NEW WAVERLEY 20 LIMITED

Annual Report and Financial Statements

Registered number: SC551285

For the year ended 30 June 2019

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STRATEGIC REPORT
For the year ended 30 June 2019

Review of the business
On 13 July 2017 the Company entered into a lease agreement with the UK Government for the office land at New Waverley in Edinburgh, Scotland ("the Pre-let Agreement"). The Pre-let Agreement encompasses a lease with a UK Government guarantee, for a term of 25 years commencing upon practical completion of the development.

On 17 October 2017, the Company entered into an agreement to dispose of the office land to Legal and General Pension Limited ("the purchaser") and to develop the Pre-let Office on a forward-sold basis for the purchaser ("the Forward Funding Agreement"). The Forward Funding Agreement provides for funds to be drawn down by the Company, as developer, from the purchaser against development costs incurred. The Company initially received £20,841,671 upon disposal of the office land, with further development profits payable upon practical completion.

Practical completion was achieved on 21 May 2019, and the contractor, McAleer & Rushe has now completed the majority of the snagging items with the tenant fit out commencing on 15 July 2019. The balancing payment was received from the purchaser on 14 June 2019, which reflects the last fund drawdown from the purchaser with the exception of retention and the remaining capital commitments.

Principal risks and uncertainties
The principal risks and uncertainties facing the Company are any delay in receipt of the capital commitment and retention funds from the purchaser, which are due to the tenant and contractor respectively.

The Company is well placed to meet its obligation to pay the capital commitment due. The first capital commitment payment was made in June 2019, with further payments made in July and September 2019. The final retention receipt and payment is due in June 2020.

On behalf of the board

K Tiplady

Karen Tiplady
Director
26 March 2020

New Waverley 20 Limited
DIRECTORS' REPORT
For the year ended 30 June 2019

The Directors present their report and audited financial statements of New Waverley 20 Limited (the "Company") for the year ended 30 June 2019.

Principal activity
The Company held development land in Edinburgh. On 17 October 2017 the land was sold to the purchaser, via a forward funding sale agreement. The Company developed an office for the purchaser under the forward funding sale agreement. Practical completion was achieved on 21 May 2019. The Company has no employees.

Future developments
The Company has completed the development of the office building for the purchaser and on completion of the latent defects period the Company shall be closed.

Going concern
The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and do not consider there to be any threat to the going concern status of the Company.

Results and dividends
The profit for the year taken to retained earnings was £5,874,035 (2018: loss of £216,384 deducted from retained earnings).

During the year the Company recommended and paid dividends of £6,500,000 (2018: £3,200,000) to its parent company, New Waverley 10 Limited.

Directors
The Directors who held office during the year and to date were as follows:

Malcolm Levy	(Resigned 1 May 2019)
Jonathan Knight	(Appointed 3 August 2018)
Karen Tiplady	(Appointed 1 May 2019)

Secretary
The secretary of the Company who has been secretary for the whole year under review and up to the date of this report was Helen Cullen.

Independent Auditors
The previous auditor KPMG Audit LLC resigned on 19 November 2018. PricewaterhouseCoopers LLC were appointed on 19 November 2018. The auditor, PricewaterhouseCoopers LLC, have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the next Annual General Meeting.

On behalf of the board

K. Tiplady

Karen Tiplady
Director

26 March 2020

New Waverley 20 Limited
STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2019

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", 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 Company and of the profit or loss of the Company for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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 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 keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

Directors' confirmations

In the case of each Director in office at the date the Directors' Report is approved:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

On behalf of the board

Karen Tiplady
Director
26 March 2020

Independent auditor's report to the member of New Waverley 20 Limited

Report on the audit of the financial statements

Opinion

In our opinion, New Waverley 20 Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the statement of financial position as at 30 June 2019; the statement of profit or loss and other comprehensive income; and the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

- 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.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information 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, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 30 June 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities in respect of the financial statements set out on page 4, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's member in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- **we have not received all the information and explanations we require for our audit; or**
- **adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or**
- **certain disclosures of directors' remuneration specified by law are not made; or**
- **the financial statements are not in agreement with the accounting records and returns.**

We have no exceptions to report arising from this responsibility.

