Northern Trust Group Limited

Annual report and consolidated financial statements

Registered number 2776907

31 March 2019

Contents

Strategic report

Objectives

To operate a profitable and successful business providing returns to shareholders.

Strategy

The principal strategy of the group is to continue to invest in the property portfolio with selective acquisitions. The portfolio is actively managed by our asset managers in five offices around the UK. The focus is on void reduction, rental growth and maintaining the estate through a comprehensive planned maintenance program.

The land and development portfolio is held as stock and consists of a sizeable land bank and also includes significant third party land interests in which we invest to add value and realise disposal gains.

Performance during the year

Group turnover increased to £47.2m *(2018: £46.6m).*

Income from investment property rentals and related services totalled £46.4m (*2018: £42.8m*) driven by further improvement in the occupational market, whilst realisations of land have decreased to £0.8m (*2018: £3.8m*).

Profit before tax decreased to £35.5m *(2018: £49.0m),* after an investment property revaluation of £14.1m (*2018: £36.1m*).

The profit including comprehensive income for the year was £27.7m *(2018: £43.2m).*

The consolidated balance sheet has net assets of £269.6m (*2018: £244.9m*) including investment properties of £521.7m *(2018: £492.9m)*. Net debt increased to £217.0m (*2018: £212.0m*).

Key performance indicators

The directors monitor performance through the production of a detailed annual budget, which covers all trading companies in the group, and the comparison of actual performance against this budget.

Additionally the directors monitor key performance indicators to ensure they are within acceptable parameters, these include:

- Rental and occupancy levels
- Operating profit
- Progress of planning applications
- Cash generated from operating activities

Principal risks and uncertainties

The main uncertainties associated with the business are the general level of economic activity, property rental yields and the level of interest rates. The directors believe that these present both risks and opportunities to the business.

The directors do not consider the business to be significantly impacted by Brexit but acknowledge there are uncertainties in the wider economy which may impact all UK companies going forward.

Position at the end of the year

The Group refinanced in June 2017 securing new loan facilities of £230m for a 5-year term. The Group and Company have a sound financial base and sufficient financial resources to meet the business's requirements.

By order of the board

ML Widders
Director

Lynton House
Ackhurst Park
Chorley
Lancashire
PR7 1NY

10 July 2019

Directors' report

The directors present their report, together with the financial statements, for the year ended 31 March 2019.

Principal activities

The principal activities of the Group during the year were property investment, property development and land holding.

The Company's principal activity is as a holding company.

Results and dividends

The profit after taxation attributable to shareholders is £29,149,000 *(2018: £42,977,000)* and has been transferred to reserves. £3,000,000 of dividends were declared in the current year (*2018: £3,000,000*).

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report. The Group has substantial financial resources and an investment property portfolio widely spread across geographic areas, with over three thousand tenants operating businesses across the range of economic sectors.

As a consequence, as set out in note 1, the directors believe that the Group is well placed to manage its business risks successfully. The directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Directors

The directors who served during the period were as follows:

TJ Hemmings (Chairman)
PL Hemmings
JC Kay
K Revitt
ML Widders

Employees

The Group's activities are geographically spread and local managers are responsible for employee relations and development on a day to day basis. This is supported by regular visits by senior executives who are available to explain and provide employees with information on matters of concern to them as employees and to enable their views to be taken into account.

It is the policy and practice of the Group to give equal consideration to applications for employment from disabled persons having regard to the particular aptitudes and abilities of the applicants concerned. The services of any existing employee who becomes disabled are retained wherever practicable.

Donations

The Group made charitable donations of £76,500 *(2018: £51,500)* in the year.

Directors' report *(continued)*

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all the steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

By order of the board

ML Widders
Director

Lynton House
Ackhurst Park
Chorley
Lancashire
PR7 1NY

10 July 2019

Statement of directors' responsibilities in respect of the Strategic report, Directors' report and the financial statements

The directors are responsible for preparing the Strategic report, Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the group and parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), 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 group and parent company and of their profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and 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;
- assess the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

KPMG LLP
1 St Peter's Square
Manchester
M2 3AE
United Kingdom

Independent auditor's report to the members of Northern Trust Group Limited

Opinion

We have audited the financial statements of Northern Trust Group Limited for the year ended 31 March 2019 which comprise the consolidated profit and loss account and other comprehensive income, consolidated statement of historical cost profits and losses, consolidated balance sheet, company balance sheet, consolidated statement of changes in equity, company statement of changes in equity, consolidated cash flow statement and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2019 and of the group's profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

The impact of uncertainties due to the UK exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, such as the valuation of fixed assets, related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the group or the company or to cease their operations, and as they have concluded that the group and the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

Independent auditor's report to the members of Northern Trust Group Limited *(continued)*

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the group's business model, including the impact of Brexit, and analysed how those risks might affect the group and company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the group or the company will continue in operation.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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 these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 4, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group and parent 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 they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

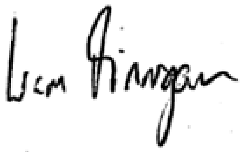
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Independent auditor's report to the members of Northern Trust Group Limited *(continued)*

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.



