Company Registration No. 08872070

EARLS COURT PARTNERSHIP LIMITED

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

EARLS COURT PARTNERSHIP LIMITED

COMPANY INFORMATION

Director	DV4 Administration Limited	- appointed 29 November 2019
	Andrew Parsons	- appointed 29 November 2019
	Neil Carron	- appointed 1 November 2019
	Johannus Spikker	- appointed 29 November 2019
	Martijn Vos	- appointed 29 November 2019
	William Cornelius	- appointed 25 March 2020
	Kenneth Youngman	- appointed 25 March 2020
	Leigh Mccaveny	- resigned 29 November 2019
	Ruth Pavey	- resigned 29 November 2019
	Anne Byrne	- resigned 1 January 2019
	William Cornelius	- resigned 2 April 2019
	Graeme Craig	- resigned 8 February 2019
	Ian Hawksworth	- resigned 29 November 2019
	Situl Jobanputra	- resigned 29 November 2019
	Terence O'Bierne	- resigned 29 November 2019
	Gary Yardley	- resigned 30 June 2019
	Kenneth Youngman	- resigned 1 October 2019
	Neil Carron	- resigned 25 March 2020

Company number 08872070

Date of incorporation 31 January 2014

Registered office
6th Floor Lansdowne House
Berkeley Square
London
United Kingdom
W1J 6ER

Auditors
Ernst & Young LLP
1 More London Place
London
SE1 2AF

EARLS COURT PARTNERSHIP LIMITED

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EARLS COURT PARTNERSHIP LIMITED

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019

The Directors presents their report and financial statements for the year to 31 December 2019.

Principal activities
The principal activity of the Company is that of property investment.

Business review

Fair review of the business
Both the level of business during the year and the year end financial position were as expected. The loss for the year amounted to £221,109,191 (2018: £180,454,000). Total Shareholders funds at 31 December 2019 were £450,108,809 (2018: £668,518,000). The Directors do not recommend a payment of dividend for the year (2018: £nil).

Events after the reporting date
Since the balance sheet date, the development and spread of COVID-19 has had a significant impact on economies and resulted in severe restrictions of movement of people across Europe. As at the date of approving the financial statements, the Directors consider there will be limited impact on the financial statements as the Company holds the development investment as a long term investment. Management continue to monitor the situation as it develops.

Principal risks and uncertainties
The Directors believe that the principal risks and uncertainties facing the Company are not materially different to those disclosed in the consolidated accounts of Earls Court (London) LLP for the year ended 31 December 2019 that are publicly available and in which the Company is consolidated.

Given the straightforward nature of the business, the Company Directors are of the opinion that analysis using KPIs is not necessary for an understanding of its development, performance or position.

Going concern
The financial statements have been prepared on a going concern basis. Given the significant impact of Covid-19 on the macro-economic conditions in which the Company is operating, the Directors have placed a particular focus on the appropriateness of adopting the going concern basis in preparing the financial statements for the year ended 31 December 2019.

The Company's going concern assessment covers the period of at least 12 months from the date of authorisation of these financial statements and takes into account the company's budgeted and committed expenditure over the period ('base case'). In preparing the assessment, the Directors have considered downside factors, including the impact of a reduction in rental income received due to tenant distress, the ability of directors to defer non-committed expenditure and the impact on compliance with the loan covenants if there were to be a fall in property valuations.

The Directors concluded the likelihood of a breach in loan covenants was remote as property valuations would need to fall in excess of 50%. The Company was compliant with loan covenants at 31 December 2019 and is expected to continue to comply with the covenant throughout the going concern period.

The base case and downside factors both show the Company has sufficient financing available throughout the going concern period, assuming continued access to funding from shareholders is available. This support is expected to be forthcoming and has been confirmed to the company through a letter of financial support.

