

Registered number: 00489113

CHELSEA HARBOUR LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2020

CHELSEA HARBOUR LIMITED

COMPANY INFORMATION

Directors	T S Cole M N Steinberg S R Collins
Registered number	00489113
Registered office	319 Harbour Yard Chelsea Harbour London SW10 0XD
Independent auditors	Haysmacintyre LLP 10 Queen Street Place London EC4R 1AG

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**STRATEGIC REPORT
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

The directors present their strategic report for the year ended 30 September 2020.

Business review

During the year under review occupancy rates remained high as the site continued to perform well despite the outbreak of the COVID 19 virus - during the current financial year deferred and/or reduced rent was given to tenants to help them through the pandemic. The site continued to be developed during the year resulting in the completion of the Avenue, a dynamic collaborative space between the Design Centre and the Design Centre East.

The investment property's value remained at £317,000,000. As business returns to normal after the pandemic we expect further revenues from the Avenue and the site as a whole to add value in future years.

There have been no material changes to the group's financing structure ensuring a strong stable base on which to grow the business.

Principal risks and uncertainties

The Company is exposed to Finance and cash flow risk, Property value risk, Tenant credit risk and occupancy levels and Third party risk.

Finance and cash flow risk

The group of which the company is part of, is dependent on loan funding. Following the extension of the loan in 2018 by one year the loan is now repayable in April 2022. The company prepares long term cashflow and financing forecasts in order to de risk its long term strategy, forecast future working capital and long term financing needs. These are reviewed regularly by management and updated as necessary

Property value risk

Falling property values will have a negative impact on the company's net asset position. The directors ensure that the company's investment property is intensively managed in order to maintain and enhance its value. They constantly review the company's business and income, seeking opportunities for further development or more profitable use

Tenant credit risk and occupancy levels

Decreasing occupancy levels will reduce the profitability of the company and returns to investors. Management reduce the risk of vacant units by seeking to let all units to reputable tenants on leases of normal commercial terms and length. Lease expiry dates are reviewed on a regular basis and marketing initiatives commenced for units where management consider there to be a risk that a tenant may leave in advance of the expiry date.

Third party risk

The Company is exposed to third party risk as they entered into agreements and cross guarantees with fellow group undertakings in respect of loan facility held by the parent undertaking as detailed in note 19.

Financial key performance indicators

The Directors consider occupancy rates to be a key driver of profitability and hence a key performance indicator. Occupancy rates have not significantly fluctuated during the year. As at 30 September 2020 the occupancy rate was 94% (30 September 2019: 94%).

This report was approved by the board on 30 June 2021 and signed on its behalf.

M N Steinberg
Director

**DIRECTORS' REPORT
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

The directors present their report and the financial statements for the year ended 30 September 2020.

Directors' responsibilities statement

The directors are responsible for preparing the Strategic Report, 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the Company's financial statements and then apply them consistently;
- make judgments and accounting 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;
- 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 Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements and other information included in Directors' Reports may differ from legislation in other jurisdictions.

Principal activity

The Company's principal activity is property investment and the provision of property management services.

Results and dividends

The profit for the year, after taxation, amounted to £460,000 (2019 - loss £2,327,000).

The directors do not recommend the payment of a dividend.

Directors

The directors who served during the year were:

T S Cole
M N Steinberg
S R Collins

Future developments

Management intend to further develop the property held by the company.

Matters covered in the strategic report

Future developments and exposure to risk are discussed in the strategic report.

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 30 SEPTEMBER 2020

Disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditors

The auditors, Haysmacintyre LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 30 June 2021 and signed on its behalf.

M N Steinberg
Director

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDER OF CHELSEA HARBOUR LIMITED

Opinion

We have audited the financial statements of Chelsea Harbour Limited (the 'Company') for the year ended 30 September 2020, which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes, 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 Financial Reporting Standard 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 state of the Company's affairs as at 30 September 2020 and of its 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 Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council'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.

Emphasis of matter - Investment property valuation

We draw attention to Notes 3 and 12 of the financial statements, which describe the key assumptions made in the course of the company's investment property valuation which represent a source of material estimation uncertainty at the year end. Our opinion is not modified in respect of this matter.