Nicola Shepstone (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLC
Chartered Accountants and Statutory Auditors
Isle of Man

26 March 2020

New Waverley 20 Limited

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2019

GBP	Note	Year ended 30 June 2019	Year ended 30 June 2018
Sale of inventory property	4	34,909,266	22,969,449
Cost of sales of inventory property	5	(27,644,094)	(19,158,773)
Gross profit		**7,265,172**	**3,810,676**
Corporate expenses	6	(14,348)	(33,327)
Operating profit		**7,250,824**	**3,777,349**
Fair value adjustments	10	-	(3,919,073)
Profit/(loss) before interest and taxation		**7,250,824**	**(141,724)**
Finance income	7	538,884	403,364
Finance costs	8	(537,817)	(499,856)
Profit/(loss) before income tax		**7,251,891**	**(238,216)**
Income tax	9	(1,377,856)	21,832
Profit/(loss) for the financial year		**5,874,035**	**(216,384)**
Total comprehensive income/(expense) for the year		**5,874,035**	**(216,384)**

The notes on pages 10 to 19 form part of these financial statements.

New Waverley 20 Limited
STATEMENT OF FINANCIAL POSITION
As at 30 June 2019

GBP	Note	As at 30 June 2019	As at 30 June 2018
Non-current assets			
Inventory property	10	-	-
Total non-current assets		**-**	**-**
Current assets			
Trade and other receivables	11	832,114	7,506,346
Cash and cash equivalents	12	8,984,146	3,564,221
Capital contribution	13	10,394,147	21,716,718
Total current assets		**20,210,407**	**32,787,285**
Total assets		**20,210,407**	**32,787,285**
Equity			
Share capital	14	100	100
Retained earnings		5,183,266	5,809,231
Total equity		**5,183,366**	**5,809,331**
Current liabilities			
Trade and other payables	15	4,056,824	4,347,955
Income tax payable		576,070	913,281
Capital contribution	13	10,394,147	21,716,718
Total current liabilities		**15,027,041**	**26,977,954**
Total liabilities		**15,027,041**	**26,977,954**
Total equity and liabilities		**20,210,407**	**32,787,285**

These financial statements were authorised for issue and approved by the Board on 26 March 2020, and signed on their behalf by:

K Tiplady

Karen Tiplady
Director

The notes on pages 10 to 19 form part of these financial statements.

New Waverley 20 Limited
STATEMENT OF CHANGES IN EQUITY
For the year ended 30 June 2019

GBP	Share capital	Retained earnings	Total equity
Balance as at 30 June 2017	**100**	**9,225,615**	**9,225,715**
Comprehensive expense for the year			
Loss for the financial year	-	(216,384)	**(216,384)**
Total comprehensive expense for the year	**-**	**(216,384)**	**(216,384)**
Transactions with the owners of the Company			
Dividends during the year	-	(3,200,000)	**(3,200,000)**
Balance as at 30 June 2018	**100**	**5,809,231**	**5,809,331**
Comprehensive income for the year			
Profit for the financial year	-	5,874,035	**5,874,035**
Total comprehensive income for the year	**-**	**5,874,035**	**5,874,035**
Transactions with the owners of the Company			
Dividends during the year	-	(6,500,000)	(6,500,000)
Balance as at 30 June 2019	**100**	**5,183,266**	**5,183,366**

The notes on pages 10 to 19 form part of these financial statements.

1. Company information

New Waverley 20 Limited (the "Company") was incorporated on 28 November 2016 in the United Kingdom, under the Companies Act 2006 as a private limited company. The registered number is SC551285 and the registered address is 13 Hill Street, Edinburgh, EH2 3JZ. The Company is domiciled in the United Kingdom.

The Company held development land in Edinburgh. On 17 October 2017 the land was sold to the purchaser, via a forward funding sale agreement. The Company developed an office for the purchaser under the forward funding sale agreement. Practical completion was achieved on 21 May 2019.

The results of the Company are included in the consolidated financial statements of MAS Real Estate Inc., which is the Company's ultimate parent. Consolidated financial statements of MAS Real Estate Inc. are available from 2nd Floor, Clarendon House, Victoria Street, Douglas, Isle of Man, IM1 2LN and from the website of MAS Real Estate Inc. (www.masrei.com)

2. Basis of preparation

Statement of compliance
These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101").

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs") but makes amendments where necessary in order to comply with the Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions have been taken.

In the preparation of these financial statements, the following exemptions from the requirements of IFRS have been applied in accordance with FRS 101:

- The following paragraphs of IAS 1, 'Presentation of financial statements':

  – 10(d) (statement of cash flows);

  – 16 (statement of compliance with all IFRS);

  – 38A (requirement for minimum of two primary statements, including cash flow statements);

  – 38B–D (additional comparative information);

  – 111 (cash flow statement information); and

  – 134–136 (capital management disclosures).

