieved, those being: legal completion has occurred on a per plot basis and the overall development site profit can be reasonably measured.

Dilapidations

No dilapidations provision is recognised when a lease contract is signed by a tenant. At the expiry or termination of a lease, the group can in certain circumstances, receive payments in relation to dilapidation costs to be incurred on the relevant property from its tenant. This receipt is recorded on the statement of financial position and costs incurred matched with this income, any excess is recognised as other operating income in the income statement upon the completion of the dilapidation works.

Notes to the financial statements

at 31 March 2019

Accounting policies (continued)

Significant accounting policies (continued)

Investment properties

The groups investment properties are held for long term investment and are accounted for as follows:

- Investment properties are initially recorded at cost which includes purchase cost and directly attributable expenditure.
- Investment properties whose fair value can be measured reliably are measured at fair value. The surplus or deficit on revaluation is recognised through the income statement and accumulated in the non-distributable reserve.

Operating lease incentives

In accordance with FRS 102, Section 35, for lease terms that commenced prior to adoption of FRS 102 (1 April 2014), and in accordance with UITF 28, rentals received under operating leases were recognised on a straight line basis over the term of the lease. Incentives given by the company to sign an operating lease are similarly spread on a straight line basis over the term of the lease, except where the period to the review date on which the rent is first expected to be adjusted to the prevailing market rate is smaller than the full lease term, in which case the shorter period is used. For lease terms that commenced after the adoption of FRS 102 incentives given by the company to sign an operating lease are spread on a straight line basis over the term of the lease.

Deferred taxation

Deferred taxation is recognised in respect of all temporary differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or right to pay less or to receive more, tax, with the following exception:

- Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

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

Stocks – Development land

Stocks are stated at the lower of cost and estimated selling price less costs to complete.

At the end of each reporting period development sites are assessed for impairment. If a development is impaired it is reduced to the selling price less costs to sell and an impairment charge is recognised through the income statement.

Foreign currencies

Monetary assets and liabilities expressed in foreign currencies are translated into sterling at rates of exchange ruling at the date of the balance sheet date. All differences are taken to the income statement. The assets and liabilities of overseas subsidiary undertakings are translated at rates of exchange ruling at the balance sheet date. Income and expenses for each statement of comprehensive income are translated at exchange rates at the dates of transaction. All resulting exchange differences are recognised in the income statement.

Derivative instruments

The group uses interest rate swaps to adjust interest rate exposures. Derivative financial instruments are initially measured at fair value on the date on which a derivative contract is entered into and are subsequently measured at fair value through the income statement. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. The fair value of interest rate swaps are determined by calculating the present value of the estimated future cash flow based on observable yield curves.

Notes to the financial statements

at 31 March 2019

Accounting policies (continued)

Significant accounting policies (continued)

Basic financial assets

Basic financial assets, which include trade, other and group debtors along with cash and bank balances, which 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 financial asset is measured at the present value of the future receipts discounted at a market rate of interest.

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.

Basic financial liabilities

Basic financial liabilities, including trade other and group creditors 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.
Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Derecognition of financial liabilities

Financial liabilities are derecognised when, and only when, the Group's contractual obligations are discharged, cancelled, or they expire.

Interest-bearing loans and borrowings

Interest-bearing loans and borrowings are initially recognised at the fair value of consideration received net of transaction costs incurred. After initial recognition they are measured at amortised cost using the effective interest method.

Investments

The group has investments in various Limited Liability Companies (LLCs) registered in the USA. These investments are recognised at cost.

In the company's financial statements investment in subsidiary undertakings and joint ventures is held at cost less accumulated impairment losses.

2. Turnover

Turnover comprises of rental income from the group's investments property assets located in the UK and Europe and revenue from property development.