Liam Finnigan (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

One St Peter's Square
Manchester
M2 3AE

12 July 2019

Consolidated Profit and Loss Account and Other Comprehensive Income

for the year ended 31 March 2019

	Note	**2019** Excluding investment property revaluation £000	**2019** Investment Property Revaluation £000	**2019** Total £000	2018 Excluding investment property revaluation £000	2018 Investment Property Revaluation £000	2018 Total £000
Turnover	*1*	**47,200**	**-**	**47,200**	46,579	-	46,579
Cost of sales		**(11,682)**	**-**	**(11,682)**	(10,925)	-	(10,925)
Gross profit		**35,518**	**-**	**35,518**	35,654	-	35,654
Administrative expenses	*3*	**(6,947)**	**-**	**(6,947)**	(7,491)	-	(7,491)
Other operating income / (costs)	*2*	**306**	**-**	**306**	(34)	-	(34)
Investment property revaluation		**-**	**14,111**	**14,111**	-	36,082	36,082
Profit before interest		**28,877**	**14,111**	**42,988**	28,129	36,082	64,211
Interest receivable and similar income	*4*	**5**	**-**	**5**	13	-	13
Recurring interest payable and similar charges	*5*	**(7,541)**	**-**	**(7,541)**	(8,874)	-	(8,874)
Non-recurring interest payable and similar charges	*5*	**-**	**-**	**-**	(6,369)	-	(6,369)
Profit before taxation		**21,341**	**14,111**	**35,452**	12,899	36,082	48,981
Taxation on profit	*6*	**(3,981)**	**(2,322)**	**(6,303)**	(2,464)	(3,540)	(6,004)
Retained profit for the financial year		**17,360**	**11,789**	**29,149**	10,435	32,542	42,977
Other comprehensive income							
Re-measurement of the net defined benefit liability	*18*	**(1,799)**	**-**	**(1,799)**	253	-	253
Deferred tax on pension scheme liability	*16*	**306**	**-**	**306**	(43)	-	(43)
		15,867	**11,789**	**27,656**	10,645	32,542	43,187

The notes on pages 15 to 30 form part of the financial statements.

Consolidated Statement of Historical Cost Profits and Losses

for the year ended 31 March 2019

	2019 **£000**	2018 £000
Reported profit for the financial year before taxation	**35,452**	48,981
Realised surplus / (deficit) on sale of investment property	**49**	(227)
Historical cost profit on ordinary activities before taxation	**35,501**	48,754
Historical cost profit for the year retained after taxation	**29,198**	42,750

The notes on pages 15 to 30 form part of the financial statements.

Consolidated Balance Sheet
as at 31 March 2019

	Note	2019 £000	2019 £000	2018 £000	2018 £000
Fixed assets					
Tangible fixed assets	*10*		**524,832**		495,854
			524,832		495,854
Current assets					
Stocks	*12*	**10,629**		4,172	
Debtors	*13*	**11,064**		10,588	
Cash and cash equivalents	*14*	**12,395**		17,303	
		34,088		32,063	
Creditors: amounts falling due within one year	*15*	**(14,722)**		(12,327)	
Net current assets			**19,366**		19,736
Total assets less current liabilities			**544,198**		515,590
Creditors: amounts falling due after more than one year	*15*		**(243,526)**		(242,747)
Provisions for liabilities and charges	*16*		**(21,044)**		(18,719)
Pension scheme liabilities	*18*		**(10,068)**		(9,220)
Net assets			**269,560**		244,904
Capital and reserves					
Called up share capital	*17*		**28,150**		28,150
Investment property revaluation reserve			**189,942**		178,222
Profit and loss account			**51,468**		38,532
Equity shareholders' funds			**269,560**		244,904

Approved by the board of directors on 10 July 2019 and signed on its behalf by:

ML Widders
Director

Registered number 2776907

The notes on pages 15 to 30 form part of the financial statements.

Company Balance Sheet
as at 31 March 2019

	Note	2019 £000	2019 £000	2018 £000	2018 £000
Fixed assets					
Investments	*11*		**30,317**		30,317
			30,317		30,317
Current assets					
Debtors (including £50,362,000 *(2018: £44,884,000)* due after more than one year)	*13*	**50,366**		44,890	
Cash and cash equivalents	*14*	**-**		-	
		50,366		44,890	
Creditors: amounts falling due within one year	*15*	**(29,805)**		(27,891)	
Net current assets			**20,561**		16,999
Total assets less current liabilities			**50,878**		47,316
Net assets			**50,878**		47,316
Capital and reserves					
Called up share capital	*17*		**28,150**		28,150
Profit and loss account			**22,728**		19,166
Equity shareholders' funds			**50,878**		47,316

Approved by the board of directors on 10 July 2019 and signed on its behalf by:

ML Widders
Director

Registered number 2776907

The notes on pages 15 to 30 form part of the financial statements.

