Keyland Developments Limited

Annual report and financial statements
Registered number 02180728
Year ended 31 March 2020

Contents

Directors and advisers

Directors

P Garrett
C S Haysom (resigned 30 April 2019)
E M Barber
N G Muncaster

Company secretary

K O H Smith (appointed 5 July 2019)
A W M White (resigned 5 July 2019)

Independent auditor

Deloitte LLP
Statutory Auditor
1 City Square
Leeds
LS1 2AL

Registered office

Western House
Halifax Road
Bradford
West Yorkshire
BD6 2SZ

Bankers

National Westminster Bank PLC
Leeds City Office
8 Park Row
Leeds
LS1 5HD

Strategic report

The directors present their strategic report for the year ended 31 March 2020.

Business model and strategy

Keyland Developments Limited ("the company"), a subsidiary of the Kelda Holdings Limited group, exists to provide property services for the group. The company operates in the management, development and trading of land and property both on its own and in conjunction with other parties.

Key performance indicators

Due to the nature of the business, which consists of a small number of diverse property transactions, the principal performance indicator is profit before tax, which for the current year is £1,509,000 (2019: £2,174,000). The profit after tax for the financial year is £1,415,000 (2019: £1,994,000). Profit before tax was affected by a higher level of acquisition and development expenditure, relating to the inventory that was sold. This reflects the inhomogeneous nature of the underlying property transactions. This was partly offset by £554,000 of final dividend from a subsidiary, that is now in liquidation.

At the year end the net assets of the company were £24,075,000 (2019: £23,160,000).

Principal risks and uncertainties

The management of the business and the execution of the company's strategy are subject to a number of risks. The key business risks and uncertainties affecting the company's trading activities arise through the planning process, by which the company seeks to add value to the stock of properties held for resale, and through the cyclical nature of the property market. These have a bearing on both value and delivery timescale. The directors seek to manage the property planning and development programme in order to mitigate these risks wherever possible.

The principal risks and uncertainties for the Kelda Holdings group, including Covid-19, and how these are mitigated, are discussed in the Kelda Holdings Limited Annual Report and Financial Statements (which do not form part of this report). There are not considered to be any specifically relating to this company, given the nature of its activities, apart from those mentioned above.

Financial performance and outlook

During the year to 31 March 2020, the company continued to focus on developing and seeking planning on key large sites, whilst continuing to trade in sites.

It is anticipated that the company will continue to follow the same model for the foreseeable future, whilst also actively working to identify and secure further opportunities to utilise its property development expertise, by working with third party landowners seeking to bring forward potential development sites. Covid-19 has had a significant impact on the economy leading to increased uncertainty in the property market. The directors are monitoring this closely but do not foresee any adverse material impact on the properties held in this company.

Strategic report *(continued)*

Financial risk management

The company's operations expose it to a variety of financial risks that include the effects of changes in credit risk, liquidity risk and interest rate cash flow risk. The company has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the company by monitoring levels of debt finance and the related finance costs.

Credit risk

The company has implemented policies that require appropriate credit checks on potential customers before sales are made. The amount of exposure to any individual counterparty is subject to a limit, which is reassessed annually.

Liquidity risk

The company actively maintains a mixture of long-term and short-term debt finance that is designed to ensure the company has sufficient available fund for operations and planned expansions.

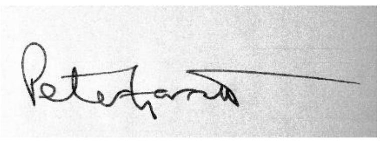
Interest rate cash flow risk

The company has both interest-bearing assets and interest-bearing liabilities which carry interest at a floating rate. The company has a policy of maintaining debt at a floating rate. The directors will revisit the appropriateness of this policy should the company's operations change in size or nature. The company did not use derivative financial instruments to manage interest rate costs during the year and as such, no hedge accounting is applied.

