

FP NEWHAVEN TWO LIMITED

REPORT AND ACCOUNTS

FOR THE YEAR ENDED

31 DECEMBER 2018

Registered number: SC208821

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FP NEWHAVEN TWO LIMITED

**REPORT AND ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

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FP NEWHAVEN TWO LIMITED

COMPANY INFORMATION

DIRECTORS

C.G. Hammond
C.J. Cran

COMPANY SECRETARY

Pamela Smyth

REGISTERED OFFICE

1 Prince of Wales Dock
Leith
Edinburgh
EH6 7DX

INDEPENDENT AUDITOR

Deloitte LLP
Statutory Auditor
110 Queen Street
Glasgow
G1 3BX

FP NEWHAVEN TWO LIMITED

DIRECTORS' REPORT

The Directors present their report and the audited accounts of FP Newhaven Two Limited (registered number SC208821) for the year ended 31 December 2018. This report has been prepared in accordance with the special provisions relating to small companies within part 15 of the Companies Act 2006.

Principal Activities and Future Developments

The Company is a wholly owned subsidiary of Edinburgh Forthside Holdings Limited (which is owned by Forth Ports Limited) and is a private company limited by shares and domiciled in Scotland. The Company's principal activity is property investment. During the year the Company continued to invest in its property portfolio at Western Harbour with the Scottish Futures Trust under the National Housing Trust Scheme. The Directors intend to continue with this activity in the forthcoming year.

Principal Risks and Uncertainties

The Directors of Forth Ports Limited manage the Group's risks at a group level, rather than at an individual Company level. For this reason, the Company's Directors believe that a discussion of the Group's risks would not be appropriate for an understanding of the development, performance or position of FP Newhaven Two Limited's business. The principal risks and uncertainties of the Forth Ports Limited Group, which include those of the Company, are discussed in the Group's annual report which does not form part of this report, but is publicly available, as disclosed in Note 17.

Financial and Capital Risk Management

Liquidity Risk

All financing arrangements are subjected to continuous management review to ensure that assets will be sufficient to satisfy financial obligations as and when they fall due.

Credit Risk

All contractual arrangements are subject to an initial assessment of credit risk. Subsequent to contract, continuous management review identifies where credit obligations have not been met, or are at risk of not being met. This management review also identifies and monitors the appropriate actions to be taken with a view to enforcing the Company's rights under contract.

Market Risk

The overall objective of the Company is to secure shareholder value through the effective management and development of property assets, including acquisitions and disposals, over the long-term. Key market variables which affect this outcome include; property sales value and forecast growth, construction costs and forecast inflation, along with general macro-economic factors such as interest rates and property yields.

The impact of potential interest rate movements on costs of specific developments are monitored continuously, and consideration given to hedging interest rate risk. Assumptions on other key market variables are tested regularly, and the carrying values of the assets are re-assessed to reflect any changes which are thought likely to affect the market value at the expected point of disposal.

FP NEWHAVEN TWO LIMITED

DIRECTORS' REPORT (continued)

Capital Risk Management

The Directors of Forth Ports Limited manage the Group's capital risk at a group level. Their policies are discussed within the Group's annual report which does not form part of this report.

Results and Dividend

The profit for the year after taxation amounted to £2,475k (2017 – loss of £348k). No dividends were paid in 2018 or 2017. The Directors propose that the profit for the year be transferred to reserves.

Going Concern

The Directors believe that preparing the accounts on the going concern basis is appropriate due to the continued financial support provided by Forth Ports Limited. The accounting policies section on page 13 provides further details.

The Directors have considered the implications from the on-going discussions regarding the UK's exit from the European Union. At this time they believe any outcome would have a limited impact on the Company due to the investments the Company holds.

Directors

The Directors of the Company who were in office during the year, and up to the date of signing the accounts, unless otherwise stated were:

C.G. Hammond
S.R. Paterson (resigned 3 January 2018)
C.J. Cran (appointed 3 January 2018)

Indemnification of Directors

The Company has made qualifying third party indemnity provisions for the benefit of its Directors which were made during the year and remain in force at the date of this report.