The amount of group turnover attributable to each of the classes of continuing activity of the group is as follows:

	2019	*2018*
	£	*£*
Rental income	14,085,786	14,712,705
Property development income	43,171,268	18,747,015
	57,257,054	33,459,720

In the year ended 31 March 2019 23% of the rental income arose in Switzerland and 9% in Germany (31 March 2018 – 19% Switzerland and 7% Germany). All of the revenue from property development arose in the UK.

Notes to the financial statements

at 31 March 2019

3. Operating profit

This is stated after charging:

			2019	2018
			£	£
Auditors' remuneration	–	audit services	54,000	65,000
	–	other services	7,475	31,880

Included within administration expenses is a cost allocation from one Trust, that is a shareholder of the company, of £1,786,882 (2018 - £1,750,375) and included in this charge is the cost of the directors for their services to the group. Included within operating expenses are £36,121,181 cost of sales (2018 - £14,592,569) relating to housebuilding.

4. Staff costs

	2019	2018
	£	£
Wages and salaries	487,586	-
Social security costs	54,194	-
Other pension costs	31,675	-
	573,455	-

The average monthly number of employees during the year was made up as follows:

	2019	2018
	£	£
Directors	1	-
Management	4	-
Operations	3	-
Administration	1	-
	9	-

Directors' remuneration

	2019	2018
	£	£
Aggregate remuneration in respect of qualifying services	125,598	-
In respect of highest paid director:		
Aggregate remuneration	125,598	-

5. Interest receivable and similar income

	2019	2018
	£	£
Bank interest receivable	-	12,799
Other interest receivable	101,406	228,544
	101,406	241,343
Share of joint venture interest	-	9,140
	101,406	250,483

Notes to the financial statements

at 31 March 2019

6. Interest payable and similar charges

	2019	2018
	£	£
Interest payable to related parties (note 17)	1,184,591	150,000
Bank interest payable	4,424,227	4,517,951
Borrowing costs amortisation	155,616	148,020
Other interest payable	76,175	148,326
	5,840,609	4,964,297
Share of joint venture interest	8,418	32,354
	5,849,027	4,996,651

7. Tax

(a) Tax

The tax charge is made up as follows:

	2019	2018
	£	£
Current tax:		
UK corporation tax on profit for the year	4,840,894	1,266,161
Overseas tax	668,470	192,075
Overseas tax adjustment in respect of prior periods	-	(362,876)
Adjustments in respect of prior periods	(266,051)	-
Current tax	5,243,313	1,095,360
Deferred tax:		
Origination and reversal of timing differences	74,457	187,554
Effect of changes in tax rates	-	9,965
Adjustments in respect of prior years	1,049,092	(40,961)
Total deferred tax	1,123,549	156,558
Tax on profit (note 7(b))	6,366,862	1,251,918
Share of joint venture tax	-	-
	6,366,862	1,251,918

Notes to the financial statements

at 31 March 2019

7 Tax (continued)

(b) Factors affecting current tax charge for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 19% (2018–19%). The differences are explained below:

	2019	*2018*
	£	*£*
Profit before taxation	32,398,597	28,002,615
Profit multiplied by standard rate of corporation tax in the UK of 19% (2018 – 19%)	6,155,733	5,320,497
Effects of:		
Expenses not deductible for tax purposes	256,510	101,344
Income not taxable for tax purposes	(1,460,427)	(3,374,249)
Utilisation of losses	-	184,420
Effect of gains	2,090,334	(99,746)
Partnership share	125,218	(19,106)
Revaluation of fixed assets	(1,299,838)	230,627
Group relief not surrendered	-	183,380
Group income	(470,860)	-
Other timing differences	80,017	-
Tax rate changes	(36,842)	(14,311)
Adjustment from previous periods	783,041	(379,561)
Deferred tax not provided	(238,709)	(881,377)
Overseas tax	382,685	-
Total tax charge for the year	6,366,862	1,251,918

Deferred tax

At 31 March 2019 deferred tax (liability) / asset was as follows:

	Group	*Company*
	£	*£*
At 1 April 2018	(2,088,565)	(51,587)
Movement in the year	(1,123,549)	51,587
At 31 March 2019	(3,212,114)	-

The group's deferred taxation (liability) / asset is as follows:

		2019		*2018*
	Provided	*Unprovided*	*Provided*	*Unprovided*
	£	*£*	*£*	*£*
Timing differences – non trading	-	591,678	-	(1,103,721)
Timing differences – trading	(47,757)	590,912	(38,645)	(590,911)
Losses	(861,942)	276,811	6,336	(49,078)
Fixed assets	(2,302,415)	47,693	(2,056,256)	(99,652)
	(3,212,114)	1,507,094	(2,088,565)	(1,843,362)

Notes to the financial statements

at 31 March 2019

7. Tax (continued)

(c) Deferred tax (continued)

The company's deferred taxation (liability) / asset is as follows:

		2019		*2018*
	Provided	*Unprovided*	*Provided*	*Unprovided*
	£	*£*	*£*	*£*
Timing differences – non trading	-	591,678	-	760,525
Timing differences – trading	-	590,912	-	590,911
Capital losses	-	360,264	-	-
Fixed assets	-	45,670	(51,587)	65,554
	-	1,588,524	(51,587)	1,416,990

(d) Factors that may affect future tax charges

The group's results for this accounting period are taxed at an effective rate of 19%. The main rate of corporation tax in the UK will reduce to 17% effective from 1 April 2020. This will reduce the group's future current tax charge accordingly.

8. Tangible fixed assets

Group

	Freehold investment property	*Leasehold investment property*	*Total*
	£	*£*	*£*
At 1 April 2018 (restated – note 21)	154,618,339	69,850,214	224,468,553
Additions	6,667,373	355,574	7,022,947
Disposals	(33,033,752)	(17,850,000)	(50,883,752)
Revaluations	3,494,547	2,286,442	5,780,989
Foreign exchange movement	1,412,952	-	1,412,952
At 31 March 2019	133,159,459	54,642,230	187,801,689

Investment property has been valued at 31 March 2019 by the directors. The valuation has been made in accordance with the RICS Appraisal and Valuation Manual. Investment property has been valued by individual property using the comparative and investment methods. The valuation has been assessed on a collation and analysis of appropriate comparable investment and retail transactions, together with evidence of demand in the vicinity of the individual property. This has then been applied to the subject property taking into account size, location, lease terms, covenants and any other material factors.

Investment property under construction has also been valued at 31 March 2019 by the directors, taking into account the market value of the partially complete property with appropriate adjustments for risk and time value of money.

Investment property if included on an historical cost basis would be stated at:

	2019	*2018*
	£	*£*
Investment property	183,897,946	215,685,644

Notes to the financial statements

at 31 March 2019

8. Tangible fixed assets (continued)

Company

	Freehold investment properties	*Leasehold investment properties*	*Total*
	£	*£*	*£*
Costs / valuation			
At 1 April 2018 (restated – note 21)	45,327,282	27,575,000	72,902,282
Additions	3,129,250	-	3,129,250
Disposals	(26,093,752)	(17,850,000)	(43,943,752)
Revaluations	(549,978)	185,000	(364,978)
At 31 March 2019	21,812,802	9,910,000	31,722,802

Investment property has been valued at 31 March 2019 by the directors. The valuation has been made in accordance with the RICS Appraisal and Valuation Manual. Investment property has been valued by individual property using the comparative and investment methods. The valuation has been assessed on a collation and analysis of appropriate comparable investment and retail transactions, together with evidence of demand in the vicinity of the individual property. This has then been applied to the subject property taking into account size, location, lease terms, covenants and any other material factors.

Investment property under construction has also been valued at 31 March 2019 by the directors, taking into account the market value of the partially complete property with appropriate adjustments for risk and time value of money.