Statement by the directors in performance of their statutory duties in accordance with s172(1) Companies Act 2006

The directors consider that they have acted in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole and having regard (amongst other matters) to factors (a) to (f) of s172 Companies Act 2006, in the decisions taken during the year ended 31 March 2020. The company's principal activity is the provision of property services for the Kelda Holdings Limited group. Through their actions, the directors operate the company in a manner consistent with Kelda Holding Limited's high standards of business conduct. The company's ultimate holding company is Kelda Holdings Limited, a copy of whose s172(1) Statement can be found in its 2020 annual report and financial statements. This statement sets out how the group's decisions and policies affect employees, customers and other stakeholders, suppliers and the impact of the group's operations on the community and the environment.

Approved by the board and signed on its behalf by:



P Garrett
Director

31 July 2020

Directors' report

The directors present their annual report and the audited financial statements of the company for the year ended 31 March 2020.

Review of business and future developments

Results and dividends

The profit for the financial year after taxation amounts to £1,415,000 (2019: £1,994,000). Following a balance sheet review in the company's subsidiary, Keyland (Midpoint) Limited, a previous intercompany loan impairment of £3,000,000 was reversed and subsequent investment of £2,855,000 was impaired in full, the net effect of which resulted in an exceptional profit of £145,000 (see note 6). During the year the directors approved and paid dividends of 3.33p (2019: 2.67p) per ordinary share, amounting to £500,000 (2019: £400,000). The directors do not propose to pay a final dividend in respect of the year ended 31 March 2020 (2019: £nil).

Principal activity and review of business

The company operates in the trading, holding, development, investment and management of land and property. Whilst Covid-19 has caused a significant degree of uncertainty within the economy, it is not expected to have a material impact on future developments for this company. A review of the business is included in the financial performance and outlook section of the strategic report on page 2.

Future developments

A review of the company's outlook is included in the financial performance and outlook section of the strategic report on pages 2 to 3.

Going concern

The company's business activities, together with the likely factors to affect its future development, performance and position are set out in the strategic report.

The directors believe that preparing the financial statements on the going concern basis is appropriate, Keyland Developments Limited, a subsidiary of the Kelda Holdings Limited group ('Kelda group'), provides the property services for the group. The majority of properties that are developed by the company have been provided to the company by the wider group. As such we believe there is an inherent interdependency between the company and the operations of the Kelda group. In addition, the company has significant receivables due from other Kelda group undertakings of £13.5m which are repayable on demand. As a result of the significant net current assets of £23.7m held by the company, which includes these group debtors, the company believe the going concern assumption is appropriate. As part of determining if the going concern assumption is appropriate for this company, the directors have challenged and scrutinised the ability of the Kelda group to continue as a going concern including a review of severe but reasonably possible scenarios.

Kelda Holdings Limited has available a combination of cash and committed undrawn bank facilities totalling £853.4m at 31 March 2020 (2019: £609.2m). At 30 June 2020, Kelda Holdings Limited had available a combination of cash and committed undrawn bank facilities totalling £775.2m, comprising £530m undrawn committed bank facilities and £245.2m of cash and cash equivalents. In addition, the directors have considered the business plan and the cash position of Yorkshire Water Services Limited ('YWS'), as the main subsidiary of the group, including the potential impact of identified risks such as Covid-19 and concluded that the group is well placed to manage its business risks successfully and have a reasonable expectation that the group has adequate resources to continue in operational existence over a period of at least 12 months from the date of approval of the financial statements. In addition, YWS has an indefinite licence to operate as a water and sewerage operator terminable with a 25 year notice period. The securitised financing arrangements of the group includes covenants with 'trigger' and 'default' thresholds, which are reported bi-annually and are explained fully within the YWS annual report and financial statements. In summary though, a baseline model, established from YWS's business plan, shows sufficient liquidity and clear headroom for debt covenants, when considering 'trigger' as well as 'default' thresholds. Whilst in a reasonably possible downside sensitivity to that base case, YWS could hit a 'trigger' event, this would not affect the Kelda group ability to continue to trade.