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.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our Auditors' Report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our 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 this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion 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 the Directors' Report have been prepared in accordance with applicable legal requirements.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDER OF CHELSEA HARBOUR LIMITED (CONTINUED)

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 Strategic Report or 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:

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement set out on page 2, 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.

Auditors' responsibilities for the audit of the financial statements

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

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

Use of our report

This report is made solely to the Company's member 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 member those matters we are required to state to them in an Auditors' 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 member for our audit work, for this report, or for the opinions we have formed.

David Cox (Senior Statutory Auditor)

for and on behalf of

Haysmacintyre LLP

Statutory Auditors

10 Queen Street Place

London

EC4R 1AG

2 July 2021

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

	Note	2020 £000	2019 £000
Turnover	4	13,606	14,137
Gross profit		<u>13,606</u>	<u>14,137</u>
Administrative expenses		(7,949)	(8,755)
Other operating income	5	868	1,914
Operating profit	6	<u>6,525</u>	<u>7,296</u>
Interest payable and expenses	8	(5)	(2)
Other gains and (losses)		(2,986)	(11,191)
Profit/(loss) before tax		<u>3,534</u>	<u>(3,897)</u>
Tax on profit/(loss)	9	(3,074)	1,570
Profit/(loss) for the financial year		<u><u>460</u></u>	<u><u>(2,327)</u></u>

There was no other comprehensive income for 2020 (2019: £000NIL).

The notes on pages 9 to 22 form part of these financial statements.

BALANCE SHEET
AS AT 30 SEPTEMBER 2020

	Note	2020 £000	2019 £000
Fixed assets			
Tangible assets	10	61	79
Investment property	12	317,000	317,000
		<u>317,061</u>	<u>317,079</u>
Current assets			
Debtors: amounts falling due within one year	13	6,197	4,362
Cash at bank and in hand	14	1,591	1,298
		<u>7,788</u>	<u>5,660</u>
Creditors: amounts falling due within one year	15	(92,021)	(93,445)
Net current liabilities		<u>(84,233)</u>	<u>(87,785)</u>
Total assets less current liabilities		<u>232,828</u>	<u>229,294</u>
Provisions for liabilities			
Deferred tax	16	(31,094)	(28,020)
		<u>(31,094)</u>	<u>(28,020)</u>
Net assets		<u><u>201,734</u></u>	<u><u>201,274</u></u>
Capital and reserves			
Revaluation reserve	18	168,596	174,656
Profit and loss account	18	33,138	26,618
		<u><u>201,734</u></u>	<u><u>201,274</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

M N Steinberg
Director

T S Cole
Director

Date: 30 June 2021

The notes on pages 9 to 22 form part of these financial statements.

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

	Non distributable reserve £000	Profit and loss account £000	Total equity £000
At 1 October 2018	184,277	19,324	203,601
Comprehensive income for the year			
Loss for the year	-	(2,327)	(2,327)
Total comprehensive income for the year	-	(2,327)	(2,327)
Transfer to/from profit and loss account	(9,621)	9,621	-
At 1 October 2019	174,656	26,618	201,274
Comprehensive income for the year			
Profit for the year	-	460	460
Total comprehensive income for the year	-	460	460
Transfer to/from profit and loss account	(6,060)	6,060	-
At 30 September 2020	<u>168,596</u>	<u>33,138</u>	<u>201,734</u>

The notes on pages 9 to 22 form part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

1. General information

The company is a private limited company registered in England and Wales with the registered number 00489113 and registered office 319 Harbour Yard Chelsea Harbour, London, SW10 0XD. The Company's principal activity is property investment and the provision of property management services.

2. Accounting policies**2.1 Basis of preparation of financial statements**

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Financial reporting standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Chelsea Harbour Estates Limited as at 30 September 2020 and these financial statements may be obtained from the registered address, 319 Harbour Yard Chelsea Harbour, London, SW10 0XD.

2.3 Going concern

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The financial statements have been prepared on the going concern basis. The COVID 19 pandemic represents a significant risk for the Group and the Company. This includes potential business interruptions, including suspended or reduced operations relating to COVID 19 and other such events outside of the Group's control which could have a material adverse impact on the operating results and financial condition. During the current financial year deferred and/or reduced rent was given to tenants to help them through the pandemic. It may be possible that future deferred and/or reduced rent may be given.