Investment property if included on an historical cost basis would be stated at:

	2019	*2018 (restated)*
	£	*£*
Investment property	32,939,308	65,961,263

9. Intangible assets

Group

	Goodwill
	£
Cost	
At 1 April 2018	-
Acquisition of subsidiary undertaking	403,666
At 31 March 2019	403,666
Amortisation	
At 1 April 2018	-
Charged in the period	65,435
At 31 March 2019	65,435
Carrying amount at 31 March 2019	338,231

Goodwill, arising on the acquisition of Arun Commercial Developments Limited, is being amortised over the directors' estimate of its useful life of 5 years.

Notes to the financial statements

at 31 March 2019

10. Investments

Group

Investment in joint ventures

	Total
	£
At 1 April 2018	1,609,556
Share of profit	12,282
Disposal	(40,827)
At 31 March 2019	1,581,011

Joint venture	*Nature of business*	*Country of registration*	*Proportion of holding*
Regeneration (North East) LLP	Property development	England and Wales	50%
Prudhoe Estates LLP	Property development	England and Wales	50%

The company has a 50% share of development land in North East England with Taradina Number Two Limited and Eastland (Wynyard) Limited. The joint arrangements are not structured through an entity and both parties jointly control operations and assets, therefore not consolidated.

Company

	Subsidiary shares	*Investment in joint ventures*	*Total*
	£	£	£
Cost:			
At 1 April 2018	710,246	1,568,729	2,278,975
Additions	395,562	-	395,562
Disposals	(200,000)	-	(200,000)
Share of profit	-	12,282	12,282
At 31 March 2019	905,808	1,581,011	2,486,819

Notes to the financial statements

at 31 March 2019

10. Investments (continued)

The company owns 100% of the share capital of the companies listed below, unless otherwise stated:

Subsidiary undertakings	*Country of incorporation*	*Nature of business*
Northumberland Estates Investments Limited	UK	Property investment and management
Northumberland Estates 2004 Limited**	UK	Investment in property investment vehicles
Northumberland Estates Developments Limited	UK	Property investment and management
Northumberland Estates 2007 Limited	UK	Investment in property investment vehicles
Northumberland Estates Ventures Limited***	UK	Property investment and management
Northumberland Estates Investments 2000 Limited	UK	Property investment and management
Northumberland Estates Investments 3000 Limited	UK	Property investment and management
Arun Commercial Developments Limited	UK	Property development
Swiss Land Estates SA	Switzerland	Property investment and management
Blyth Investments LLP*	UK	Property investment and management
Objekt Schwabach Investments GmbH**	Germany	Property investment and management

* 50% owned by Northumberland Estates Limited and 50% held by Northumberland Estates Ventures Limited, a subsidiary undertaking, such that it is 100% owned subsidiary of the group.

** owned by Swiss Land Estates SA, a subsidiary undertaking, such that it is 100% owned by the group.

*** owned by Northumberland Estates Developments Limited, a subsidiary undertaking, such that it is 100% owned by the group.

Notes to the financial statements

at 31 March 2019

10. Investments (continued)

Group

Other investments	Total
	£
At 1 April 2018	13,531,090
Additions	6,829,550
Disposals	(1,089,784)
At 31 March 2019	19,270,856

Group

Entities in which the group has greater than a 20% holding are as follows:

Other investments	*Nature of business*	*Country of registration*	*Proportion of holding*
Sharon Hills Equity Investments LLC	Property investment	United States	33.3%
Rhode Island Ave LLC	Property investment	United States	20.7%

Other investments are valued at cost. The directors consider the value of the other investments to be supported by their underlying assets.

Acquisition of subsidiary

On 8 June 2018 the Group acquired 100% of the issued share capital of Arun Commercial Developments Limited for consideration of £380,000 in cash. The investment has been included in the company's balance sheet at the fair value at the date of acquisition.