As a result of this analysis, the directors believe that despite the high level of uncertainty due to the early stages of the economic impact of the Covid-19 pandemic, the strength of the mitigations available are such that there are no material uncertainties that could cast significant doubt over the ability of the Kelda group to continue as a going concern, and therefore in turn the ability of the company to continue as a going concern. The directors have adopted the going concern basis of accounting in preparing the financial statements.

Directors' report *(continued)*

Financial instruments

The risks and uncertainties the company is exposed to in relation to financial instruments are discussed in the financial risk management section of the strategic report on pages 2 to 3.

Directors

The directors of the company who were in office during the year and up to the date of signing the financial statements are listed on page 1.

Directors' indemnities

As permitted by the Articles of Association, the directors have the benefit of an indemnity which is a qualifying third-party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The company also purchased and maintained throughout the financial year directors' and officers' liability insurance in respect of itself and its directors.

Disclosure of information to independent auditor

As at the date of this report, as far as the directors are aware, there is no relevant audit information of which the company's auditor is unaware and the directors have taken all the steps that they ought to have as directors, in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of this information. This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Independent auditor

The auditor, Deloitte LLP, has indicated their willingness to continue in office and the Board has passed a resolution confirming their reappointment.

Directors' report *(continued)*

Directors' responsibilities statement

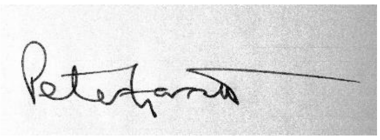
The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are 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.

Approved by the board and signed on its behalf by:



P Garrett
Director

31 July 2020

Independent auditor's report to the members of Keyland Developments Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Keyland Developments Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 March 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the profit and loss account;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 21.

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).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (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 are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in 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 12 months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Independent auditor's report to the members of Keyland Developments Limited *(continued)*

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 auditor's 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 respect of these matters.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, 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 FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

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

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 any material misstatements in the strategic report or the directors' report.

Independent auditor's report to the members of Keyland Developments Limited *(continued)*

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

We have nothing to report in respect of these matters.

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.

J Boardman.

Jane Boardman BSc FCA (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Leeds, United Kingdom

31 July 2020

Profit and loss account
for year ended 31 March 2020

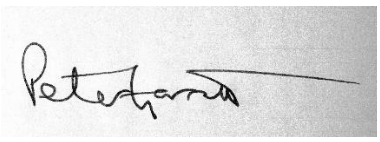
	Note	**2020 £'000**	2019 £'000
Turnover	*3*	**6,362**	6,120
Cost of sales		**(4,449)**	(2,841)
Gross profit		**1,913**	3,279
Administrative expenses		**(1,559)**	(1,978)
Exceptional items	*6*	**145**	-
Other operating income	*4*	**352**	764
Operating profit	*5*	**851**	2,065
Income from other fixed asset investments		**554**	-
Other interest receivable and similar income	*9*	**104**	109
Profit before taxation		**1,509**	2,174
Taxation	*10*	**(94)**	(180)
Profit for the financial year		**1,415**	1,994

There are no other items of comprehensive income or expenses in the current or prior year, therefore no separate statement of comprehensive income has been presented.

Balance sheet
as at 31 March 2020

	Note	**2020** **£'000**	2019 £'000
Fixed assets			
Investments	*12*	**439**	439
Current assets			
Stocks	*13*	**9,127**	9,737
Debtors	*14*	**15,518**	14,594
Cash at bank and in hand		**373**	-
		25,018	24,331
Creditors: amounts falling due within one year	*15*	**(1,315)**	(1,545)
Net current assets		**23,703**	22,786
Total assets less current liabilities		**24,142**	23,225
Creditors: amounts falling due after more than one year	*16*	**(67)**	(65)
Net assets		**24,075**	23,160
Capital and reserves			
Called up share capital	*18*	**15,000**	15,000
Profit and loss account	*18*	**9,075**	8,160
Total Shareholders' funds		**24,075**	23,160