FP NEWHAVEN TWO LIMITED

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 International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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, International Accounting Standard 1 requires that the Directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

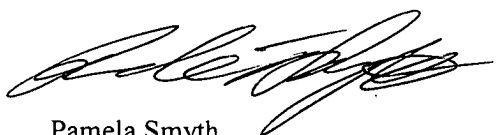
The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies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

Independent auditor and disclosure of information to auditor

Each Director, as at the date of this report, has confirmed that insofar as they are aware there is no relevant audit information (that is, information needed by the Company's auditor in connection with preparing their report) of which the Company's auditor is 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 auditor is aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Deloitte LLP have expressed their willingness to continue in office as auditor and appropriate arrangements have been put in place for them to be deemed reappointed as auditor in the absence of an Annual General Meeting.

Approved by the Board and signed on its behalf by:



Pamela Smyth
Company Secretary
17 April 2019

FP NEWHAVEN TWO LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FP NEWHAVEN TWO LIMITED

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of FP Newhaven Two Limited (the 'Company'):

- give a true and fair view of the state of the Company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and IFRSs as issued by the International Accounting Standards Board (IASB); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the income statement;
- the balance sheet;
- the statement of changes in equity;
- the statement of cash flows;
- the accounting policies; and
- the related notes 1 to 17.

The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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 ('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 twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

FP NEWHAVEN TWO LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FP NEWHAVEN TWO 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.

FP NEWHAVEN TWO LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FP NEWHAVEN TWO LIMITED (continued)

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 directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has 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 directors' report.

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; or
- the directors were not entitled to take advantage of the small companies' exemptions in preparing the directors' report and from the requirement to prepare a strategic report.

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.



Colin Gibson CA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
Glasgow, United Kingdom

17 April 2019

FP NEWHAVEN TWO LIMITED

**INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Note	2018 £000	2017 £000
Revenue	1	141	120
Cost of sales		(163)	(127)
Gross loss		(22)	(7)
Gain on sale of investment property		2,830	-
Operating profit/(loss)	2	2,808	(7)
Finance income	3	58	51
Finance costs	4	(487)	(488)
Profit/(loss) before tax		2,379	(444)
Taxation	6	96	96
Profit/(loss) for the year attributable to equity shareholders		2,475	(348)

Results for the year are attributable solely to continuing operations.

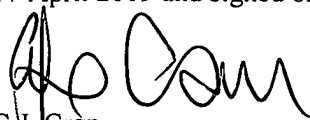
The Company has no comprehensive income or expense other than those included in the Income Statement above and therefore no separate Statement of Comprehensive Income has been presented.

FP NEWHAVEN TWO LIMITED

BALANCE SHEET AS AT 31 DECEMBER 2018

	Note	2018 £000	2017 £000
ASSETS			
Non-current assets			
Investment property	7	1,172	2,976
Investment in subsidiary	8	8,160	4,211
Investments	9	1,632	842
		10,964	8,029
Current assets			
Trade and other receivables	10	549	271
Cash and cash equivalents	11	28	26
		577	297
Total assets		11,541	8,326
LIABILITIES			
Current liabilities			
Trade and other payables	12	(9,523)	(9,020)
		(9,523)	(9,020)
Non-current liabilities			
Trade and other payables	13	(237)	-
		(237)	-
Total liabilities		(9,760)	(9,020)
Total assets less total liabilities		1,781	(694)
EQUITY			
Ordinary shares	14	0	0
Retained earnings/accumulated losses		1,781	(694)
Total equity		1,781	(694)

The accounts on pages 9 to 23 were approved and authorised for issue by the Board of Directors on 17 April 2019 and signed on its behalf by:


C.J. Cran
Director

FP NEWHAVEN TWO LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Ordinary Shares	Accumulated Loss/Retained Earnings	Total Equity
	£000	£000	£000
Balance at 1 January 2017	0	(346)	(346)
Loss for the year and total comprehensive expense	-	(348)	(348)
Balance at 31 December 2017	0	(694)	(694)
Profit for the year and total comprehensive income	-	2,475	2,475
Balance at 31 December 2018	0	1,781	1,781