Consolidated Statement of Changes in Equity

	Called up share capital £000	Revaluation reserve £000	Profit & loss account £000	Total equity £000
Balance at 1 April 2017	28,150	145,752	30,815	204,717
Total comprehensive income for the period				
Profit for the period	-	-	42,977	42,977
Investment property revaluation	-	35,722	(35,722)	-
Deferred tax on revaluation	-	(3,479)	3,479	-
Actuarial gain	-	-	253	253
Deferred tax on pension liability	-	-	(43)	(43)
Realised deficit on disposal of investment properties	-	227	(227)	-
Total comprehensive income for the period	-	32,470	10,717	43,187
Transactions with owners recorded directly in equity				
Dividends paid	-	-	(3,000)	(3,000)
Balance at 31 March 2018	**28,150**	**178,222**	**38,532**	**244,904**
Balance at 1 April 2018	28,150	178,222	38,532	244,904
Total comprehensive income for the period				
Profit for the period	-	-	29,149	29,149
Investment property revaluation	-	14,086	(14,086)	-
Deferred tax on revaluation	-	(2,317)	2,317	-
Actuarial loss	-	-	(1,799)	(1,799)
Deferred tax on pension liability	-	-	306	306
Realised surplus on disposal of investment properties	-	(49)	49	-
Total comprehensive income for the period	-	11,720	15,936	27,656
Transactions with owners recorded directly in equity				
Dividends paid and proposed	-	-	(3,000)	(3,000)
Balance at 31 March 2019	**28,150**	**189,942**	**51,468**	**269,560**

The notes on pages 15 to 30 form part of the Financial Statements.

Company Statement of Changes in Equity

	Called up share capital £000	Profit & loss account £000	Total equity £000
Balance at 1 April 2017	28,150	14,800	42,950
Total comprehensive income for the period			
Profit for the period	-	7,366	7,366
Transactions with owners recorded directly in equity			
Dividends paid	-	(3,000)	(3,000)
Balance at 31 March 2018	**28,150**	**19,166**	**47,316**
Balance at 1 April 2018	28,150	19,166	47,316
Total comprehensive income for the period			
Profit for the period	-	6,562	6,562
Transactions with owners recorded directly in equity			
Dividends paid and proposed	-	(3,000)	(3,000)
Balance at 31 March 2019	**28,150**	**22,728**	**50,878**

The notes on pages 15 to 30 form part of the Financial Statements.

Consolidated Cash Flow Statement

for the year ended 31 March 2019

	2019 £000	2018 £000
Cash flows from operating activities		
Profit for the year	**29,149**	42,977
Adjustments for:		
Depreciation, amortisation and impairment	**259**	205
Interest receivable and similar income	**(5)**	(13)
Interest payable and similar charges	**7,541**	15,243
Revaluation	**(14,111)**	(36,082)
(Profit) / loss on sale of investment properties and fixed assets	**(306)**	34
Taxation	**6,303**	6,004
	28,830	28,368
(Increase) / decrease in trade and other debtors	**(476)**	1,306
Increase in stocks	**(6,457)**	(1,469)
Increase / (decrease) in trade and other creditors	**5**	(969)
Tax paid	**(3,029)**	(1,640)
Pension scheme contributions	**(1,300)**	(1,300)
Net cash from operating activities	**17,573**	24,296
Cash flows from investing activities		
Proceeds from sale of tangible fixed assets	**1,380**	9,007
Capital grants received	**630**	631
Interest received	**5**	13
Acquisition of tangible fixed assets	**(16,200)**	(26,950)
Net cash from investing activities	**(14,185)**	(17,299)
Cash flows from financing activities		
Proceeds from new loan	**-**	229,268
Loan repayments	**-**	(218,030)
Interest paid	**(7,296)**	(9,781)
Bank facility break costs	**-**	(3,978)
Dividends paid	**(1,000)**	(3,000)
Net cash from financing activities	**(8,296)**	(5,521)
Net (decrease) / increase in cash and cash equivalents	**(4,908)**	1,476
Cash and cash equivalents at 1 April 2018	**17,303**	15,827
Cash and cash equivalents at 31 March 2019	**12,395**	17,303

The notes on pages 15 to 30 form part of the Financial Statements.

Notes to the financial statements

1 Statement of accounting policies

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards, under the historical cost convention and within the requirements of the Companies Act 2006, subject to the revaluation of investment properties.

The group and parent company financial statements are prepared in accordance with Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102") as issued in August 2014.