These financial statements on pages 10 to 24 were approved by the board of directors and authorised for issue on 31 July 2020 and were signed on its behalf by:



P Garrett
Director

Company registered number: 02180728

Statement of changes in equity
for the year ended 31 March 2020

	Called up share capital £'000	**Profit and loss account £'000**	**Total Shareholders' funds £'000**
Balance at 1 April 2019	15,000	8,160	23,160
Total comprehensive income for the year			
Profit for the financial year	-	1,415	1,415
Total comprehensive income for the financial year	-	1,415	1,415
Dividends (note 11)	-	(500)	(500)
Balance at 31 March 2020	**15,000**	**9,075**	**24,075**

	Called up share capital £'000	Profit and loss account £'000	Total Shareholders' funds £'000
Balance at 1 April 2018	15,000	6,566	21,566
Total comprehensive income for the year			
Profit for the financial year	-	1,994	1,994
Total comprehensive income for the financial year	-	1,994	1,994
Dividends (note 11)	-	(400)	(400)
Balance at 31 March 2019	15,000	8,160	23,160

Notes to the financial statements

1 Accounting policies

Keyland Developments Limited (the "company") is a private company limited by shares, incorporated in England and Wales and resident for tax in the UK.

The company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the company as an individual undertaking and not about its group.

These financial statements were prepared in accordance with Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102") and the Companies Act 2006. The presentation currency of these financial statements is sterling.

Kelda Eurobond Co Limited, a parent company incorporated in England and Wales, includes the company in its consolidated financial statements. The consolidated financial statements of Kelda Eurobond Co Limited are prepared in accordance with International Financial Reporting Standards as adopted by the EU and are available to the public and may be obtained from Western House, Halifax Road, Bradford, West Yorkshire, BD6 2SZ. In these financial statements, the company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to end of the period;
- Cash flow statement and related notes;
- Key management personnel compensation; and
- Transactions between wholly-owned subsidiaries, or with their parent.

As the consolidated financial statements of Kelda Eurobond Co Limited include the equivalent disclosures, the company has also taken the exemptions under FRS 102 available in respect of the disclosures required by FRS 102.11 Basic Financial Instruments.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 2.

Measurement convention

The financial statements are prepared under the historical cost convention.

Notes to the financial statements *(continued)*

1 Accounting policies *(continued)*

Going concern

The company's business activities, together with the likely factors to affect its future development, performance and position are set out in the strategic report.

The directors believe that preparing the financial statements on the going concern basis is appropriate, Keyland Developments Limited, a subsidiary of the Kelda Holdings Limited group ('Kelda group'), provides the property services for the group. The majority of properties that are developed by the company have been provided to the company by the wider group. As such we believe there is an inherent interdependency between the company and the operations of the Kelda group. In addition, the company has significant receivables due from other Kelda group undertakings of £13.5m which are repayable on demand. As a result of the significant net current assets of £23.7m held by the company, which includes these group debtors, the company believe the going concern assumption is appropriate. As part of determining if the going concern assumption is appropriate for this company, the directors have challenged and scrutinised the ability of the Kelda group to continue as a going concern including a review of severe but reasonably possible scenarios.

Kelda Holdings Limited has available a combination of cash and committed undrawn bank facilities totalling £853.4m at 31 March 2020 (2019: £609.2m). At 30 June 2020, Kelda Holdings Limited had available a combination of cash and committed undrawn bank facilities totalling £775.2m, comprising £530m undrawn committed bank facilities and £245.2m of cash and cash equivalents. In addition, the directors have considered the business plan and the cash position of Yorkshire Water Services Limited ('YWS'), as the main subsidiary of the group, including the potential impact of identified risks such as Covid-19 and concluded that the group is well placed to manage its business risks successfully and have a reasonable expectation that the group has adequate resources to continue in operational existence over a period of at least 12 months from the date of approval of the financial statements. In addition, YWS has an indefinite licence to operate as a water and sewerage operator terminable with a 25 year notice period. The securitised financing arrangements of the group includes covenants with 'trigger' and 'default' thresholds, which are reported bi-annually and are explained fully within the YWS annual report and financial statements. In summary though, a baseline model, established from YWS's business plan, shows sufficient liquidity and clear headroom for debt covenants, when considering 'trigger' as well as 'default' thresholds. Whilst in a reasonably possible downside sensitivity to that base case, YWS could hit a 'trigger' event, this would not affect the Kelda group ability to continue to trade.