FP NEWHAVEN TWO LIMITED

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Note	2018 £000	2017 £000
Cash flows (used in)/generated from operating activities			
Net cash used in operating activities	15	(253)	(17)
Interest received		52	57
Net cash (used in)/generated from operating activities		(201)	40
Cash flows generated from/(used in) investing activities			
Purchase of investment property		(10,720)	(260)
Sale of investment property		11,058	-
Net cash generated from/(used in) investing activities		338	(260)
Cash flows (used in)/generated from financing activities			
Loan from intermediate parent company		86	324
Loan repaid to intermediate parent company		(221)	(80)
Net cash (used in)/generated from financing activities		(135)	244
Net increase in cash and cash equivalents		2	24
Cash and cash equivalents at start of year		26	2
Cash and cash equivalents at end of year	11	28	26

FP NEWHAVEN TWO LIMITED

ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these accounts are set out below. These policies have been consistently applied to all of the years presented, unless otherwise stated.

Basis of Preparation

The accounts have been prepared in accordance with EU endorsed International Financial Reporting Standards ("IFRS") and IFRIC interpretations and the Companies Act 2006 applicable to companies reporting under IFRS. The accounts have been prepared on the going concern basis, under the historical cost convention as modified by the revaluation of investment properties at fair value through the Income Statement.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The Company is a subsidiary of Forth Ports Limited, a company incorporated in the EEA. In accordance with section 400 of the Companies Act 2006, the Company is not required to produce consolidated accounts as its results are included in the consolidated Forth Ports Limited accounts.

The preparation of accounts in conformity with IFRS as adopted by the EU requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the accounts and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

A summary of the more important accounting policies is set out below, together with an explanation of where changes have been made to previous policies on the adoption of new accounting standards in the year, if applicable.

Going Concern

The Directors believe that preparing the accounts on the going concern basis is appropriate due to the continued financial support of the intermediate parent company Forth Ports Limited.

FP NEWHAVEN TWO LIMITED

ACCOUNTING POLICIES (continued)

New Accounting Standards

There are no amendments to published standards effective in the year nor any standards early adopted which have an impact on these accounts, except for:

- IFRS 9: Financial Instruments. Effective from 1 January 2018, IFRS 9 has been assessed with regards to the impact on trade and intercompany receivables. The amount due from the Company's subsidiary's were not due at the year end, however, if they were payable they could have been settled on demand.
- IFRS 15: Revenue from Contracts with Customers. Effective from 1 January 2018, IFRS 15 has been applied to these financial statements. There is no impact on revenue recognition either in quantum or timing, hence no adjustments are required to figures previously reported. Revenue disclosures have been updated and the associated accounting policy has been expanded to comply with the requirements of the Standard.

As at the date these financial statements were approved, the Company has not applied the following new and revised IFRSs that have been issued but are not yet effective and (in some instances) had not yet been adopted by the EU:

- IFRS 16: Leases – this replaces the current guidance in IAS 17 (effective 1 January 2019 with earlier application permitted if IFRS 15 is also applied);
- Amendment to IFRS 9: Financial Instruments on prepayment features with negative compensation (effective 1 January 2019) – this amendment confirms that when a financial liability measured at amortised cost is modified without this resulting in de-recognition, a gain or loss should be recognised immediately in profit or loss. The gain or loss is calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate, meaning that the difference cannot be spread over the remaining life of the instrument;
- Annual Improvements 2015-2017 (effective 1 January 2019 *) – these amendments include minor changes to:
 - IFRS 3: Business Combinations – a company remeasures its previously held interest in a joint operation when it obtains control of the business;
 - IFRS 11: Joint Arrangements – a company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business;
 - IAS 12: Income Taxes – a company accounts for all income tax consequences of dividend payments in the same way; and
 - IAS 23: Borrowing Costs – a company treats as part of general borrowings any borrowing originally made to develop the asset when the asset is ready for its intended use or sale.
- Amendments to IAS 28: Investments in Associates on long term interests in associates and joint ventures (effective 1 January 2019 *) – these amendments clarify that companies account for long-term interests in associates and joint ventures to which the equity method is not applied using IFRS 9;
- Amendments to IAS 19: Employee Benefits on plan amendment, curtailment or settlement (effective 1 January 2019 *) – these amendments require an entity to:
 - Use updated assumptions to determine the current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement; and
 - Recognise in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognised because of the impact of the asset ceiling.