This support is a key assumption, and whilst the Directors are confident that it will be forthcoming, they cannot give absolute certainty this will be the case. The COVID-19 pandemic has had a significant impact on the Company's shareholder Transport for London (TFL) and the availability of funding from the UK Department for Transport only provides funding to TFL through to 17 October 2020. It is expected that the UK Government will extend funding to TFL beyond this date, however this has not been confirmed as yet. On this basis, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the going concern period, although this reliance on support being forthcoming from TFL means there is a material uncertainty which may cast a significant doubt on the Company's ability to continue as a going concern.

EARLS COURT PARTNERSHIP LIMITED

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019

Going concern (continued)

On this basis, the Directors have continued to adopt the going concern basis in preparing the financial statements. The financial statements do not contain the adjustments that would result if the Group were unable to continue as a going concern.

Directors
The following Directors have served during the year:

DV4 Administration Limited	- appointed 29 November 2019
Andrew Parsons	- appointed 29 November 2019
Neil Carron	- appointed 1 November 2019
Johannus Spikker	- appointed 29 November 2019
Martijn Vos	- appointed 29 November 2019
William Cornelius	- appointed 25 March 2020
Kenneth Youngman	- appointed 25 March 2020
Leigh Mccaveny	- resigned 29 November 2019
Ruth Pavey	- resigned 29 November 2019
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Terence O'Bierne	- resigned 29 November 2019
Gary Yardley	- resigned 30 June 2019
Kenneth Youngman	- resigned 1 October 2019
Neil Carron	- resigned 25 March 2020

Disclosure of information to auditors
So far as the Directors at the date of approving this report are 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 the Company's auditor, the Directors have 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
Ernst & Young LLP were appointed auditors to the Company and a resolution proposing that they be reappointed will be put to the Annual General Meeting.

Small companies provision
The financial statements have been prepared in accordance with the special provisions relating to small companies within Part 15 of the Companies Act 2006. The Directors have taken advantage of the exemption from preparing a Strategic Report.

On behalf of the board

....
Andrew Parsons
Director

SEP 30 2020

EARLS COURT PARTNERSHIP LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES
FOR THE YEAR ENDED 31 DECEMBER 2019

Company law requires the directors to prepare financial statements for each financial year which 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 those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;

- make judgments and estimates that are reasonable and prudent;

- 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company. The Directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE DIRECTORS OF EARLS COURT PARTNERSHIP LIMITED

FOR THE YEAR ENDED 31 DECEMBER 2019

Opinion

We have audited the financial statements of Earls Court Partnership Limited (the 'company') for the year ended 31 December 2019 which comprise the Statement of Financial Position, the Income Statement, the Statement of Changes in Equity and the related notes 1 to 18, 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 101 "Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

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

Basis for opinion

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

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

Conclusions relating to going concern

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

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

Material uncertainty related to going concern

We draw attention to note 1 of the financial statements, which describes the intention of the shareholders to provide financial support. As stated in note 1, these events or conditions, along with the other matters as set forth in note 1, indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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

Matters on which we are required to report by exception

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

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

- adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies exemptions in preparing the Directors' Report and from the requirement to prepare a Strategic Report.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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.

Ernst & Young LLP

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Daniel Saunders (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP, Statutory Auditor
London

2 October 2020

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EARLS COURT PARTNERSHIP LIMITED

INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 £ 000	2018 £ 000
Turnover	2	**3,697**	2,989
Cost of sales	2	**(726)**	(467)
Gross Profit		**2,971**	2,522
Administrative expenses		**(402)**	(1,222)
Loss on sale of investment and development property		**(73)**	(186)
Loss on fair value of investment and development property	7	**(223,659)**	(181,581)
Operating Loss		**(221,161)**	(180,467)
Interest receivable and similar income	3	**37**	14
Interest payable and similar charges	4	**-**	(1)
Loss on ordinary activities before taxation		**(221,125)**	(180,454)
Taxation	6	**16**	-
Loss for the year		**(221,109)**	(180,454)

STATEMENT OF COMPREHENSIVE INCOME
The Company has no comprehensive income other than the results for the year as set out above.