As a result of this analysis, the directors believe that despite the high level of uncertainty due to the early stages of the economic impact of the Covid-19 pandemic, the strength of the mitigations available are such that there are no material uncertainties that could cast significant doubt over the ability of the Kelda group to continue as a going concern, and therefore in turn the ability of the company to continue as a going concern. The directors have adopted the going concern basis of accounting in preparing the financial statements.

Basic financial instruments

Trade and other debtors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Trade and other creditors

Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Notes to the financial statements *(continued)*

1 Accounting policies *(continued)*

Interest-bearing borrowings classified as basic financial instruments

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Investments in subsidiaries, jointly controlled entities and associates

These are separate financial statements of the company. Investments in subsidiaries, jointly controlled entities and associates are carried at cost less impairment.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

Stocks

Stock comprises properties for sale, including land, and are stated at the lower of cost and estimated net realisable value. The net realisable value is determined by assessing the market value of the stock item and deducting the estimated costs in developing the item to the point of disposal. Cost does not include any apportionment of interest or overheads.

Impairment excluding stocks

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Notes to the financial statements *(continued)*

1 Accounting policies *(continued)*

Employee benefits

Defined contribution plans and other long-term employee benefits

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

Group plans

The company's employees are members of a group wide defined benefit pension plan. As there is no contractual agreement or stated group policy for charging the net defined benefit cost of the plan to participating entities, the net defined benefit cost of the pension plan is recognised fully by the sponsoring employer of the plan, which is Kelda Group Limited. The company recognises a cost equal to its contribution payable for the period as an expense.

Turnover

Turnover comprises sale of land, commercial and residential properties to third parties, excluding value added tax, together with additional proceeds arising from residual retained interests. Turnover is recognised on unconditional exchange contract.

Operating lease income

Operating lease income is recognised as other operating income in the profit and loss account on a straight-line basis over the term of the lease unless the receipts are structured to increase in line with expected general inflation; in which case the receipts related to the structured increases are recognised as per the lease terms. Lease incentives paid are recognised in profit and loss over the term of the lease as an integral part of the total lease income.

Expenses

Operating lease

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred.

Interest receivable and interest payable

Interest payable and similar charges include interest payable.

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method. Dividend income is recognised in the profit and loss account on the date the company's right to receive payments is established.

Notes to the financial statements *(continued)*

1 Accounting policies *(continued)*

Taxation

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

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; and differences relating to investments in subsidiaries, associates, branch, joint ventures to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that is it probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

2 Accounting estimates and judgements

The preparation of financial statements under FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. There were no such areas of judgement or estimation uncertainty deemed significant in these financial statements.

3 Turnover

Turnover comprises sales from continuing operations.

	2020	2019
	£'000	£'000
Continuing activities - external sales and intercompany turnover	**6,362**	6,120

4 Other operating income

	2020	2019
	£'000	£'000
Rents receivable and recharges to tenants - external	**178**	550
Other income	**174**	214
	352	764

Notes to the financial statements *(continued)*

5 Operating profit

Operating profit is stated after charging/(crediting):

	2020	2019
	£'000	£'000
Exceptional items (note 6)	**(145)**	-
Operating lease rentals: land and buildings	**26**	740

Auditor's remuneration:

	2020	2019
	£'000	£'000
Audit of these financial statements	**5**	17

6 Exceptional items

	2020	2019
	£'000	£'000
Impairment of investment in subsidiary (note 12)	**(2,855)**	-
Reversal of intercompany loan impairment	**3,000**	-
	145	-

Following a balance sheet review in the company's subsidiary, Keyland (Midpoint) Limited, a previous intercompany loan impairment was reversed and subsequent investment was impaired in full (see note 12). The impairment of the investment in subsidiary is non-deductible for tax purposes. As such, the impairment has no impact for tax purposes. The original impairment of the intercompany loan was non-deductible for tax purposes. The impairment's reversal will be non-taxable and, as such, has no impact for tax purposes.