The parent company is included in the consolidated financial statements of Northern Trust Group 1 Limited and is considered to be a qualifying entity under FRS 102 paragraphs 1.8 to 1.12. The following exemptions available under FRS 102 in respect of certain disclosures for the parent company financial statements have been applied:

- No separate parent company cash flow statement with related notes is included;
- Not to disclose transactions with subsidiary undertakings of Northern Trust Group 1 Limited; and
- Key Management Personnel compensation has not been included a second time.

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

Going concern

The group's activities are funded through a combination of bank facilities and cash generated from operations. In the current and prior years, the Group has complied with the terms of its bank facility.

The directors have prepared detailed forecasts which show that the Group will continue to operate within the terms of its facilities for the foreseeable future. On this basis, they have continued to adopt the going concern basis in preparing the financial statements.

The directors do not consider the business to be significantly impacted by Brexit but acknowledge there are uncertainties in the wider economy which may impact all UK companies going forward.

Basis of consolidation

The consolidated financial statements include the financial statements of the company and its subsidiary undertakings made up to 31 March 2019.

Under Section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account.

In the Company financial statements, investments in subsidiaries are carried at cost less impairment.

Basic financial instruments

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. 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, less any impairment losses in the case of trade debtors. 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 *(continued)*

1 Statement of accounting policies *(continued)*

Interest-bearing borrowings classified as basic financial instruments

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

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.

Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to third party customers during the year. All turnover arises in the United Kingdom.

Investment properties

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Investment properties are recognised initially at cost.

Investment properties are held at fair value. Any gains or losses arising from changes in the fair value are recognised as profit or loss in the period that they arise.

Subsequent to initial recognition no depreciation is provided in respect of investment properties applying the fair value model.

Revaluation reserve

Where tangible fixed assets are revalued or reclassified as investment property, the cumulative increase in the fair value of the property at the date of reclassification in excess of cost is included in the revaluation reserve.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets, for example land is treated separately from buildings.

The Company assesses at each reporting date whether tangible fixed assets (including those leased under a finance lease) are impaired.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated. The depreciation rates are as follows:

Short leasehold	- Over the period of the lease
CCTV	- 10%
Plant and machinery	- 15%
Computer equipment	- 20%
Motor vehicles	- 25%

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the company expects to consume an asset's future economic benefits.

Stocks and work in progress

Stocks and work in progress are stated at the lower of cost, including all relevant overhead expenditure, and net realisable value.

Notes *(continued)*

1 Statement of accounting policies *(continued)*

Government grants

Government grants are included within accruals and deferred income in the balance sheet and credited to the profit and loss account over the expected useful lives of the assets to which they relate or in periods in which the related costs are incurred. Where the grants relate to assets which are not depreciated, the grants are held as deferred income and released to the profit and loss account on sale of the assets to which they relate.

Discontinued operations

Discontinued operations are components of the group that have been disposed of at the reporting date and previously represented a separate major line of business or geographical area of operation or were subsidiaries acquired exclusively with a view to resale.

They are included in the profit and loss account in a separate column for the current and comparative periods, including the gain or loss on sale.

Employee benefits

Defined contribution plans and other long term employee benefits

The company operates defined contribution pension schemes for the benefit of certain of its employees. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

Defined benefit plans

The group operates a defined benefit pension scheme and the pension charge is based on a 'best estimate' basis, reflecting market expectations of financial yields and related factors at the balance sheet date. The fair value of any plan assets is deducted. The group determines the net interest expense/(income) on the net defined benefit liability/(asset) for the period by applying the discount rate as determined at the beginning of the annual period to the net defined benefit liability/(asset) taking account of changes arising as a result of contributions and benefit payments.

The discount rate is the yield at the balance sheet date on AA rated corporate bonds that have maturity dates approximating to the terms of the group's obligations. A valuation is performed annually by a qualified actuary. The group recognises net defined benefit plan assets to the extent that it is able to recover the surplus either through reduced contributions in the future or through refunds from the plan.

Changes in the net defined benefit liability arising from the net interest on net defined benefit liability during the period are recognised in profit or loss.

Re-measurement of the net defined benefit liability/asset is recognised in other comprehensive income in the period in which it occurs.

Provisions

A provision is recognised in the balance sheet when the entity has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

Expenses

Interest receivable and Interest payable

Interest payable and similar charges include interest payable.

Other interest receivable and similar income include interest receivable on funds invested.

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method.

Notes *(continued)*

1 Statement of 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, 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.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. For non-depreciable assets that are measured using the revaluation model, or investment property that is measured at fair value, deferred tax is provided at the rates and allowances applicable to the sale of the asset/property. Deferred tax balances are not discounted.

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.