EARLS COURT PARTNERSHIP LIMITED

STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 £ 000	2018 £ 000
Fixed assets			
Investment and development properties	7	**514,475**	731,282
Current assets			
Debtors	10	**1,183**	648
Cash at bank and in hand		**9,511**	8,008
		10,694	8,656
Creditors: amounts falling due within one year	11	**(3,356)**	(5,600)
Net current assets		**7,338**	3,056
Creditors: amounts falling due after one year			
Borrowings	13	**(71,704)**	(65,820)
Net assets		**450,109**	668,518
Capital and reserves			
Called up share capital	14	**11**	11
Share premium account	14	**119,998**	119,998
Loan notes classified as equity	14	**1,114,187**	1,111,487
Profit and loss account		**(784,087)**	(562,978)
Total equity		**450,109**	668,518

The financial statements were approved and authorised for issue by the Board on ...SEP 3 0 2020

....

For and on behalf of
Andrew Parsons
Director

The notes on pages 9 to 20 form part of these financial statements.

EARLS COURT PARTNERSHIP LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	Called up share capital	Share premium reserve	Profit and loss account	Loan notes classified as equity	Total Equity
		£ 000	£ 000	£ 000	£ 000	£ 000
At 1 January 2018		11	119,998	(382,524)	1,089,050	**826,535**
Loss for the year		-	-	(180,454)		**(180,454)**
Loan notes issued					22,437	**22,437**
At 31 December 2018		11	119,998	(562,978)	1,111,487	**668,518**
Loss for the year		-	-	(221,109)	-	**(221,109)**
Loan notes issued	14	-	-	-	2,700	**2,700**
At 31 December 2019		**11**	**119,998**	**(784,087)**	**1,114,187**	**450,109**

1 Accounting policies

1.1 Basis of preparation

The financial statements have been prepared under the historic cost convention and in accordance with the Companies Act 2006 and United Kingdom Accounting Standards, in particular, Financial Reporting Standard 101 'Reduced Disclosure Framework' ("FRS 101").

FRS 101 sets out a reduced disclosure framework that addresses the financial reporting requirements of and disclosure exemptions available in the individual financial statements of qualifying entities that otherwise apply the recognition, measurement and disclosure requirements of EU-adopted International Financial Reporting Standards ("IFRS"). Amendments are made to the requirements of IFRS where necessary so as to comply with the Companies Act 2006.

The Company, as a qualifying entity, is a member of a group where the parent of that group, being Earls Court (London) LLP, prepares publicly available consolidated financial statements that are intended to give a true and fair view and the Company is included in the consolidation. Details of where the 2019 Annual Report & Accounts of Earls Court (London) LLP can be obtained are disclosed in note 16.

The Directors of the Company have taken advantage of the following disclosure exemptions available under FRS 101:

- The requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64(o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3 'Business Combinations';
- The requirements of IFRS 7 'Financial Instruments: Disclosures';
- The requirements of paragraphs 91 to 99 IFRS 13 'Fair value Measurement' in relation to investment and development property;
- The requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134 to 136 of IAS 1 'Presentation of Financial Statements';
- The requirements of IAS 7 'Statement of Cash Flows';
- The requirements of paragraphs 30 and 31 of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors';
- The requirements of paragraph 17 and 18A of IAS 24 'Related Party Disclosures';
- The requirements in IAS 24 'Related Party Disclosures' to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is party to the transaction is wholly owned by such a member; and
- The requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 'Revenues from Contracts with Customers'.

1.2 Going concern

The Company's going concern assessment covers the period of at least 12 months from the date of authorisation of these financial statements and takes into account the company's budgeted and committed expenditure over the period ('base case'). In preparing the assessment, the Directors have considered downside factors, including the impact of a reduction in rental income received due to tenant distress, the ability of directors to defer non-committed expenditure and the impact on compliance with the loan covenants if there were to be a fall in property valuations.

The Directors concluded the likelihood of a breach in loan covenants was remote as property valuations would need to fall in excess of 50%. The Company was compliant with loan covenants at 31 December 2019 and is expected to continue to comply with the covenant throughout the going concern period.