7 Staff numbers and costs

The monthly average number of persons employed by the company (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	2020	2019
Activity:		
Office and management	**6**	5

The aggregate payroll costs of these persons were as follows:

	2020	2019
	£'000	£'000
Wages and salaries	**430**	262
Social security costs	**49**	31
Other pension costs	**36**	30
	515	323

Notes to the financial statements *(continued)*

8 Directors' remuneration

	2020	2019
	£'000	£'000
Directors' emoluments	**143**	133
Amounts receivable under long term incentive schemes	**55**	37
	198	170

	Number of directors	
	2020	2019
Retirement benefits are accruing to the following number of directors under:		
Defined benefit schemes	**1**	1

One director (2019: one) is a member of the Kelda group's defined benefit pension scheme and had accrued pension of £18,000 (2019: £16,000) and accrued lump sum of £26,000 (2019: £22,000) at the end of the year.

All directors' emoluments have been included in the financial statements of Keyland Developments Limited with the exception of E M Barber, C S Haysom and N G Muncaster which were provided by other group companies and their emoluments are shown in the financial statements of those companies. No amounts were received for their services to the company (2019: £nil).

9 Other interest receivable and similar income

	2020	2019
	£'000	£'000
Interest receivable on financial assets at amortised cost	**104**	109
Total other interest receivable and similar income	**104**	109

Total other interest receivable and similar income includes income from group undertakings of £104,000 (2019: £109,000).

Notes to the financial statements *(continued)*

10 Taxation

Total tax charge recognised in the profit and loss account

	2020 £'000	2019 £'000
Current tax		
Current tax on income for the period	**126**	241
Adjustments in respect of prior periods	**(23)**	(65)
Total current tax	**103**	176
Deferred tax		
Origination and reversal of timing differences	**(5)**	4
Change in tax rate	**(3)**	-
Adjustments in respect of prior periods	**(1)**	-
Total deferred tax	**(9)**	4
Total tax charge	**94**	180

The corporation tax rate of 19%, enacted in the Finance Act (No 2) Act 2015 and applicable from 1 April 2017, has been used in preparing these financial statements.

Whilst the intention of Budget 2016 was that the Corporation Tax rate would be set at 17% from 1 April 2020 onwards, legislation will be introduced in Finance Bill 2020 to amend the main rate of corporation tax to 19% from 1 April 2020. This change was announced in Budget 2020 and the cancellation of the enacted cut to 17% made under a Budget resolution passed on 17 March 2020. As this has statutory effect, the 19% rate for 1 April 2020 onward is substantively enacted at 17 March 2020 and accordingly the deferred tax asset at 31 March 2020 has been calculated using this rate.

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

Reconciliation of effective tax rate

	2020 £'000	2019 £'000
Profit before taxation	**1,509**	2,174
Tax using the UK corporation tax rate of 19% (2019: 19%)	**287**	413
Effects of:		
Transfer pricing adjustments	**(13)**	(5)
Non-deductible expenses	**545**	17
Group relief	**-**	(180)
Adjustments in respect of previous periods	**(23)**	(65)
Income not taxable for tax purposes	**(699)**	-
Tax rate changes	**(3)**	-
Total tax charge included in profit or loss	**94**	180

11 Dividends

The following dividends were recognised during the year:

	2020 £'000	2019 £'000
3.33p (2019*: 2.67p*) per qualifying ordinary share	**500**	400

Pence per share is rounded to two decimal places.