- IAS 7, 'Statement of cash flows'.

- Paragraphs 30 and 31 of IAS 8, 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective).

- Paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation). and

- The requirements in IAS 24, 'Related party disclosures', to disclose related party transactions entered into between two or more members of a group.

As the consolidated financial statements of the ultimate parent include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- Paragraphs 45(b) and 46 to 52 of IFRS 2, 'Share-based payment' (details of the number of weighted average exercise prices of share options, and how the fair value of goods or services received was determine).

- IFRS 7, 'Financial Instruments: Disclosures'.

Basis of measurement
These financial statements have been prepared under the historical cost convention, except for the revaluation of investment property, and in accordance with the Companies Act 2006.

2. Basis of preparation (continued)

Use of judgement and estimation uncertainty
In the preparation of these financial statements in conformity with FRS 101, the Directors have made judgements, estimates and assumptions that affect the application of the Company's accounting policies and the reported amounts in the financial statements. The Directors continually evaluate these judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses based upon historical experience and on other factors that they believe to be reasonable under the circumstances. Actual results may differ from the judgements, estimates and assumptions.

The key area of judgement is as follows:

- *When to recognise revenue relating to the sale of inventory property:* Once a sale agreement contract is negotiated and a sale of property is agreed, the Company assesses whether control is transferred at a point in time or over time. The judgement is based on the terms and conditions of the sale agreement.

The key area of estimation uncertainty is:

- *Continuous-sale transactions:* On 17 October 2017 the Company entered into an agreement to dispose of the land that was designated for offices at New Waverley in Edinburgh, Scotland to Legal & General Pensions Limited and to develop the office on a forward funding basis for Legal & General ("the Forward Funding Agreement"). The transaction has been accounted for as a continuous-sale transaction and the following assumptions have been made to estimate the costs of completion to determine the amounts of revenue recognised:
    - Construction costs; and
    - Stage of completion.

Functional and presentation currency
Items included in the financial statements of the company are measured using the currency of the primary economic environment in which the company operates. These financial statements are presented in British Pounds ('GBP') which is the Company's functional and presentational currency.

Going concern
The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and do not consider there to be any threat to the going concern status of the Company.

3. Significant accounting policies

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years provided, unless otherwise stated.

Adoption of new and revised standards

IFRS 9 (2014) – 'Financial Instruments'
The Company adopted IFRS 9 (2013) 'Financial Instruments' from incorporation and adopted IFRS 9 (2014) 'Financial Instruments' on 1 July 2018, with effect from 1 July 2017. The 2014 amendments relate specifically to impairment and introduce an expected credit loss model which requires expected credit losses to be recognised on financial assets held at amortised cost. The Company has determined that no changes are required on transition to IFRS 9 (2014) 'Financial Instruments' and the amendment has no material impact on these annual financial statements.

IFRS 15 – 'Revenue from Contracts with Customers'
This standard replaces IAS 18 'Revenue', IAS 11 'Construction Contracts' and related interpretations. It applies to contracts with customers except for lease contracts, finance insurance contracts, financial instruments and non-monetary exchanges between entities in the same business. The standard establishes a five-step model which determines whether, how much and when revenue is recognised.

The recognition and measurement requirements in IFRS 15 'Revenue from Contracts with Customers' are applicable for determining the timing of derecognition and the measurement of consideration (including applying the requirements for variable consideration) of any gains or losses on disposal of non-financial assets when that disposal is not in the ordinary course of business.

The Company has identified revenue from sales of inventory property to be in the scope of IFRS 15 'Revenue from Contracts with Customers'.

3. Significant accounting policies (continued)

Adoption of new and revised standards (continued)

IFRS 15 – 'Revenue from Contracts with Customers' (continued)

The Company adopted IFRS 15 – 'Revenue from Contracts with Customers' on 1 July 2018, with effect from 1 July 2017. The Company has applied the full retrospective method and in accordance with the practical expedient for comparative periods has not disclosed the amount of the transaction price allocated to remaining performance obligations or provided an explanation of when the Company expects to recognise a transaction price.

Continuous sale transaction

On 17 October 2017 the company entered into an agreement to dispose of the land that is designated for offices at New Waverley in Edinburgh, Scotland to Legal & General and to develop the office on a forward funding basis for Legal & General ("the Forward Funding Agreement"). Although the Forward Funding Agreement is not a typical construction contract, the legal terms are such that the development project undertaken by the company on behalf of Legal & General represents a continuous transfer of work in progress to Legal & General. Accordingly, this aspect of the accounting for the Forward Funding Agreement has been determined by applying IAS 11 by analogy even though the contract is not part of the normal operations of the company.