FP NEWHAVEN TWO LIMITED

ACCOUNTING POLICIES (continued)

New Accounting Standards (continued)

- IFRIC 23: Uncertainty over Income Tax Treatments (effective 1 January 2019 *) – this clarifies how the recognition and measurement requirements of IAS 12: Income Taxes are applied where there is uncertainty over tax treatments. The IFRS IC had clarified previously that IAS 12, not IAS 37: Provisions, Contingent Liabilities and Contingent Assets, applies to the accounting for uncertain tax treatments. IFRIS 23 explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over whether the treatment will be accepted by a tax authority, for example, a decision to claim a deduction for a specific expense or not to include a specific item of income; and
- IFRS 17: Insurance Contracts (effective 1 January 2021 *) – this standard replaces IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting for all entities that issue insurance contracts and investment contracts with discretionary participation features.

* EU endorsement for these standards, amendments and interpretations had not yet been announced by the time of approval of these accounts. These requirements are not available for early adoption until the completion of the endorsement process.

The Directors do not expect that the adoption of the Standards listed above will have an impact on the financial statements in future periods.

Revenue recognition

Revenue represents the income earned from the provision of property related management services. Such revenue is recorded once the service has been provided. Revenue excludes value added tax. The excess of amounts invoiced, over income recognised, is included within deferred income.

Investment Property

Investment property, principally comprising land, is held for long-term rental yields and is not occupied by the Company. Investment property is treated as a long-term investment and is carried at fair value determined annually. Changes in fair values are recorded in the Income Statement in accordance with IAS 40 and are included in other income, or taken directly to reserves as appropriate. If an investment property is transferred into operating property, it is transferred at the fair value at the date of transfer.

Investment in Subsidiary

Investments are stated at historical cost less provision for impairment. Costs include the fair value of the consideration paid.

FP NEWHAVEN TWO LIMITED

ACCOUNTING POLICIES (continued)

Trade Receivables

Trade receivables and accrued property income are carried at original invoice amount less an allowance made for impairment of these receivables. The Company recognises a loss allowance for expected credit losses on trade receivables. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Company always recognises lifetime Expected Credit Losses ('ECL's') for trade receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

Cash and Cash Equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts are included within borrowings in current liabilities on the balance sheet.

Trade Payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Share Capital

Ordinary shares are classified as equity.

Current Taxation

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the United Kingdom where the Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

The Company is part of the Forth Ports Limited group which includes a number of companies, which are part of a tax group for certain aspects of the tax legislation. One of these aspects relates to group relief whereby current tax credits can be offset by current tax profits arising in other companies within the same tax group. Payment for group relief is made equal to the tax benefit and amounts are included within the current tax disclosures.

FP NEWHAVEN TWO LIMITED

ACCOUNTING POLICIES (continued)

Critical Accounting Judgements, Key Assumptions and Estimation Uncertainty

In the application of the Company's accounting policies, the Directors are required to make judgements, estimates and assumptions concerning the carrying amounts of assets and liabilities that are not readily apparent from other sources. The Directors have concluded that there are no critical accounting judgements. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting period, that may result in a material adjustment to the carrying amounts of assets or liabilities within the next financial year, are discussed below.

- **Rental yields used to determine the fair value of the Company's investment property assets**

The fair value of the Company's investment properties are assessed at each balance sheet date and significant judgement is required to determine the yields used to derive the fair value for each property. In estimating the fair value of a property, the Company uses market-observable data to the extent that it is available. Where Level 2 inputs are not available, the Company uses appropriately qualified internal or external valuers to perform the valuation.

For information on valuation techniques and inputs used in the investment property valuation please refer to Note 7.

Risk Management

The Company's financial and capital risk management objectives can be found in the Director's Report.