Leases

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors. Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

2 Other operating income / (costs)

Other operating income / (costs) form part of the group's normal trading activities and comprise the following:

	2019	2018
	£000	£000
Profit / (loss) on disposal of investment properties	**306**	(35)
Profit on disposal of other fixed assets	**-**	1
	306	(34)

3 Expenses and auditor's remuneration

Administrative expenses include:

	2019	2018
	£000	£000
Depreciation of fixed assets	**259**	205
Auditor's remuneration:		
Fees payable for the audit of the Company's annual accounts	**20**	25
Fees payable to the Company's auditor and its associates for other services:		
The audit of the Company's subsidiaries pursuant to legislation	**53**	45
Tax services (Company and subsidiaries)	**86**	124

Notes *(continued)*

4 Interest receivable and similar income

	2019	2018
	£000	£000
Bank interest receivable	**5**	13
	5	13

5 Interest payable and similar charges

	2019	2018
	£000	£000
On bank loans and overdrafts	**7,316**	8,616
Net financing costs in respect of pension scheme	**225**	258
Recurring interest payable and similar charges	**7,541**	8,874
Loan arrangement fees written off in respect of previous facility	**-**	2,391
Bank facility break costs	**-**	3,978
Non-recurring interest payable and similar charges	**-**	6,369
Total interest payable and similar charges	**7,541**	15,243

6 Taxation on profit on ordinary activities

	2019	2018
	£000	£000
UK Corporation tax at 19% *(2018: 19%)*:		
Current year	**3,684**	2,196
Adjustment relating to prior year	**(12)**	(32)
Total current tax charge for the year	**3,672**	2,164
Deferred tax		
Origination and reversal of timing differences	**2,620**	3,839
Adjustment in respect of prior period	**11**	1
Total deferred tax charge for the year	**2,631**	3,840
Total tax charge for the year	**6,303**	6,004

Notes *(continued)*

6 Taxation on profit on ordinary activities *(continued)*

The current tax charge for the year is lower *(2018: lower)* than the standard rate of corporation tax in the UK of 19% (*2018: 19%*). The differences are explained below:

	2019	2018
	£000	£000
Profit for the year	**29,149**	42,977
Tax expense	**6,303**	6,004
Profit on ordinary activities before taxation	**35,452**	48,981
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19% *(2018: 19%)*	**6,736**	9,306
Effects of:		
Capital gains	**(112)**	3,965
Expenses not deductible for tax purposes	**4**	5
Income not taxable	**-**	(6,787)
Group relief claimed	**(1,886)**	(310)
Payment for group relief	**1,871**	310
Adjustment in respect of previous years	**(12)**	(32)
Adjustment in respect of previous years – deferred tax	**11**	1
Deferred tax not recognised	**-**	(2)
Other differences	**(309)**	(452)
Total tax expense included in profit or loss	**6,303**	6,004

A reduction in the UK corporation tax rate from 19% to 18% (effective 1 April 2020) was substantively enacted on 26 October 2015. A further reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly. The deferred tax liability at 31 March 2019 has been calculated based on the rate of 17% being the rate substantively enacted at the balance sheet date.

7 Company result for the financial year

Under s408 of the Companies Act 2006 Northern Trust Group Limited is exempt from the requirement to present its own profit and loss account. The profit for the financial year dealt within the accounts of the holding company is £6,562,000 *(2018: £7,366,000)*. With the exception of the profit for the financial year there were no other recognised gains and losses in the Company, nor was there a difference between the historical cost profit and that noted above.

8 Staff numbers and costs

The average number of persons employed by the group during the year, including directors, was:

Group	**2019**	2018
	Number	Number
Operational	**19**	15
Management and administration	**64**	72
	83	87

Notes *(continued)*

8 Staff numbers and costs *(continued)*

	2019	2018
	£000	£000
Employee costs:		
Wages and salaries	**3,450**	3,373
Social security costs	**360**	358
Other pension costs	**164**	154
	3,974	3,885

Company

	Number	Number
Management	**-**	-

The Company had no employees in either year.

9 Directors' remuneration

The remuneration of the Company's directors, paid by the group was:

	2019	2018
	£000	£000
Directors' emoluments:		
For services as directors	**165**	161
Company contributions to defined contribution pension schemes	**13**	13
Total	**178**	174

The number of directors to whom benefits are accruing under the defined contribution schemes is one (*2018: one*).

The aggregate of emoluments and benefits received by the highest paid director was £165,000 (*2018: £161,000*) and company pension contributions of £13,000 (*2018: £13,000*) were made on their behalf.

Notes *(continued)*

10 Tangible fixed assets

	Land and buildings			
	Investment properties	Fixed assets	Plant and Equipment	Total
Group	**£000**	**£000**	**£000**	**£000**
Cost or valuation				
Opening balance at 1 April 2018	492,927	2,288	3,514	498,729
Additions	15,779	-	421	16,200
Revaluation	14,104	7	-	14,111
Disposals	(1,074)	-	(134)	(1,208)
At 31 March 2019	**521,736**	**2,295**	**3,801**	**527,832**
Depreciation				
Opening balance at 1 April 2018	-	-	2,875	2,875
Charge for year	-	-	259	259
On disposals	-	-	(134)	(134)
At 31 March 2019	**-**	**-**	**3,000**	**3,000**
Net book value				
At 31 March 2019	**521,736**	**2,295**	**801**	**524,832**
At 1 April 2018	492,927	2,288	639	495,854

At 31 March 2019, the investment properties were revalued to open market value by the directors.