	£
Net liabilities on acquisition	(8,106)
Goodwill arising on acquisition	403,666
	395,560
Discharged by:	
Cash	380,000
Cost associated with the acquisition	15,560
	395,560

Notes to the financial statements

at 31 March 2019

11. Debtors

	2019 Group £	2019 Company £	2018 Group £	2018 Company £
Trade debtors	1,855,028	1,049,285	2,286,949	919,092
Amounts owed by related parties (note 17)	875,180	103,211	521,027	474,377
Amounts owed by subsidiary undertakings	-	121,039,722	-	113,125,309
Amounts owed by joint ventures (note 17)	379,100	327,936	249,675	179,150
Northumberland Estates Inter Trust Account (note 17)	-	2,646,595	-	-
Corporation tax	466,165	-	24,363	-
Financial instrument	14,500,000	14,500,000	4,760,000	4,760,000
Other debtors	6,734,549	1,272,402	10,080,804	2,020,798
Prepayments and accrued income	601,282	205,588	208,657	67,298
	25,411,304	141,144,739	18,131,475	121,546,024

Amounts falling due after more than one year included in the, above are:

	2019 Group £	2019 Company £	2018 Group £	2018 Company £
Other debtors	-	-	6,700,783	4,760,000

12. Stocks

	2019 Group £	2019 Company £	2018 (restated) Group £	2018 (restated) Company £
Development sites	25,044,468	1,543,993	26,041,942	1,522,019

13. Creditors: amounts falling due within one year

	2019 Group £	2019 Company £	2018 Group £	2018 Company £
Bank loans	29,906,384	22,284,683	11,191,708	396,908
Trade creditors	4,708,090	741,242	8,478,159	650,709
Amounts owed to subsidiary undertakings	-	39,581,760	-	31,160,182
Amounts owed to related parties (note 17)	3,750	-	52,061,611	45,407,813
Northumberland Estates Inter Trust Account (note 17)	421,653	-	833,689	164,014
Derivative financial instruments (note 18)	10,239,930	10,239,930	10,507,670	10,507,670
Other creditors	1,615,009	74,865	114,303	639
Corporation tax	3,722,084	2,132,415	573,780	46,820
Accruals	6,661,961	3,110,534	7,514,417	3,170,948
Deferred income	1,214,793	308,842	1,933,886	713,944
	58,493,654	78,474,271	93,209,223	92,219,647

Notes to the financial statements

at 31 March 2019

14. Creditors: amounts falling due after more than one year

	2019 Group £	*2019 Company* £	*2018 Group* £	*2018 Company* £
Accruals	-	-	2,121,409	1,204,150
Amounts owed to related parties (note 16)	42,887,741	42,887,741	-	-
Bank loans	82,221,329	32,073,316	139,994,868	89,396,553
	125,109,070	74,961,057	142,116,277	90,600,703

Included within bank loans is a loan of £32.9 million that is due to be repaid by 30 April 2031. Interest is charged at a rate of base plus 1% or if the group selects, LIBOR plus 1% plus a LIBOR option rate. In January 2011 the group entered into an interest rate swap arrangement and interest is charged at 3.56%. The loan is secured with property owned by various Trusts which are not part of Northumberland Estates Limited statutory group and the company is the borrower.

Included within bank loans is a revolving credit facility that is repayable when the borrower chooses, but at the latest 30 October 2019, bearing interest at LIBOR plus 1.95%. In October 2014 the group entered into two interest rate swap arrangements with two banks for £15 million each which bear interest at fixed and floating rates. On 29 March 2019 these two interest rate swap arrangements were fully terminated. The revolving credit facility loan is secured on various investment properties owned by the group.

Included within bank loans is a loan of £4.2 million that is due to be repaid by 23 February 2027. Interest is charged at a fixed rate of 3.70% and is secured on specific investment property owned by the group.

Included within bank loans is a loan of £6.3 million that is repayable on demand. Interest is charged at LIBOR plus 2.75% and is secured on development land owned by the group.