Notes to the financial statements *(continued)*

12 Investments

	Subsidiary undertakings £'000	Shares in associated undertakings £'000	Total £'000
Cost			
At 1 April 2019	-	448	448
Additions	2,855	-	2,855
At 31 March 2020	2,855	448	3,303
Provisions for impairment			
At 1 April 2019	-	9	9
Provided in the year	2,855	-	2,855
At 31 March 2020	2,855	9	2,864
Net book value			
At 31 March 2020	-	**439**	**439**
At 31 March 2019	-	439	439

During the year, Keyland (Midpoint) Limited carried out a balance sheet review due to accumulated losses, and issued 2,855,161 ordinary shares to the company for a consideration of £2,855,161. The investment was impaired in full and the company placed into liquidation. Keyland 2595 Limited has also been placed into liquidation during the year.

The company has the following investments in subsidiaries, associates and jointly controlled entities whose registered office, unless otherwise stated, is Western House, Halifax Road, Bradford, West Yorkshire BD6 2SZ:

	Aggregate of capital and reserves £'000	Profit or (loss) for the year £'000	Country of incorporation	Nature of business	Class of shares held	Ownership 2020 %
Keyland (Midpoint) Limited	-	(8)	England and Wales	In liquidation	Ordinary	**100%**
Keyland 2595 Limited	-	-	England and Wales	In liquidation	Ordinary	**100%**
Templegate Developments Limited	2,126	(81)	England and Wales	Property development	Ordinary	**50%**
Springswood Limited [1]	17	-	England and Wales	Dormant	Ordinary	**50%**
Tingley Limited [1]	(7)	-	England and Wales	Property development	Ordinary	**50%**
Whinmoor Limited [1]	(290)	(5)	England and Wales	Property development	Ordinary	**50%**
*The Courtyard (Midpoint) Management Company Limited	-	-	England and Wales	Dormant	Ordinary	**33.3%**
*White Laith Developments Limited [1]	-	-	England and Wales	Property development	Ordinary	**37.5%**
*Rampart Developments Limited [1]	-	-	England and Wales	Property development	Ordinary	**25%**
*The Sir Robert Ogden Partnership Limited [1]	-	-	England and Wales	Property company	Ordinary	**25%**
The Sir Robert Ogden Evans Property Partnership Limited [1]	(746)	-	England and Wales	Property company	Ordinary	**25%**

** Indirect holdings*

[1] Registered office address: Millshaw Ring Road, Beeston, Leeds, West Yorkshire, LS11 8EG

In the opinion of the directors, the value of the company's investments exceeds the amount at which they are stated in the balance sheet.

Notes to the financial statements *(continued)*

13 Stocks

	2020	2019
	£'000	£'000
Properties held for resale	**9,127**	9,737

Stock impairment and expense

The stock impairment provision at 31 March 2020 was £1,365,000 (2019: £1,320,000).

The directors consider all stock to be essentially current in nature although the company's operations are such that a proportion may not be realised within 12 months. It is not possible to determine with any certainty when specific stocks will be realised.

14 Debtors

	2020	2019
	£'000	£'000
Trade debtors	**7**	10
Amounts owed by group undertakings	**13,478**	12,285
Amounts owed by associates	**1,826**	1,796
Other debtors	**114**	228
Deferred tax assets (note 17)	**36**	27
Prepayments and accrued income	**57**	248
	15,518	14,594

Amounts owed by group undertakings include £13,469,000 (2019: £12,083,000) owed by Kelda group companies, which is unsecured, bears interest at three month London Interbank Offered Rate (LIBOR), has no contractual repayment date and is repayable on demand. The balance of the amounts owed by group undertakings, which are unsecured, interest free and repayable on demand include an amount for corporation tax group relief of £nil (2019: £179,000) owed by Yorkshire Water Services Limited; an amount of £nil (2019: £6,000) owed by Yorkshire Water Services Limited in respect of inter-company recharges and £nil (2019: £7,000) owed by Kelda Group Limited in respect of inter-company recharges. The remaining £9,000 (2019: £10,000) relates to intercompany interest.