If stated under historical cost principles the comparable amounts for investment properties would be:

	2019	2018
	£000	£000
Cost and net book value	**295,415**	280,901

11 Fixed asset investments

	Shares in subsidiary Undertakings
	£000
Company	
At the beginning and end of the year	**30,317**

The principal subsidiary and associated undertakings of the group are set out in note 22.

12 Stocks

	Group	
	2019	2018
	£000	£000
Work in progress and development land	**10,629**	4,172

Notes *(continued)*

13 Debtors

	Group 2019 £000	Group 2018 £000	Company 2019 £000	Company 2018 £000
Amounts falling due within one year:				
Trade debtors	**2,657**	2,099	**-**	-
Other debtors	**7,817**	6,704	**4**	6
Prepayments and accrued income	**527**	654	**-**	-
Amounts owed by related parties	**63**	1,131	**-**	-
	11,064	10,588	**4**	6
Amounts falling due after one year:				
Amounts owed by subsidiary undertakings	**-**	-	**50,362**	44,884
Total debtors	**11,064**	10,588	**50,366**	44,890

14 Cash and cash equivalents

	Group 2019 £000	Group 2018 £000	Company 2019 £000	Company 2018 £000
Cash at bank and in hand	**12,395**	17,303	**-**	-

15 Creditors

	Group 2019 £000	Group 2018 £000	Company 2019 £000	Company 2018 £000
Amounts falling due within one year:				
Trade creditors	**1,619**	1,959	**-**	-
Amounts owed to subsidiary undertakings	**-**	-	**27,805**	27,891
Other taxes and social security	**919**	1,118	**-**	-
Corporation tax	**512**	606	**-**	-
Other creditors	**130**	138	**-**	-
Accruals and deferred income	**9,213**	6,929	**2,000**	-
Amounts owed to related parties	**946**	214	**-**	-
Interest payable	**1,383**	1,363	**-**	-
	14,722	12,327	**29,805**	27,891
Amounts falling due after more than one year:				
Accruals and deferred income	**14,108**	13,479	**-**	-
Bank loan	**229,418**	229,268	**-**	-
	243,526	242,747	**-**	-

Notes *(continued)*

15 Creditors *(continued)*

The amounts owed to subsidiary undertakings are unsecured, repayable on demand and bear interest at a commercial rate.

The accruals and deferred income due after one year relates entirely to grants over investment properties.

On 5th June 2017 the Group completed the refinancing of its bank facilities securing new loan facilities of £230m for a 5-year term. The bank loan is repayable on 20th June 2022 and is secured by fixed and floating charges over the Group's assets. Interest is payable on the bank loan at a fixed rate of 0.681% plus a margin.

	Group		Company	
	2019	2018	**2019**	2018
	£000	£000	**£000**	£000
Bank loan payable:				
Between two and five years	**229,418**	229,268	**-**	-
	229,418	229,268	**-**	-

16 Provisions for liabilities and charges

Group
The amount provided for as a deferred tax liability at 17% *(2018: 17%)* is set out below:

	£000
Deferred tax liability at beginning of year	18,719
Credit to other comprehensive income	(306)
Charge to the profit and loss account	2,631
At end of year	21,044

The elements of deferred taxation are as follows:

	2019	2018
	£000	£000
Accelerated capital allowances	**3,337**	3,232
Other short term timing differences	**(1,716)**	(1,570)
Tax losses carried forward	**(2,844)**	(2,888)
Capital gains	**22,267**	19,945
Deferred tax liability	**21,044**	18,719

17 Called up share capital

	2019	2018
	£000	£000
Allotted, called up and fully paid		
28,150,019 ordinary shares of £1 each	**28,150**	28,150

Notes *(continued)*

18 Pensions

Defined contribution pension scheme

Certain of the Group's employees are members of defined contribution pension schemes. The assets of the schemes are held separately from those of the Group in independently administered funds. The pension costs charge represents pension contributions payable by the Group to the funds and amounted to £164,000 *(2018: £154,000)*. There were contributions outstanding at the end of the financial year of £23,000 *(2018: £21,000)*.

Defined benefit pension scheme

The Group operates a defined benefits pension scheme in respect of previous employees. The assets of the scheme are administered by trustees in a fund separate from those of the Group. The contributions are determined by a qualified actuary on the basis of triennial valuations using the projected unit method.

At the date of the latest actuarial valuation at 31 December 2016, the market value of the assets of the scheme was £24,766,000 and the actuarial value of the assets represented 73% of the benefits accrued to members, after allowing for expected future increases in earnings. There was a deficit of £9,014,000.