Included within bank loans are loans totalling £37.0 million (47.9 million Swiss francs) that are repayable in 2065 and 2067. Interest is charged at 1.20%, 1.50% and 1.33%, on varying elements of the loans, and the loans are secured on Swiss investment properties owned by the group.

Included within bank loans are two loans totalling £10.3 million (€12.0 million) that are repayable in October 2026. Interest is charged at 1.60% and 1.10% and the loans are secured on German investment properties owned by the group.

Borrowings: Maturity analysis

	2019 Group £	*2019 Company* £	*2018 Group* £	*2018 Company* £
Bank loans				
Less than one year	30,054,777	22,370,832	11,405,345	525,000
Within one to two years	1,885,580	525,000	58,749,225	57,409,382
Within two to five years	3,101,128	525,000	3,076,847	525,000
After five years	77,569,753	31,325,000	78,594,298	31,850,000
	112,611,238	54,745,832	151,825,715	90,309,382
Less: issue costs	(483,525)	(387,833)	(639,139)	(515,921)
	112,127,713	54,357,999	151,186,576	89,793,461

Notes to the financial statements

at 31 March 2019

15. Issued share capital

		2019		2018
Allotted, called up and fully paid	*No.*	*£*	*No.*	*£*
Ordinary shares of £1 each	30,000,000	30,000,000	30,000,000	30,000,000

16. Notes to the statement of cash flows

(a) Reconciliation of group profit / (loss) to net cash flow from operating activities

	2019	*2018*
		(restated)
	£	*£*
Group profit for the year	32,398,597	28,002,615
Loss on sale of development sites	63,263	-
Share of profit in joint venture	(12,282)	(690,161)
Profit on sale of investments	(2,478,212)	(733,750)
Gain on revaluation of financial instrument	(9,740,000)	-
Gain on revaluation of investment properties	(5,780,991)	(16,093,257)
Net finance costs	5,739,203	4,722,954
Fair value movement on forward contracts	(267,739)	(2,105,473)
Goodwill written off	65,435	1,107,229
Profit on disposal of investment properties	(5,495,717)	(1,758,592)
Working capital movements		
Change in stocks	(4,462,866)	(15,952,805)
Change in debtors	2,901,966	10,255,809
Change in creditors	(13,891,215)	3,209,754
Corporation tax paid	(3,660,360)	(2,213,401)
Net cash (outflow) / inflow from operating activities	(4,620,918)	7,750,922

17. Related party transactions

Group

The company has taken advantage of the exemption as provided by paragraph 33.1A of FRS102 not to disclose transactions with wholly owned subsidiaries.

Included within administration expenses is a cost allocation from one Trust, that is a shareholder of the company, of £1,786,882 (2018 - £1,750,375) (note 3). It is payable quarterly and does not accrue any interest.

The group has entered into various unsecured loan arrangements with other related parties, who are shareholders of the company, and amounts outstanding at 31 March 2019 was £42,887,741 (2018 – £45,387,740). One loan of £3,000,000 (2018 - £3,000,000) bears interest at a rate of 5% per annum and the interest for the year was £150,000 (2018 - £150,000), this loan is repayable at the option of the group or upon demand from the lender and in any event no later than 31 October 2022 (note 6), interest is charged at a rate of 2.50% per annum on the remaining loans from 1 April 2018 and the charge for the year was £1,034,591 (note 6). These loans are not repayable before 1 April 2020 and there is no fixed repayment date.

Notes to the financial statements

at 31 March 2019

17. Related party transactions (continued)

At 31 March 2019 the group owed £3,750 (2018 - £19,668) in relation to a cost recharge from one Trust.

During the year ended 31 March 2018, certain land held for development was acquired from various Trusts. At 31 March 2019 the group owed £nil (2018 - £6,430,000) to the various Trusts in relation to land purchases.