15 Creditors: amounts falling due within one year

	2020	2019
	£'000	£'000
Bank loans and overdrafts	**-**	266
Trade creditors	**103**	53
Amounts owed to group undertakings	**511**	497
Amounts owed to associates	**9**	9
Taxation and social security	**9**	9
Other creditors	**3**	4
Accruals and deferred income	**680**	707
	1,315	1,545

Amounts owed to group undertakings includes £26,000 (2019: £25,000) owed to Kelda Group Limited and £410,000 (2019: £116,000) owed to Yorkshire Water Services Limited in respect of inter-company recharges. The balance of £75,000 (2019: £356,000) relates to amounts owed to group companies for corporation tax group relief. These are unsecured, interest free and repayable on demand.

Notes to the financial statements *(continued)*

16 Creditors: amounts falling due after more than one year

	2020	2019
	£'000	£'000
Other creditors	**67**	65

17 Deferred tax assets

Deferred tax assets are attributable to the following:

	Assets	
	2020	2019
	£'000	£'000
Short term timing differences	**36**	27
Net tax assets	**36**	27

The company has no deferred tax assets not recognised (at the closing rate) (2019: £nil).

The deferred tax asset above is expected to be recoverable within 12 months.

18 Capital and reserves

Called up share capital	**2020**	2019
	£'000	£'000
Allotted, called up and fully paid		
15,000,000 ordinary shares of £1 each (2019: 15,000,000 ordinary shares of £1 each)	**15,000**	15,000

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the company.

The profit and loss account represents cumulative profits or losses, net of dividends paid.

Notes to the financial statements *(continued)*

19 Related parties

In these financial statements, the company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of key management personnel compensation and transactions between wholly-owned subsidiaries, or with their parent. The disclosures below relate to related party transactions with joint ventures.

	Recharges to related parties	**Loan debtor receivable from/(loan creditor payable to) related parties**	**Provision against loan debtor from related parties**	**Interest payable to related parties**	Recharges to related parties	Loan debtor receivable from/(loan creditor payable to) related parties	Provision against loan debtor from related parties	Interest payable to related parties
	2020	**2020**	**2020**	**2020**	2019	2019	2019	2019
	£'000	**£'000**	**£'000**	**£'000**	£'000	£'000	£'000	£'000
Joint ventures								
Templegate Developments Limited	**3**	**866**	**-**	**-**	3	866	-	-
Springswood Limited	**-**	**(9)**	**-**	**-**	-	(9)	-	-
Tingley Limited	**-**	**95**	**(95)**	**-**	-	95	(95)	-
Whinmoor Limited	**-**	**695**	**(501)**	**-**	-	665	(501)	-
The Sir Robert Ogden Evans Property Partnership Limited	**-**	**799**	**(32)**	**-**	-	798	(32)	-
	3	**2,446**	**(628)**	**-**	3	2,415	(628)	-

20 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	2020	2019
	£'000	£'000
Less than one year	**23**	48
Between one and five years	**56**	79
	79	127

21 Ultimate parent company and ultimate controlling party

The company's immediate parent undertaking is Kelda Group Limited, incorporated in England and Wales. The ultimate parent undertaking is Kelda Holdings Limited, incorporated in Jersey and resident for tax in the UK. In the opinion of the directors, there is no ultimate controlling party.

The largest group in which the results of the company are consolidated is that headed by Kelda Holdings Limited, the registered office of which is 47 Esplanade, St Helier, Jersey, JE1 0BD, Channel Islands. The smallest group in which they are consolidated is that headed by Kelda Eurobond Co Limited, the registered office of which is the same as that of the company. The consolidated financial statements of these groups are available to the public and may be obtained from the Company Secretary, Western House, Halifax Road, Bradford, West Yorkshire, BD6 2SZ.