The base case and downside factors both show the Company has sufficient financing available throughout the going concern period, assuming continued access to funding from shareholders is available. This support is expected to be forthcoming and has been confirmed to the company through a letter of financial support.

This support is a key assumption, and whilst the Directors are confident that it will be forthcoming, they cannot give absolute certainty this will be the case. The COVID-19 pandemic has had a significant impact on the Company's shareholder Transport for London (TFL) and the availability of funding from the UK Department for Transport only provides funding to TFL through to 17 October 2020. It is expected that the UK Government will extend funding to TFL beyond this date, however this has not been confirmed as yet. On this basis, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the going concern period, although this reliance on support being forthcoming from TFL means there is a material uncertainty which may cast a significant doubt on the Company's ability to continue as a going concern.

On this basis, the Directors have continued to adopt the going concern basis in preparing the financial statements. The financial statements do not contain the adjustments that would result if the Group were unable to continue as a going concern.

1 Accounting policies (continued)

1.3 New standards and interpretations

The following new standards, amendments to standards and interpretations are mandatory for the first time for the financial year ended 31 December 2019. These amendments have no material impact on the Company.

IFRS 16 - Leases	1 January 2019

1.4 Critical accounting judgements and key sources of estimation and uncertainty

The preparation of financial statements in accordance with FRS 101 requires the Directors to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, equity, income and expenses from sources not readily apparent. Although these estimates and assumptions are based on management's best knowledge of the amount, historical experiences and other factors, actual results ultimately may differ from those estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period.

The key areas of accounting judgement are:
Valuation of property

The fair value of investment property is determined by professional external valuers using recognised valuation techniques.

The determination of the fair value of investment property requires the use of estimates such as future cash flows from assets (such as lettings, tenants' profiles, future revenue streams and the overall repair and condition of the property) and the discount rates applicable to those assets. Future revenue streams, inter alia, comprise contracted rent (passing rent) and estimated rental income (ERV) after the contract period. In estimating ERV, the potential impact of future lease incentives to be granted to secure new contracts is taken into consideration. All these estimates are based on local market conditions existing at the reporting date. In addition, the determination of the fair value of development land requires the use of estimates such as development costs and anticipated sales income of the completed project adjusted for planning risk.

Property classification

Judgement is required in the classification of property between investment and development, trading and owner occupied. Management considers each property separately and reviews factors including the long term intention for the property, in determining if trading, and the level of ancillary income to ensure the appropriate classification.

Other less significant judgements and sources of estimation and uncertainty relate to revenue recognition, significant disposals, provisions and contingent liabilities.

1.5 Turnover

Rent receivable consists of gross income calculated on an accruals basis, together with services where the Company acts as principal in the ordinary course of business, excluding sales of property. Rental income is spread evenly over the period from lease commencement to lease expiry.

Contingent rents, being those lease payments that are not fixed at the inception of a lease, for example increases arising on rent reviews, are recorded as income in the periods in which they are earned.

Where the outcome of an outstanding rent review is reasonably certain, rent is accrued from the review date based upon an estimated annual rent. Estimates are derived from knowledge of market rents for comparable properties determined on an individual property basis and updated for progress of negotiations.

Where turnover is obtained by the sale of property, it is recognised when the buyer obtains control of the property. This will normally take place on legal completion. Turnover arising from the sale of property under construction is recognised on completion once all performance obligations have been completed and control of the property has been transferred to the buyer.

1 Accounting policies (continued)

1.6 Tax

Current tax is the amount payable on the taxable income for the year and any adjustment in respect of prior years. It is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

In accordance with IAS 12 'Income Taxes', deferred tax is provided for using the balance sheet liability method on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the tax bases of those assets and liabilities. However, temporary differences are not recognised to the extent that they arise from the initial recognition of assets and liabilities that at the time of the transaction, affect neither accounting nor taxable profit or loss; or are associated with investments in subsidiaries, joint ventures and associates where the timing of the reversal of the temporary difference can be controlled by the parent, venture or investor, respectively, and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax is determined using tax rates that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised only to the extent that management believes it is probable that future taxable profit will be available against which the deferred tax assets can be recovered. Deferred tax assets and liabilities are only offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same tax authority on either the same taxable company or different taxable entities where there is an intention to settle balances on a net basis.