The transaction has been accounted for as a continuous-sale transaction and the following assumptions have been made to estimate the costs of completion to determine the amounts of revenue recognised:
- Construction costs; and
- Stage of completion.

Tax

Income tax for the period comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items recognised directly in other comprehensive income or equity, in which case it is recognised in other comprehensive income or equity.

Current tax
Current tax comprises the expected tax payable or receivable on the taxable income or loss for the reporting period plus / minus any adjustments to the tax payable or receivable in respect of previous years. It is measured using enacted or substantively enacted tax rates at the reporting date.

Deferred tax
Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the fiscal values used for tax purposes.
The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date. For purposes of computing deferred tax on investment property there is a rebuttable presumption that the carrying amount is realised through sale.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised and is reduced to the extent that it is no longer probable that the related tax benefit will be realised.

3. Significant accounting policies (continued)

Capital contribution

On 13 July 2017 the Company entered into a lease with the UK Government ("the Pre-let Agreement") for the office component of the New Waverley development in Edinburgh, Scotland ("the Pre-let Office"). Under the terms of the Pre-let Agreement, the Company is obligated to pay £21,593,520 for the office fit-out when the UK Government takes occupation of the Pre-let Office. This is referred to as the capital contribution to the UK Government in relation to the office fit-out ("capital contribution").

The Company received £20,841,671 for the sale of the office land to Legal & General Pensions Limited ("Legal & General") under the Forward Funding Agreement. The amounts relating to an agreed rent-free period and the capital contribution are included in the development costs and are funded by Legal & General under the Forward Funding Agreement, subject to there being sufficient developer profits. Accordingly, the Company has recognised:

- a financial liability of £10,394,147 (2018: £21,716,718) due to the UK Government in respect of the capital contribution and a financial asset of £10,394,147 (2018: £21,716,718) due from Legal & General in respect of the capital contribution. On 18 July 2019 a further receipt and payment of £5,197,076 was received from Legal & General and paid to the UK Government. On 19 September 2019 the final receipt and payment of £5,197,071 was received from Legal & General and paid to the UK Government.

The financial liability and financial asset have not been offset because the offsetting criteria in IAS 32 – Financial Instruments: Presentation, have not been met.

- a financial liability due to Legal & General ("the purchaser") in respect of the reimbursement of a pre-negotiated lease incentive, payable to the purchaser; and financial asset due from Legal & General in respect of the reimbursement. The financial liability and financial asset have been offset because the offsetting criteria in "IAS 32 – Financial Instruments: Presentation' have been met. The Company expects to settle these financial instruments on a net basis under the terms of the Forward Funding Agreement.

The financial assets and financial liabilities referred to above have been discounted at a market related interest rate as they are only due upon practical completion. This has resulted in the recognition of finance income and finance costs on the amortisation of the capital contribution of financial assets and financial liabilities respectively.

Also included in development costs in the Forward Funding Agreement is the land and buildings transaction tax ("LBTT") on the office land sale. The Company was obliged to settle these costs, £928,125 with Legal & General on practical completion, 21 May 2019 (30 June 2018: 40% complete), and used the funding provided by Legal & General to do so, as there were sufficient developer profits. The financial liabilities due to Legal & General in respect of the LBTT, £928,125 have been offset by the financial asset due from Legal & General in respect of the funding available under the Forward Funding Agreement. The Company settled these financial instruments on a net basis under the terms of the Forward Funding Agreement upon practical completion.

3 Significant accounting policies (continued)

Financial instruments

i. Initial recognition and measurement
Financial instruments are recognised when the Company becomes party to the contractual terms of the instrument. They are initially recognised at fair value plus any directly attributable transaction costs.

ii. Financial assets

Financial assets at amortised cost
Financial assets are classified as financial assets at amortised cost only if both the following criteria are met:

- the financial asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Interest is the consideration for the time value of money and credit risk associated with the principal amount outstanding.

These financial assets are subsequently measured at amortised cost using the effective interest method, less any impairment losses.

Impairment
The Company recognises loss allowances for expected credit losses on: financial assets measured at amortised cost.

For trade receivables the Company applies the simplified approach to measuring expected credit losses. Therefore, there is no need to monitor significant increases in credit risk and lifetime expected credit losses are recognised at all times.