During the year the Group made deficit shortfall contributions of £1,300,000 (*2018: £1,300,000*).

The results of the formal actuarial valuation as at 31 December 2016 were updated to 31 March 2019 by an independent qualified actuary in accordance with FRS 102.

The overall deficit in the scheme may be analysed as follows:

Net pension liability

	2019 **£000**	2018 £000
Defined benefit obligation	**(38,126)**	(35,887)
Plan assets	**28,058**	26,667
Net Pension liability	**(10,068)**	(9,220)

Movements in present value of defined benefit obligation

	2019 **£000**	2018 £000
At 1 April 2018	**35,887**	35,890
Interest cost	**918**	935
Loss on benefit obligations	**114**	-
Changes to demographic assumptions	**305**	-
Changes to financial assumptions	**2,100**	294
Benefits paid	**(1,198)**	(1,232)
At 31 March 2019	**38,126**	35,887

Notes *(continued)*

18 Pensions *(continued)*

Defined benefit pension scheme *(continued)*

Movements in fair value of plan assets

	2019 £000	2018 £000
At 1 April 2018	**26,667**	25,643
Return on plan assets less interest	**720**	547
Administration costs	**(124)**	(268)
Contributions by employer	**1,300**	1,300
Benefits paid	**(1,198)**	(1,232)
Interest on assets	**693**	677
At 31 March 2019	**28,058**	26,667

Expense recognised in the profit and loss account

	2019 £000	2018 £000
Administration costs	**(124)**	(268)
Net financing costs in respect of pension scheme	**(225)**	(258)
Total expense recognised in profit or loss	**(349)**	(526)

The expense is recognised in the following line items in the profit and loss account:

	2019 £000	2018 £000
Interest payable and similar charges	**(225)**	(258)
Administrative expenses	**(124)**	(268)

The total amount recognised in the statement of other comprehensive income in respect of actuarial gains / losses is a loss of £1,799,000 *(2018: £253,000 gain).*

Scheme assets

The fair values of the scheme's assets, which are not intended to be realised in the short term and may be subject to significant change before they are realised, were:

	Value at 2019 £000	Value at 2018 £000
Equities	**15,191**	14,578
Bonds	**3,025**	2,247
Property	**4,735**	4,735
Other – Cash	**835**	1,473
Other and alternatives	**4,272**	3,634
Total market value of assets	**28,058**	26,667
Actual return on plan assets	**1,289**	956

Notes *(continued)*

18 Pensions *(continued)*

Defined benefit pension scheme *(continued)*

Scheme assets *(continued)*

Principal actuarial assumptions used by the actuary in this valuation at the year end were as follows:

	2019	2018
	%	%
Discount rate	**2.40**	2.60
Inflation assumption (RPI)	**3.55**	3.40
Rate of increase in pensions in payment and deferred pensions	**3.40**	3.25

The assumptions used by the actuary are the best estimates chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice.

In valuing the liabilities of the pension fund at 31 March 2019, mortality assumptions have been made as indicated below.

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard actuarial mortality tables and projections. The assumed future life expectancies are as follows:

Current male pensioner aged 60: 26.8 years

Future male pensioner aged 40: 28.7 years

19 Operating leases

Leases as lessee:

Non-cancellable operating lease rentals are payable as follows:

	Group		**Company**	
	2019	2018	**2019**	2018
	£000	£000	**£000**	£000
Less than one year	**117**	139	-	-
Between one and five years	**152**	236	-	-
	269	375	-	-

During the year £141,000 was recognised as an expense in the profit and loss account in respect of operating leases (*2018: £168,000*).

Leases as lessor:

The investment properties are let under operating leases. The future minimum lease payments receivable under non-cancellable leases are as follows:

	Group		**Company**	
	2019	2018	**2019**	2018
	£000	£000	**£000**	£000
Less than one year	**26,077**	25,654	-	-
Between one and five years	**28,539**	30,455	-	-
More than five years	**10,567**	10,534	-	-
	65,183	66,643	-	-

Notes *(continued)*

20 Contingent liabilities

The Company is party to group banking arrangements for Northern Trust Company Limited. Consequently, it is jointly and severally liable for the loans and overdrafts of Northern Trust Company Limited and certain of its fellow subsidiary undertakings. At 31 March 2019, the liability under this guarantee amounted to £219,609,000 (*2018: £214,699,000*).

21 Related party transactions

Hemway Limited

During the year the Group paid management fees of £800,000 *(2018: £800,000)* to Hemway Limited. There was no amount outstanding at either year end.

Trust Inns Limited

During the year the Group has received rental income of £78,800 *(2018: £78,800)* from Trust Inns Limited. The Group charged fees during the year of £15,000 (*2018: £15,000*) to Trust Inns Limited for services provided by the Group. There was no balance outstanding at either year end.