At 31 March 2019 the group was owed £875,180 (company £103,211) from one Trust in relation to receipts paid into the bank account of that Trust (2018 - £521,027 group and £474,377 company).

As part of normal business transactions the group and company make payments on behalf of, and receive receipts on behalf of, various Trusts. In addition one Trust occasionally makes payments on behalf of and receives receipts on behalf of the group and company. These amounts are disclosed in debtors and creditors under Northumberland Estates Inter Trust Account. At 31 March 2019 the group was owed £nil and company was owed £2,646,595 (2018 – £nil (group and company)) by various Trusts and owed £421,653 (group only) to one Trust (2018 - group £833,689 and company £164,014).

Amounts owed by joint ventures at 31 March 2019 of £379,100 (2018 – £249,675) represents balances due from the group's joint venture partner Regen (North East) Limited of £100,000 and Prudhoe Estates LLP of £279,100. The amounts are repayable on demand and interest is charged at prevailing market rates.

18. Financial instruments

	2019	*2019*	*2018*	*2018*
	Group	*Company*	*Group*	*Company*
	£	*£*	*£*	*£*
Financial assets measured at amortised cost:				
Trade debtors	1,855,028	1,049,285	2,286,949	919,092
Other debtors	6,734,549	1,272,404	14,840,804	6,780,798
Financial instruments at fair value through income statement:				
Financial instrument	14,500,000	14,500,000	4,760,000	4,760,000
Financial liabilities at fair value through income statement:				
Interest rate swaps	(10,239,930)	(10,239,930)	(10,507,670)	(10,507,670)
Financial liabilities measured at amortised cost:				
Bank loans	(112,127,713)	(54,357,999)	(151,186,576)	(89,793,461)
Trade creditors	(4,708,090)	(741,242)	(8,478,159)	(650,709)
Other creditors	(51,590,114)	(85,654,900)	(64,579,315)	(85,297,639)

During the year ended 31 March 2018 the group and company purchased a contractual right to future cashflows. The cashflows are contingent on future events. The cash flows have been valued using a discounted cash flow method and the value is included as a financial instrument within debtors.

The group purchase interest rate swaps to manage interest rate risk volatility. Interest rate swaps expire in December 2030. The fair values of the interest rate swaps at 31 March 2019 and 31 March 2018 are determined by reference to their market value.

19. Controlling party

The Duke of Northumberland is regarded the ultimate controlling party at 31 March 2019 as he is a shareholder and trustee of various Trusts.

Notes to the financial statements

at 31 March 2019

20. Reserves

Other reserve

This reserve relates to the groups subsidiary - Swiss Land Estates SA. Under Switzerland corporate law a minimum of 5% of the Switzerland company's annual net income must be retained in a legal reserve until this legal reserve equals 20% of the Switzerland Company's issued and outstanding aggregate par value share capital. At 31 March 2019 this percentage amounted to 20% (2018 – 20%). This legal reserve represents an appropriation of retained earnings and is not available for distribution.

Translation reserve

This reserve records the translating of the financial statements of foreign subsidiaries from the functional currency into the presentational currency using the exchange rate at the balance sheet date and gains and losses arising on these translations are taken to reserves.

Non-distributable reserve

This reserve is used to record increases in the fair value of investment properties and decreases to the extent that such decrease relates to an increase on the same asset. To the extent that a property has a fair value below cost that decrease is shown within the profit and loss reserve.

21. Prior period adjustment

The 2018 balance sheet has been restated to reclassify amounts previously classified as stock in error to investment property. These items relate to land which is being developed with the intention for future rental. As such these items should have been capitalised as investment property. This restatement has the impact of decreasing stock and increasing investment properties of the Group by £5,001,891 (company - £2,038,531). This restatement had no impact on either the income statement of the Group and company, other comprehensive income or net assets. The restatement has affected the balance sheet and notes 8 and 12.