FP NEWHAVEN TWO LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2018

1. Revenue

The analysis by class of business of the Company's UK revenue is set out below:

	2018 £000	2017 £000
Revenue		
Property related services (at a point in time)	141	120

2. Operating profit/(loss)

Services provided by the Company's auditor

During the year, and prior year, the Company obtained statutory audit services from the Company's auditor which have been paid by Forth Ports Limited.

3. Finance income

	2018 £000	2017 £000
Interest receivable from subsidiary company (Note 16)	58	51

Interest is charged on Company issued Loan Notes at a fixed rate of 6.00%, therefore, there is no residual risk from a movement in LIBOR.

4. Finance costs

	2018 £000	2017 £000
Interest payable to Forth Ports Limited (Note 16)	487	488

Interest is charged on Company borrowings at a fixed rate from the Group reflecting fixed group borrowing costs plus a fixed margin of 1.5% (2017 - 1.50%), therefore, there is no residual risk from a movement in LIBOR.

5. Directors and employees

The Company has no employees (2017 - none).

Directors' remuneration for services as Directors of the Company were £nil (2017 - £nil).

FP NEWHAVEN TWO LIMITED**NOTES TO THE ACCOUNTS (continued)****6. Taxation**

	2018 £000	2017 £000
(a) Analysis of tax credit for the year		
Current tax - credit for the year	(96)	(96)
Taxation	(96)	(96)

The tax for the year is lower than (2017 – lower than) the standard rate of corporation tax in the UK of 19% (2017 – 19.25 %). Any differences are explained below:

	2018 £000	2017 £000
(b) Factors affecting tax credit for the year		
Profit/(loss) before tax	2,379	(444)
Profit/(loss) multiplied by rate of corporation tax in the UK of 19% (2017 - 19.25 %)	452	(85)
Effects of:		
Non-taxable gain on disposal to partnership	(538)	-
Share of partnership taxable loss	(10)	(11)
Total taxation	(96)	(96)

Finance Act (No 2) 2015 set the UK corporate income tax rate for financial years 2017, 2018 and 2019 at 19%, and Finance Act 2016 has reduced the rate for financial year 2020 from 18% to 17%, which are the rates substantively enacted at the balance sheet date. Finance Act 2019 received Royal Assent in February 2019, but has no impact on the UK corporate income tax rates already enacted.

Current tax credits have been group relieved by the availability of profits in fellow subsidiaries for the years ended 31 December 2018 and 2017.

FP NEWHAVEN TWO LIMITED

NOTES TO THE ACCOUNTS (continued)

7. Investment property

	2018 £000	2017 £000
Valuation		
At 1 January	2,976	2,751
Additions	11,163	225
Disposals in year	(12,967)	-
At 31 December	1,172	2,976

The fair value of the Company's investment property at 31 December 2018 has been arrived at on the basis of a valuation carried out by the Directors at that date. With the investment property still being constructed at the balance sheet date there is no fair value uplift in the year. The historical cost of the Company's investment property is £1,172k (2017 - £2,976k).

8. Investment in subsidiary

	2018 £000	2017 £000
Cost at 1 January	4,211	4,211
Additions	3,949	-
Cost at 31 December	8,160	4,211

The addition in the year relates to the Company's investment in Western Harbour NHT LLP.

The Company owns 100% of the economic interest of Sandpiper Road NHT 2014 LLP, a partnership involved in the investment in residential property for rental purposes. The partnership is registered and domiciled in the United Kingdom. Sandpiper Road NHT 2014 LLP made a profit of £434k (2017 - £505k), with net assets attributable to members of £17,918k (2017 - £17,484k).

The registered office of Sandpiper Road NHT 2014 LLP is 1 Prince of Wales Dock, Edinburgh, EH6 7DX.

The Company also owns 100% of the economic interest of Western Harbour NHT LLP, a partnership involved in the investment in residential property for rental purposes. The partnership is registered and domiciled in the United Kingdom. Western Harbour NHT LLP made a loss of £3k (2017 - £nil), with net assets attributable to members of £16,021k (2017 - £nil).

The registered office of Western Harbour NHT LLP is 1 Prince of Wales Dock, Edinburgh, EH6 7DX.