Derecognition of financial assets
The Company derecognises a financial asset once the asset has been transferred, and the transfer of that asset is subsequently eligible for derecognition.

iii. Financial liabilities

Financial liabilities at amortised cost
All financial liabilities are classified as financial liabilities at amortised cost unless they meet the criteria for classification as financial liabilities at fair value through profit or loss. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Derecognition of financial liabilities
The Company derecognises a financial liability when the contractual obligations of the liability expire, for example when the obligation specified in the contract is discharged, cancelled or expires.

3 Significant accounting policies (continued)

Profit on sales of inventory property

The Company enters into contracts with customers to sell property which is either complete or under development. Where contracts include development management services and consequently include the provision of a number of goods and services, the Company determines whether the goods and services are distinct and accounts for them as a single performance obligation if they are not separately identifiable from other promises in the contract.

The Company determines whether control is transferred at a point in time or over time based on the following:

- Sales of inventory property under development are recognised over time when the company's performance creates an asset that the customer controls as the asset is created. In these situations, the company recognises sales of inventory property to the extent that the performance obligations have been satisfied.

- Sales of inventory property under development are recognised on completion when control is transferred at a point in time.

For contracts where sales of inventory property are recognised over-time, the Company's performance is measured using the input method, by reference to the costs incurred as a percentage of the total expected costs required to satisfy the performance obligation. The Company excludes the effect of costs incurred that do not contribute to the Company's performance obligations, such as wastage, and adjusts for costs incurred that are not proportionate to the Company's progress in satisfying the performance obligations, such as uninstalled materials.

Where contracts for the sale of inventory property include a variable consideration, the transaction price is estimated and includes the impact of constraints. The Company uses either the most likely value method or expected value method depending on which best predicts the transaction price.

The Company does not adjust the transaction price for the effects of a financing component in the contract, where the company expects, at contract inception, that the period between the time the customer pays for the good or service and when the company transfers that promised good or service to the customer will be one year or less.

Corporate expenses

Corporate expenses are those expenses other than direct property expenses. They are recognised in profit or loss in the period in which they are incurred.

4. Sale of inventory property

Revenue is recognised with reference to the stage of completion of the contract activity. The stage of completion of the contract is determined as the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs. On 21 May 2019 practical completion was achieved on the New Waverley development in Edinburgh, Scotland and all related to this property (2018: 40.00%).

Construction retentions of £702,396 (2018: £431,040) are still receivable as at the year end and have been included within turnover and trade receivables.

5. Cost of sales of inventory property

Cost of sales are based on costs incurred to date as a percentage of estimated total contract costs, the contract was 100.00% complete at 30 June 2019 (2018: 40.00%).

Cost of sales include retentions of £702,396 (2018: £431,040) which are still payable at year end.

6. Corporate expenses

GBP	Year ended 30 June 2019	Year ended 30 June 2018
Audit fees payable to the company's auditors	10,298	6,535
Legal and professional services	1,500	4,627
Insurance	1,344	336
Bank charges	1,076	-
Group recharges	130	21,829
	14,348	**33,327**

7. Finance income

GBP	Year ended 30 June 2019	Year ended 30 June 2018
Unwinding of discount on capital contribution	537,817	403,364
Other interest	1,067	-
	538,884	**403,364**

8. Finance costs

GBP	Year ended 30 June 2019	Year ended 30 June 2018
Unwinding of discount on capital contribution	537,817	403,364
Loan interest payable	-	95,853
Bank charges	-	639
	537,817	**499,856**

9. Income tax

The Company is subject to UK corporation tax at a rate of 19% (2018: 19%).
Tax expense / (income) included in profit or loss:

GBP	Year ended 30 June 2019	Year ended 30 June 2018
Current tax - UK corporation tax on profits for the year	1,377,856	2,113,281
Deferred tax	-	(2,135,113)
Tax expense /(income)	**1,377,856**	**(21,832)**

Tax expense for the year is lower (2018: lower) than the standard rate of corporation tax in the UK for the year ended 30 June 2019 of 19% (2018: 19%). The differences are explained below:

GBP	Year ended 30 June 2019	Year ended 30 June 2018
Profit / (loss) before tax	**7,251,891**	**(238,216)**
UK corporation tax at 19%	1,377,859	(45,261)
Under provision in respect of prior years	(3)	-
Effects of non-deductible/non-taxable items	-	744,624
Capital gains tax on disposal of land	-	1,413,918
Reversal of temporary differences	-	(2,135,113)
Tax expense/(income)	**1,377,856**	**(21,832)**