Tax is included in the income statement except when it relates to items recognised in other comprehensive income or directly in equity, in which case the related tax is also recognised in other comprehensive income or directly in equity respectively.

1.7 Interest payable and similar charges

Interest is accrued on a time basis, by reference to the principal outstanding and the effective interest rate.

1 Accounting policies (continued)

1.8 Investment and development property

Investment and development property is owned or leased by the Company and held for long-term rental income and capital appreciation.

The Directors have chosen to use the fair value model. Property and any related obligations are initially recognised when the significant risks and rewards attached to the property have transferred to the Company. Investment and development property is initially recognised at cost and subsequently revalued at the balance sheet date to fair value as determined by professionally qualified external valuers on the basis of market value.

The fair value of property is arrived at by adjusting the market value as above for directly attributable lease incentive assets and fixed head leases. Property held under finance leases are stated gross of the recognised finance lease asset.

The valuation is based upon assumptions as outlined within the property portfolio note. These assumptions conform with the Royal Institution of Chartered Surveyors ("RICS") Valuation Professional Standards. The cost of development properties includes capitalised interest and other directly attributable outgoings, with the exception of properties and land where no development is imminent in which case no interest is included. Interest is capitalised (before tax relief) on the basis of the weighted average cost of debt outstanding until the date of practical completion.

When the Company redevelops a property for continued future use, that property is classified as investment and development property during the redevelopment period and continues to be measured at fair value.

Gains or losses arising from changes in the fair value of investment property are recognised in the statement of comprehensive income in the period in which they arise. Depreciation is not provided in respect of investment property including plant and equipment integral to such investment property. Investment and development properties cease to be recognised as investment and development property when they have been disposed of or when they cease to be held for the purpose of generating rental income or for capital appreciation.

Disposals are recognised on completion. Gains or losses arising are recognised in the statement of comprehensive income. The gain on disposal is determined as the difference between the net sales proceeds and the carrying amount of the asset at the commencement of the accounting period plus capital expenditure in the period.

1.9 Investments

Investments are stated at cost less impairment losses, if any. Impairment losses are determined with reference to the investment's fair value less estimated selling costs. Fair value is derived from the net assets attributable to the investment at the balance sheet date. Reversal of prior impairment is calculated on a consistent basis as the original impairment charge and may not exceed the original cost prior to impairment. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in the statement of comprehensive income.

1 Accounting policies (continued)

1.10 Tangible Assets

Tangible assets consist of fixtures, fittings and other equipment. Tangible assets are stated at cost less accumulated depreciation and any accumulated impairment losses. Cost includes the original purchase price of the asset plus any attributable cost in bringing the asset to its working condition for its intended use. Depreciation is charged to the statement of comprehensive income on a straight-line basis over an asset's estimated useful life. Currently, the maximum life of the Company's plant and equipment is five years.

1.11 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits with banks and other short-term highly liquid investments with original maturities of three months or less.
As at 31st December 2019, there was restricited cash of £4.1m (2018: £2.5m).

1.12 Debtors

Trade and other debtors are initially recognised at fair value and subsequently measured at amortised cost. The Directors exercise judgement as to the collectability of the Company's debtors and determine whether it is appropriate to impair these assets. Debtors falling due after more than one year are presented under current assets in accordance with Companies Act requirements.

1.13 Impairment of financial assets

The Company applies the IFRS 9 'Financial Instruments' simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all financial assets. To measure the expected credit losses, receivables are reviewed on an individual contract basis. The expected loss rates are based on historical evidence of collection. The historical loss rates are adjusted to reflect current and future information such as estimated future cash flows or by using fair value where this is available through observable market prices and review of macroeconomic factors which may affect the counter party's ability to settle the receivables. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the original impairment was recognised, the impairment reversal is recognised in the income statement on a basis consistent with the original charge.