9. Investments

	2018 £000	2017 £000
Loan notes to subsidiary company (Note 16)	1,632	842

FP NEWHAVEN TWO LIMITED**NOTES TO THE ACCOUNTS (continued)****10. Trade and other receivables**

	2018 £000	2017 £000
Other receivables	6	6
Amount due from subsidiary companies (Note 16)	543	265
	<u>549</u>	<u>271</u>

The intercompany receivable has been assessed for impairment under IFRS 9 and no ECL has been recognised.

11. Cash and cash equivalents

	2018 £000	2017 £000
Cash at bank and in hand	28	26

12. Trade and other payables

	2018 £000	2017 £000
Trade payables	227	-
Accruals and deferred income	21	15
Other payables	253	253
Amount due to intermediate parent company (Note 16)	9,022	8,752
	<u>9,523</u>	<u>9,020</u>

Trade payables are mainly contractually due to be paid within one month. Amounts due to group undertakings are payable on demand but are not expected to be fully paid within the next twelve months.

Other payable amounts represent retentions.

13. Trade and other payables - non-current liabilities

	2018 £000	2017 £000
Other payables	237	-

Other payable amounts represent retentions which are payable in 2020.

FP NEWHAVEN TWO LIMITED**NOTES TO THE ACCOUNTS (continued)****14. Ordinary Shares**

	2018 £000	2017 £000
Authorised		
100 "B" ordinary shares of £1	0	0
Allotted and unpaid		
2 "B" ordinary shares of £1	0	0

There is only one class of share which carries no right to fixed income.

15. Cash flow from operating activities

Reconciliation of profit/(loss) before tax to net cash inflow from operating activities:

	2018 £000	2017 £000
Profit/(loss) before tax	2,379	(444)
Adjustments for:		
- finance income	(58)	(51)
- finance costs	487	488
- gain on sale of investment property	(2,830)	-
Movements in working capital:		
(Increase)/decrease in receivables	(271)	3
Increase/(decrease) in payables	40	(13)
Cash used in operating activities	(253)	(17)

16. Related party transactions

The Company billed Sandpiper Road NHT 2014 LLP management fees of £123k (2017 - £120k). The Company received £51k (2017 - £51k) in interest on loan notes from Sandpiper Road NHT 2014 LLP. The balance due by Sandpiper Road NHT 2014 LLP on these loan notes at the year end was £842k (2017 - £842k). The balance due by Sandpiper Road NHT 2014 LLP on other amounts at the year end was £265k (2017 - £265k).

The Company also billed Western Harbour NHT LLP management fees of £18k (2017 - £nil). The Company received £7k (2017 - £nil) in interest on loan notes from Western Harbour NHT LLP. The balance due by Western Harbour NHT LLP on these loan notes at the year end was £790k (2017 - £nil). The balance due by Western Harbour NHT LLP on other amounts at the year end was £243k (2017 - £nil).

The balance due by Edinburgh Forthside Developments Limited was £35k (2017 - £nil).

The Company paid £487k (2017 - £488k) in interest on inter-company borrowings from Forth Ports Limited. The balance due to Forth Ports Limited at the year end was £9,022k (2017 - £8,752k).

FP NEWHAVEN TWO LIMITED

NOTES TO THE ACCOUNTS (continued)

17. Ultimate parent undertaking

Edinburgh Forthside Holdings Limited is the Company's immediate holding company.

Edinburgh Forthside Holdings Limited is 100% owned by Forth Ports Limited, a company incorporated in Scotland. Forth Ports Limited is the smallest group of undertakings for which Group accounts are available. Copies of the Forth Ports Limited consolidated accounts may be obtained from its principal place of business at 1 Prince of Wales Dock, Leith, Edinburgh EH6 7DX.

Forth Ports Limited is ultimately controlled by an affiliate of Public Sector Pension Investment Board, based in Canada. As Public Sector Pension Investment Board does not prepare consolidated accounts for public use the next most senior parent is Otter Ports Holdings Limited, with a registered office of Ugland House, South Church Street, George Town, Cayman Islands and copies of the consolidated accounts may be obtained from its principal place of business at 10 Bressenden Place, 8th floor, London, SW1E 5DH.