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2016 (on 6 September 2016). These include reductions to the main rate, to reduce the rate to 17% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

9. Income tax (continued)

Movement in deferred tax

GBP	Year ended 30 June 2019	Year ended 30 June 2018
Deferred tax brought forward	-	**2,135,113**
Current period deferred tax	-	-
Reversal of deferred tax liability	-	(2,135,113)
Deferred tax liability carried forward	-	-

10. Investment property

GBP	Year ended 30 June 2019	Year ended 30 June 2018
Opening balance	-	23,179,165
Capitalised development costs	-	1,677,432
Sale of land	-	(20,841,671)
Fair value loss on investment property	-	(3,919,073)
Reclassification of loan interest payable	-	(95,853)
Closing balance	-	-

During the prior periods the Company purchased development land from its parent company New Waverley 10 Limited. The land has been developed into an office building which has been pre-let to The Secretary of State for Communities and Local Government. On 17 October 2017 the land was sold to Legal and General Pensions Limited, via a forward funding sale agreement. On 21 May 2019 practical completion of the office building was achieved.

Valuation technique and significant unobservable inputs

The following table shows the valuation technique used in measuring the fair value of investment property, in prior periods, as well as the significant unobservable inputs used.

Valuation technique	Significant unobservable inputs	Inter-relation between key unobservable inputs and fair value measurement
Firm offers: The valuation model takes into account the amount a third party is willing to pay.	Offer	The estimated fair value would increase/(decrease) if: The number of the interested parties was higher/(lower) The availability of comparable properties lower/(higher)

11. Trade and other receivables

The Company's trade and other receivables comprise:

GBP	As at 30 June 2019	As at 30 June 2018
Trade receivables	832,114	7,506,346

12. Cash and cash equivalents

GBP	As at 30 June 2019	As at 30 June 2018
Bank balances	8,984,146	3,564,221

13. Capital contribution

Current assets

GBP	As at 30 June 2019	As at 30 June 2018
Opening balance	21,716,718	-
Capital contribution	-	21,313,354
Release of capital contribution	(11,860,388)	-
Finance income – unwinding of discount	537,817	403,364
Closing balance	**10,394,147**	**21,716,718**

Current liabilities

GBP	As at 30 June 2019	As at 30 June 2018
Opening balance	21,716,718	-
Capital contribution	-	21,313,354
Release of capital contribution	(11,860,388)	-
Finance costs – unwinding of discount	537,817	403,364
Closing balance	**10,394,147**	**21,716,718**

14. Share capital

Issued, called up and not yet paid	As at 30 June 2019	As at 30 June 2018
Ordinary shares at £1 each	100	100

15. Trade and other payables

GBP	As at 30 June 2019	As at 30 June 2018
VAT payable	2,332,050	90,886
Developer retentions	722,802	532,359
Intercompany trade payable - New Waverley 10 Limited	700,870	440,091
Accruals	298,212	3,225,875
Trade payables	2,760	5,460
Intercompany trade payable - MAS (IOM) Holdings Limited	130	53,284
	4,056,824	**4,347,955**

The amounts owed to New Waverley 10 Limited and MAS (IOM) Holdings Limited are unsecured, interest free and repayable on demand.

16. Related parties

Related party	Relationship	Nature of the transaction	As at 30 June 2019	As at 30 June 2018
New Waverley 10 Limited	Immediate parent	Intercompany trade payable	700,870	440,091
		Unpaid share capital	100	100
MAS (IOM) Holdings Limited	Intermediate parent	Intercompany trade payable	130	53,284

Directors remuneration
The Directors of the Company did not receive remuneration for their services during the year (2018: nil).

Parent and ultimate controlling party
New Waverley 10 Limited is the Company's immediate parent and MAS Real Estate Inc. is the Company's ultimate parent. MAS Real Estate Inc. is the smallest and largest group to consolidate these financial statements.

17. Employees
The Company had no employees during the year (2018: none).

18. Subsequent events
Since the reporting date, the second capital contribution receipt and payment for £5,197,075 was received from Legal & General Pensions Limited and paid to the UK Government on 18 July 2019. The final capital contribution receipt and payment £5,197,075 was received from Legal & General Pensions Limited and paid to UK Government on 19 September 2019.

On 18 September 2019 the charge over New Waverley 20 Limited in respect of the standard security dated 25 May 2017, in favour of The Secretary of State of Communities and Local Government was released.