1.14 Creditors

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business. Creditors are recognised at fair value and subsequently measured at amortised cost until settled.

1.15 Amounts owed to group undertakings

Amounts owed to group undertakings are recognised at fair value and subsequently measured at amortised cost until settled.

1 Accounting policies (continued)

1.16 Borrowings

Borrowings are recognised initially at their net proceeds as an approximation of fair value. If the transaction price is not an approximation of fair value at initial recognition, the Company determines the fair value as evidenced by a quoted price in an active market for an identical instrument or based on a valuation technique that uses data from observable markets. Where equity holders of the Company are party to the transaction the difference between the net proceeds and fair value is recognised within equity.

Borrowings are subsequently carried at amortised cost. Any transaction costs, premiums or discounts are capitalised and recognised over the contractual life of the loan using the effective interest rate method; or on a straight line basis where it is impractical to do so.

In the event of early repayment, transaction costs, premiums or discounts paid or unamortised costs are recognised immediately in the income statement.

1.17 Loan notes

The shareholders fund the Company by way of issuing loan notes. Based on the contractual agreement of the instrument the holder does not have the ability to redeem the instrument or entitlement to any interest, accordingly these instruments have been classified as equity. Loan notes are recognised at cost and are not subsequently remeasured.

1.18 Contingent liabilities and capital commitments

Contingent liabilities are disclosed where there are present or possible obligations arising from past events, but the economic impact is uncertain in timing, occurrence or amount. A description of the nature and, where possible, an estimate of the financial effect of contingent liabilities are disclosed.

Capital commitments are disclosed when the Company has a contractual future obligation which has not been provided for at the balance sheet date.

2 Gross profit

Turnover arose in the United Kingdom from continuing operations. In the opinion of the Directors, the Company carries on only one class of business.

	2019 £ 000	2018 £ 000
Rental income	3,182	2,989
Sundry income	515	-
Turnover	3,697	2,989
Direct Property Costs	(726)	(467)
Gross profit	2,971	2,522

3 Interest receivable and similar income

	2019 £ 000	2018 £ 000
Finance income		
On deposits	37	14
Interest receivable and similar income	37	14

4 Interest payable and similar charges

	2019 £ 000	2018 £ 000
Finance Costs		
On bank loans	1,773	1,529
Amortisation of debt issue costs	88	88
Other finance costs	38	26
	1,900	1,643
Interest capitalised to property under development	(1,900)	(1,642)
Interest payable and similar charges	-	1

5 Loss on ordinary activities before taxation

The loss before taxation of £221.1m (2018: £180.4m) is arrived at after charging:

	2019 £ 000	2018 £ 000
Auditors' remuneration	27	6

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

Directors' emoluments

No Director received any remuneration for services to the Company or any group companies in either year.

6 Tax on profit

The differences between the tax assessed for the year and the amount that would arise by applying the current average standard rate of United Kingdom corporation tax of 20% (2018: 19%) are shown below:

	2019 £ 000	2018 £ 000
Current tax		
UK income tax	-	-
Prior year adjustment	(16)	-
Current tax credit	(16)	-

Factors affecting the current tax credit for the year

	2019 £ 000	2018 £ 000
Loss on ordinary activities before taxation	(221,125)	(180,454)
Multiplied by the basic rate of UK income tax of 19% (2018: 19%)	(42,014)	(34,286)
Losses on sale of investment properties not allowable for tax	14	-
Expenses not deductible for tax purposes	(340)	-
Utilisation of losses carried forward not recognised	(680)	(192)
Revaluation movement not recognised for deferred tax	42,495	34,500
Unrelieved losses carried forward	525	-
Other adjustments	(16)	-
Deferred tax balances unwinding at a different rate	-	(22)
Tax on profit on ordinary activities	(16)	-

Factors that may affect future tax charges

The Finance Act 2020 which was substantially enacted on 17 March 2020, left the headline rate of corporation tax at 19% from 1 April 2020. The deferred tax assets and liabilities are calculated using the main rate of UK corporation tax of 19%.