The bank loan of £188,500,000 (before capitalised finance costs) is repayable in full in April 2022. Whilst we have not begun formal refinancing discussions, we have a good relationship with the lender, our covenants are compliant and management expect to refinance without any problems. This is supported by the increase in value of Chelsea Harbour since the bank loan was taken out.

The directors consider the going concern basis to be appropriate because the Company has reviewed its cash flow forecasts and considered the impact on going concern, concluding that the going concern basis remains as appropriate basis of preparation for these financial statements given the likely cashflow impact of operations 12 months from the date of signing this report.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

2. Accounting policies (continued)**2.4 Functional currency**

The company's financial statements are presented in pounds sterling, which is also the Company's functional currency. Amounts are rounded to the nearest pound, unless otherwise stated.

2.5 Exemption from preparing consolidated financial statements

The Company is a parent Company that is also a subsidiary included in the consolidated financial statements of its immediate parent undertaking established under the law of the UK and is therefore exempt from the requirement to prepare consolidated financial statements under section 400 of the Companies Act 2006.

The Company is a parent Company that is also a subsidiary included in the consolidated financial statements of its immediate parent undertaking established under the law of an EEA state and is therefore exempt from the requirement to prepare consolidated financial statements under section 400 of the Companies Act 2006.

2.6 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue principally comprises income recognised by the company in respect of rent charged and other ancillary services supplied during the year, exclusive of Value Added Tax and trade discounts.

Rental income and property management fees are recognised on an accrual basis over the term of the lease. Amounts invoiced in advance of a tenancy period are deferred accordingly and recognised as income in the period to which they relate.

Lease premium income is recognised upon receipt in its entirety, as no further rights and obligations are due to the leaseholders.

2.7 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Fixtures and fittings	- 20% to 33% per annum
Other fixed assets	- 4% per annum

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

2. Accounting policies (continued)**2.8 Investment property**

Investment properties, which is property held to earn rentals and/or for capital appreciation, including property under construction for such purposes, is initially measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the period in which they arise, including the corresponding tax effect. Fair values are determined based on using a yield methodology. This uses market rental values capitalised at a market capitalisation rate but there is an inevitable degree of judgement involved in that each property is unique and value can only ultimately be reliably tested in the market itself.

Investment properties are derecognised either when they have been disposed of (i.e., at the date the recipient obtains control) or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the period of derecognition.

2.9 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.10 Debtors

Short term debtors are measured at transaction price, less any impairment.

2.11 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours.

2.12 Financial instruments

The Company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities which includes trade and other debtors and creditors, and loans to and from fellow subsidiaries and related parties.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the balance sheet date.

Financial assets and liabilities are offset and the net amount reported in the Balance Sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

2.13 Creditors

Short term creditors are measured at the transaction price.

2.14 Operating leases: the Company as lessor

Rental income from operating leases is credited to profit or loss on a straight line basis over the lease term.

Amounts paid and payable as an incentive to sign an operating lease are recognised as a reduction to income over the lease term on a straight line basis, unless another systematic basis is representative of the time pattern over which the lessor's benefit from the leased asset is diminished.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

2. Accounting policies (continued)

2.15 Borrowing costs

All borrowing costs are recognised in profit or loss in the year in which they are incurred.

2.16 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance Sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

3. Judgments in applying accounting policies and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the 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.

Significant judgements :

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

Going Concern

Significant judgement is required in the Group's assessment of the Company's use of the Going Concern basis, and further information on this is included in note 2.3. These include preparing cashflow, and budgets and timing of events held in the next accounting period.

Critical accounting estimates:

Valuation of Investment Properties

As described in note 12 to the financial statements, investment properties are stated at fair value of £317m, based on a valuation performed by the group's in house RICS qualified valuer. The valuation has been prepared using an income capitalisation approach and an estimated Net Initial Yield (NIY) of 4.10%. The valuation uses expected rental values of the company's properties adjusted as necessary for any difference in the future, location or condition of the specific asset.

4. Turnover

	2020 £000	2019 £000
Rental income	13,606	14,137
	<u>13,606</u>	<u>14,137</u>

All turnover arose within the United Kingdom.