Classic Lodges Limited

During the year the Group received rental income from Classic Lodges Limited of £4,000 *(2018: £22,000).* The Group charged fees during the year of £24,000 (*2018: £48,000)* to Classic Lodges Limited for services provided by the Group. £2,000 was due from Classic Lodges Limited at the year end *(2018: £11,000).*

During the year the Group made purchases of £4,000 *(2018: £nil)* from Classic Lodges. There was no amount outstanding at either year end. During the year the Group claimed tax losses of £9,000 *(2018: £ nil)* from Classic Lodges Limited. At the year end an amount of £1,000 *(2018: £ nil)* was due from Classic Lodges Limited in respect of tax losses claimed.

Cleator Manor Limited

During the year the Group incurred expenses in relation to a promotional agreement with Cleator Manor Limited. At the year end an amount of £10,000 *(2018: £880,000)* was included in related party debtors for costs outstanding, which are expected to be reimbursed under the promotional agreement.

Trustair Limited

During the year the Group claimed tax losses of £76,000 *(2018: £60,000)* from Trustair Limited. At the year end an amount of £76,000 *(2018: £60,000)* was outstanding in respect of tax losses claimed. During the year the Group incurred expense in relation to hiring aircraft from Trustair Limited of £nil *(2018: £8,000).* £nil *(2018: £6,000)* was outstanding in respect of this at the year end.

Ambrose Hire Limited

The Group charged fees during the year of £5,000 *(2018: £5,000)* to Ambrose Hire Limited for services provided and made purchases of £49,000 *(2018: £23,000)* from Ambrose Hire Limited. There was an amount due to Ambrose Hire Limited of £6,000 *(2018: £5,000)* at the year end.

At the year end £51,000 *(2018:£51,000)* is due from Ambrose hire in respect of tax losses surrendered.

Preston North End Football Club Limited

During the year the Group claimed tax losses of £1,786,000 *(2018: £242,000)* from Preston North End Football Club Limited. At the year end an amount of £916,000 *(2018: £135,000)* was outstanding in respect of tax losses claimed.

Notes *(continued)*

21 Related party transactions *(continued)*

Gleadhill House Stud Limited

At the year end an amount of £50,000 *(2018: £240,000)* was due from Gleadhill House Stud Limited in respect of residential housing development cost recharges.

There was a loan outstanding from Gleadhill House Stud Limited of £1,146,000 at the year end *(2018: £1,146,000)* which is fully provided against by the Group.

Cuerden Leisure Limited

During the year the Group claimed tax losses with a value of £nil *(2018: £8,000)* from Cuerden Leisure Limited.

At the year end an amount of £nil *(2018: £8,000)* was outstanding in respect of tax losses surrendered.

Wordon Limited

During the year management fees of £600,000 (*2018: £600,000)* were paid to Wordon Limited. Nothing was owed to Wordon Limited at the current or prior year end.

The TJH Foundation Limited

During the year a charitable donation of £76,500 (*2018:£51,500)* was made to The TJH Foundation Limited.

Transactions with key management personnel

Total compensation of key management personnel (including the directors) in the year amounted to £596,000 (*2018: £574,000).*

The family interests of Mr T J Hemmings are shareholders in the ultimate parent company of Northern Trust Group Limited and the above companies or their ultimate parent company.

22 Principal operating subsidiary and associated undertakings included in the consolidated accounts

The principal operating subsidiary and associated undertakings at 31 March 2019 are set out below. All operate in the United Kingdom and are registered in England.

Subsidiary undertakings	**Class of capital and percentage held**	**Activity**
Northern Trust Company Limited*	Ordinary 100%	Property investment
Metacre Limited	Ordinary 100%	Land investment
Lanley Developments Limited*	Ordinary 100%	Develops and sells residential housing
Brad Estates Limited*	Ordinary 100%	Property investment
Whittle Jones Group Limited	Ordinary 100%	Dormant company
Barrington Court Management Company Limited	Ordinary 60%	Dormant company

*Interest held directly by Northern Trust Group Limited

The registered office of all the subsidiary undertakings listed above is Lynton House, Ackhurst Park, Chorley, PR7 1NY.

Cairn Hotels Limited and Victory Park Holdings Limited were dissolved during the year.

Notes *(continued)*

23 Parent undertaking and controlling party

The ultimate controlling party is Wordon Limited, a company incorporated in the Isle of Man and wholly owned by the family interests of Mr TJ Hemmings. Wordon Limited does not prepare consolidated accounts.

The ultimate parent company in the UK is Northern Trust Group 1 Limited, a company registered in England and Wales.

The largest group in which the results of the company are consolidated is that headed by Northern Trust Group 1 Limited. The consolidated financial statements of Northern Trust Group 1 Limited are available to the public and may be obtained from: The Registrar of Companies, Companies House, Crown Way, CARDIFF, CF14 3UZ.