7 Investment and Development property

	2019 £ 000	*2018* £ 000
At 1 January	731,282	890,025
Additions from acquisitions	-	10,644
Additions from subsequent expenditure	8,068	12,346
Interest capitalised to development property	1,900	1,642
Disposals	(3,116)	(1,794)
Loss on revaluation	(223,659)	(181,581)
Carrying value at 31 December	514,475	731,282

Investment and development property at 31 December 2019 represents an interest in property held in the Earls Court area of West London.

The fair value of investment and development property at 31 December 2019 was determined by independent external valuers, CBRE Ltd (2018: JLL). The valuation conforms to the Royal Institution of Chartered Surveyors ("RICS") Valuation Standards. Fees paid to the valuer are based on fixed price contracts.

Valuations are based on what is determined to be the highest and best use. When determining the highest and best use a valuer will consider, on a property by property basis, its actual and potential uses which are physically, legally and financially viable. Where the highest and best use differs from the existing use, the valuer will consider the cost and the likelihood of achieving and implementing this change in arriving at its valuation.

7 Investment and Development property (continued)

Valuations take into account tenure, lease terms and structural condition. The inputs underlying the valuations include market rent or business profitability, likely incentives offered to tenants, forecast growth rates, yields, construction costs including any site specific costs (for example section 106), professional fees, planning fees, developer's profit including contingencies, planning and construction timelines, lease re-gear costs and planning risks. Sales prices based on known market transactions for similar properties or properties similar to those contemplated for development are also considered.

Development property is valued on the basis of its development potential which differs from its existing use. In respect of development valuations, the valuer ordinarily considers the gross development value of the completed scheme based on assumptions of capital and rental values and yields of the property which would be created through the implementation of the development. Deductions are then made for anticipated costs, including an allowance for developer's profit before arriving at a valuation.

There are often restrictions on investment property which could have a material impact on the realisation of these assets. The most significant of these occur when planning permission is required. These restrictions are factored into the property valuation by the external valuer.

8 Tangible assets

	2019 £ 000	2018 £ 000
Cost		
At 1 January	1,320	1,320
Additions	-	-
At 31 December	1,320	1,320
Accumulated depreciation		
At 1 January	(1,320)	(838)
Depreciation charge	-	(482)
At 31 December	(1,320)	(1,320)
Carrying value at 1 January	-	482
Carrying value at 31 December	-	-

Plant and equipment includes fixtures, fittings and other office equipment. There are no restrictions on the title of any plant and equipment, or any contractual commitments for the acquisition of further plant and equipment.

9 Investments

Details of the subsidiaries as at 31 December 2019 are as follows:

Name of subsidiary	Principal activity	Country of incorporation and principal place of business	Proportion of ownership interest and voting rights held 2019	2018
1 and 3 Eardley Crescent Ltd	Freehold management	England and Wales	15%	15%
Falcon House Management Limited	Dissolved 6th Feb 2020	England and Wales	100%	50%

The registered address the subsidiary undertaking, Falcon House Management Limited, is now that of the liquidators, being 55 Baker Street, London, W1U 7EU.

The registered address of 1 and 3 Eardley Crescent Ltd is 25 The Avenue, Chiswick, London, W4 1HA.

At 31 December 2019, the Company held:

Two of two membership rights in Falcon House Management Limited; and
Two of thirteen issued ordinary shares of £1 of 1 and 3 Eardley Crescent Ltd.

The carrying value of these investments at 31 December 2019 was £nil (2018: £nil).

10 Debtors

	2019 £ 000	2018 £ 000
Trade receivables	446	475
Prepayments and accrued income	118	23
Other taxes and social security	215	46
Other debtors	404	104
	1,183	648

11 Creditors: amounts falling due within one year

	2019 £ 000	2018 £ 000
Trade creditors	1,258	-
Accruals and deferred income	1,504	4,300
Amounts owed to group undertakings	592	1,300
Other creditors	2	-
	3,356	5,600

Amounts owed to group undertakings are unsecured, non-interest bearing and repayable on demand.