5. Other operating income

	2020 £000	2019 £000
Lease premium income	107	1,356
Property management fees	761	558
	<u>868</u>	<u>1,914</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

6. Operating profit

The operating profit is stated after charging:

	2020 £000	2019 £000
Depreciation of tangible fixed assets	18	28
Exchange differences	181	512
Other operating lease rentals	26	23
Fees payable to the Company's auditor in respect of:	-	-
- Preparation of the annual financial statements	2	2
- Taxation compliance services	7	7
	<u>7</u>	<u>7</u>

7. Employees

Staff costs were as follows:

	2020 £000	2019 £000
Wages and salaries	908	1,053
	<u>908</u>	<u>1,053</u>

The Company has no employees other than the directors, who did not receive any remuneration (2019 - £NIL).

8. Interest payable and similar expenses

	2020 £000	2019 £000
Bank interest payable	5	2
	<u>5</u>	<u>2</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020**
9. Taxation

	2020 £000	2019 £000
Total current tax	-	-
Deferred tax		
Deferred tax (credit)/charge on property revaluation	3,074	(1,570)
Total deferred tax	3,074	(1,570)
Taxation on profit/(loss) on ordinary activities	<u>3,074</u>	<u>(1,570)</u>

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2019 - higher than) the standard rate of corporation tax in the UK of 19%

(2019 - 19%). The differences are explained below:

	2020 £000	2019 £000
Profit/(loss) on ordinary activities before tax	<u>3,534</u>	<u>(3,897)</u>
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2019 - 19%)	671	(740)
Effects of:		
Expenses not deductible for tax purposes	576	2,129
Capital allowances for year in excess of depreciation	2	5
Non-taxable income	-	(182)
Capital gains	(554)	(2,010)
Transfer pricing adjustments	(718)	(711)
Other differences leading to an increase in the tax charge	3,291	202
Group relief	(194)	(263)
Total tax charge for the year	<u>3,074</u>	<u>(1,570)</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2020

9. Taxation (continued)

Factors that may affect future tax charges

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At Budget 2020, the government announced that the Corporation Tax main rate (for all profits except ring fence profits) for the years starting 1 April 2020 and 2021 would remain at 19% rather than fall to 17% as enacted as part of the Finance Bill 2016. This change has been substantially enacted and the deferred tax balance at 30 September 2020 is measured at 19%.

The Finance Bill published in March 2021, introduced a Corporation Tax main rate of 25% from 1 April 2023 (but remaining at 19% until 31 March 2023). However, this represents a non adjusting post balance sheet event and the deferred tax balance is not adjusted. The act will be substantially enacted in the year ended 30 September 2021 and the deferred tax balance at that date will be remeasured.

10. Tangible fixed assets

	Fixtures and fittings £000	Other fixed assets £000	Total £000
Cost or valuation			
At 1 October 2019	30	69	99
At 30 September 2020	30	69	99
Depreciation			
At 1 October 2019	13	7	20
Charge for the year on owned assets	11	7	18
At 30 September 2020	24	14	38
Net book value			
At 30 September 2020	6	55	61
At 30 September 2019	16	63	79

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

11. Fixed asset investments**Subsidiary undertaking**

The following was a subsidiary undertaking of the Company:

Name	Registered office	Class of shares	Holding
Creative Hat Limited	319 Harbour Yard, Chelsea Harbour, London SW10 0XD	Ordinary	100 %

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020

12. Investment property

	Freehold investment property £000
Valuation	
At 1 October 2019	317,000
Additions at cost	2,986
Surplus on revaluation	(2,986)
	<hr/>
At 30 September 2020	317,000

The bank loan facility held in, the company's immediate parent, Chelsea Harbour Estates Limited is secured by the Company's land and buildings which have a carrying value of £317m (2019: £317m).

The group's investment property has been valued at market value at 30 September 2020. The valuation was provided by the group's in house RICS qualified valuer. The valuation has been prepared using an income capitalisation approach and a Net Initial Yield of 4.10%. As disclosed in Note 3, the valuation includes an estimation of the Net Initial Yield and expected rental values of the Group's properties adjusted as necessary for any difference in the future, location or condition of the specific asset.

The company's parent company, Chelsea Harbour Estates Limited, utilises bank and other finance. The group loan facility is secured against this company's investment property and other assets by way of a first legal mortgage and fixed and floating charges.