12 Deferred tax

In accordance with IAS 12, the below deferred tax asset has not been recognised in the financial statements due to uncertainty regarding the level of profits that will be available in future years against which deferred tax can be recovered.

	2019	2018
	£ 000	£ 000
Unrecognised deferred tax asset:		
Losses		
At 1 January	86	315
Prior year adjustment	1,321	(37)
Unrecognised movement during the year	22	(192)
At 31 December	1,429	86
Investment and development property		
At 1 January	95,560	64,691
Prior year adjustment due to change in the tax rate from 17% to 19%	11,242	-
Unrecognised movement during the year	42,495	30,869
At 31 December	149,298	95,560

13 Borrowings

	2019	2018
	£ 000	£ 000
Borrowings	71,704	65,820

The loan facility is repayable on 31 March 2026 and bears interest of EC Reference Rate plus a margin depending on the LTV.

14 Called up share capital

	2019	2018
	£	£
Issued, called up and fully paid		
EC Properties LP Limited	7,119	7,119
TTL Earls Court Properties Limited	4,181	4,181
11,300 (2018: 11,300) ordinary shares of £1	11,300	11,300

During the year, unsecured, non-interest bearing loan notes of £2,700,000 (2018: £22,437,000) were issued by the Company to the immediate shareholders EC Properties LP Limited and TTL Earls Court Properties Limited. Based on the terms and conditions of the instrument £2,700,000 (2018: £22,437,000) has been classified as equity.

The share premium represents the excess of the cash received per share, over the nominal value of per share (£1). This arose in 2015, upon issuance of additional shares.

15 Contingent Liabilities

Within the terms of the agreement of the acquisition of the Northern Access Road land, the vendor's successor in title is entitled to further payments until 2027 if certain conditions are met. Further payments become due following the grant of a planning permission for change of use or on disposal. In the event such planning permission is implemented, the payment is calculated at 50 per cent of the uplift in land value following the grant of the permission. In the event of a disposal, the payment is calculated as 50 per cent of the difference between the sale value against the land value without the relevant permission.

In April 2015, the Company acquired land and property interests from "EC Properties LP Limited". Pursuant to the arrangements with EC Properties, Network Rail is entitled to payments of 5.55% of the residual land value which will be payable at the time of development or disposal of each phase of the Earls Court Masterplan area, which includes the land and property interests now owned by the Company. Within the terms of the Company's agreements with EC Properties, the Company will make a further payment if the payment to Network Rail is triggered in respect of the Company's land interests. Any further payments to Network Rail will be treated as contingent rent.

16 Ultimate parent company

The ultimate parent undertaking and controlling party of the Company is Earls Court (London) LLP, a limited liability partnership incorporated and registered in England and Wales, copies of whose financial statements may be obtained from 6th Floor, Lansdowne House, Berkeley Square, London, W1J 6ER. Earls Court (London) LLP is the parent of the largest and smallest group of which the Company is a member and for which group financial statements are prepared.

The immediate parent company is EC Properties LP Limited, a company incorporated in Jersey, copies of whose financial statements may be obtained from 47 Esplanade, St Helier, Jersey, JE1 OBD. EC Properties LP Limited holds a 63 per cent controlling interest in the Company. TTL Earls Court Properties Limited holds a 37 per cent non-controlling interest.

The immediate parent company of TTL Earls Court Properties Limited is TTL Properties Limited, a company registered in England and Wales. The ultimate parent company of TTL Properties Limited is Transport for London, a statutory corporate body created by the Greater London Authority Act 1999.

17 Related party transactions

Significant balances outstanding between the Company and related group undertakings are the below creditors:

	2019 £ 000	2018 £ 000
Related undertaking		
EC Properties LP Limited	592	1,300

18 Events after the reporting period.

Since the balance sheet date, the development and spread of COVID-19 has had a significant impact on economies and resulted in severe restrictions of movement of people across Europe. As at the date of approving the financial statements, the Directors consider there will be limited impact as the Company holds the development investment as a long term investment. Management continue to monitor the situation as it develops.