If the Investment properties had been accounted for under the historic cost accounting rules, the properties would have been measured as follows:

The 2020 valuations were made by [Enter surveyor name here...], on an open market value for existing use basis.

	2020 £000	2019 £000
Historic cost	119,780	116,794
	<hr/>	<hr/>
	119,780	116,794

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020

13. Debtors

	2020 £000	2019 £000
Trade debtors	5,713	3,622
Other debtors	43	257
Prepayments and accrued income	441	483
	<u>6,197</u>	<u>4,362</u>

14. Cash and cash equivalents

	2020 £000	2019 £000
Cash at bank and in hand	1,591	1,298
	<u>1,591</u>	<u>1,298</u>

15. Creditors: Amounts falling due within one year

	2020 £000	2019 £000
Trade creditors	3,680	4,498
Amounts owed to group undertakings	79,164	80,825
Other taxation and social security	1,896	202
Other creditors	2,263	2,221
Accruals and deferred income	5,018	5,699
	<u>92,021</u>	<u>93,445</u>

The balance of £79,164k (2019: £80,825k) to the parent company is repayable on demand. It is unsecured and does not bear interest.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020

16. Deferred taxation

	2020 £000	2019 £000
At beginning of year	(28,020)	(29,590)
Charged to profit or loss	(3,074)	1,570
At end of year	(31,094)	(28,020)

The provision for deferred taxation is made up as follows:

	2020 £000	2019 £000
Accelerated capital allowances	(3,534)	(2,850)
Deferred tax on property valuation	(27,560)	(25,170)
	(31,094)	(28,020)

17. Share capital

	2020 £	2019 £
Allotted, called up and fully paid		
200 (2019 - 200) Ordinary shares of £1.00 each	200	200

18. Reserves

Other reserves

The non distributable reserve includes all accumulated unrealised gains and losses on the company's investment property net of deferred tax.

Profit and loss account

This reserve includes all accumulated profits and losses of the company.

19. Contingencies and guarantees

The company has entered into a cross-guarantee and debenture across the company's investment properties in respect of the indebtedness of its parent undertaking and fellow subsidiaries. Chelsea Harbour Limited has entered into a cross guarantee with Chelsea Harbour Estates Limited, CHEL (No. 3) Limited, Chelsea Harbour Property Management Limited and Creative Hat Limited. At 30 September 2020 the total amount outstanding subject to the guarantee was £188,500,000 (2019: £188,500,000).

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

20. Capital commitments

As at 30 September 2020 the company had contracted property development work remaining amounting to Enil (2019: £500,110) relating to the Design Centre project.

21. Commitments under operating leases

The Company has entered into leases on its property portfolio, the commercial property leases typically have remaining lease terms between 1 and 9 years and include clauses to enable periodic upward revisions of the rental charge according to prevailing market conditions. Some leases contain options to break before the end of the lease term.

The Company has also entered into leases where it receives annual ground rent from the tenants. The leases typically have remaining lease terms between 1 and 10 years and include clauses to enable periodic upward revisions of the rental charge according to prevailing market conditions. Some leases contain options to break before the end of the lease term.

At 30 September 2020 the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	2020 £000	2019 £000
Within one year	12,408	12,328
Within 2 to 5 years	14,893	16,204
After 5 years	2,020	1,716
	<u>29,321</u>	<u>30,248</u>

22. Related party transactions

Advantage has been taken of exemptions under FRS 102 not to disclose transactions between wholly owned fellow subsidiary companies of the CHEL (Shares) LLP group. The following balances are due to related parties at the year end:

	2020 £000	2019 £000
LLP under common control	153	117
Companies under common control	<u>378</u>	<u>139</u>

Management fees of £300,000 (2019: £300,000) and costs of £282,000 (2019: £216,732) in respect of IT support were paid to companies related to Chelsea Harbour Limited by virtue of common directors and ultimate shareholders.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

23. Immediate and ultimate controlling party

The smallest group into which the company is consolidated is Chelsea Harbour Estates Limited, which is registered in England and Wales.

The company's ultimate parent undertaking, and largest group into which the company is consolidated is CHEL (Shares) LLP, an entity registered in England and Wales.

The immediate parent undertaking and controlling party is Chelsea Harbour Estates Limited.

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