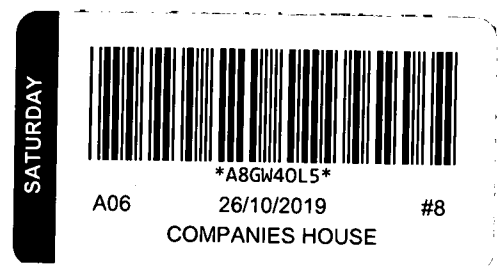


Company Registration No. 06653349

**OPTIMISATION DEVELOPMENTS LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE 52 WEEKS ENDED 3 FEBRUARY 2019**



# OPTIMISATION DEVELOPMENTS LIMITED

## COMPANY INFORMATION

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**Directors**

J Burke  
J Goff

**Secretary**

J Burke

**Company number**

06653349

**Registered office**

Hilmore House  
71 Gain Lane  
Bradford  
West Yorkshire  
England  
BD3 7DL

**Independent auditors**

PricewaterhouseCoopers LLP  
Central Square  
29 Wellington Street  
Leeds  
West Yorkshire  
England  
LS1 4DL

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# OPTIMISATION DEVELOPMENTS LIMITED

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# OPTIMISATION DEVELOPMENTS LIMITED

## STRATEGIC REPORT

**FOR THE 52 WEEKS ENDED 3 FEBRUARY 2019**

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The Directors present their Strategic report and the Company's audited financial statements for the period ended 3 February 2019. These financial statements are prepared under United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101).

The term 'Company' refers to Optimisation Developments Limited and the term 'Group' refers to Wm Morrison Supermarkets PLC and its subsidiary undertakings.

### **Principal activities and future developments**

The principal activity of the Company is that of property development. The Company is expected to continue with its principal activity for the foreseeable future.

### **Results and dividends**

The profit for the financial period amounted to £52,208,000 (2018: £11,101,000). In the period, an exceptional credit of £51,000,000 (2018: £nil) has been recognised relating to the release of amounts owed to Group undertakings relating to the Group's pipeline sites. In addition, as part of the sale process for one of the Company's sites, a previous impairment of £3,248,000 (2018: £nil) was reversed and recognised as an exceptional item.

The prior year includes an exceptional credit of £26,061,000 relating to movements in provisions for certain sites.

The Directors did not authorise a dividend to be paid during the period (2018: £nil).

At the end of the period the Company had net liabilities of £105,591,000 (2018: £157,799,000), arising as a result from previous impairment of work in progress and provisions for onerous contracts. There has been no further impairment in the 52 weeks ended 3 February 2019 (2018: £nil).

### **Post balance sheet events**

On 1 August 2019, the Company sold a site to Wm Morrison Supermarkets PLC, the Company's parent undertaking, for consideration of £1,177,000. The profit or loss on disposal for this site will be recognised in the 52 weeks ended 2 February 2020.

The Directors consider this transaction to be a non-adjusting post balance sheet event.

### **Principal risks and uncertainties**

From the perspective of the Company, the principal risks and uncertainties are integrated with the principal risks and uncertainties of the Group and are not managed separately. Accordingly, the principal risks and uncertainties of the Group, which include those of the Company, are disclosed on pages 24 and 25 of the Wm Morrison Supermarkets PLC Annual Report and Financial Statements 2018/19, which does not form part of this report.

### **Key Performance Indicators (KPIs)**

The KPIs of the Company are integrated with those of the Group and are not managed separately. The KPIs of the Group, which include those of the Company, are disclosed on pages 1, 5, 18, 19 and 20 of the Wm Morrison Supermarkets PLC Annual Report and Financial Statements 2018/19, which does not form part of this report.

### **Approval of the Strategic report**

The Strategic report was approved by the Board and signed on its behalf by:



J Burke  
Director

22 October 2019

# **OPTIMISATION DEVELOPMENTS LIMITED**

## **DIRECTORS' REPORT**

### **FOR THE 52 WEEKS ENDED 3 FEBRUARY 2019**

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The Directors present their Annual Report and the Company's audited financial statements for the 52 weeks ended 3 February 2019. These financial statements are prepared under United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101).

The term 'Company' refers to Optimisation Developments Limited and the term 'Group' refers to Wm Morrison Supermarkets PLC and its subsidiary undertakings.

#### **Matters discussed in the Strategic report**

The Directors have chosen to present certain requirements of the Directors report within the Strategic report on page 1 of the financial statements, including the Company's principal activity, business review and details of proposed dividends.

#### **Directors and their interests**

The Directors who held office during the period and up to the date of signing of the financial statements were as follows:

|          |                            |
|----------|----------------------------|
| T Strain | (Resigned 2 January 2019)  |
| J Burke  |                            |
| J Goff   | (Appointed 2 January 2019) |

The Company is ultimately wholly owned by Wm Morrison Supermarkets PLC and none of the Directors who held office at the period end held any interest in the shares of the Company or any of its subsidiaries. The interest in the shares of the ultimate parent undertaking held by Directors of that Company is disclosed in the Wm Morrison Supermarkets PLC Annual Report and Financial Statements 2018/19, which does not form part of this report.

At no time during the period or subsequently did any Director have a material interest in any contract or arrangement with the Company or any of its subsidiaries which was significant in relation to the Group's business.

#### **Directors' and Officers' liability insurance**

The Group maintains insurance cover for the protection of Directors and senior management from personal liabilities and costs which may arise in the course of fulfilling their duties. This insurance was in force during the 52 weeks ended 3 February 2019 and to the date of approval of the Company financial statements.

#### **Internal control**

The Board is responsible for the system of internal control within the Company and for reviewing its effectiveness. The control system is intended to manage rather than eliminate the risk of not meeting the Company's strategic objectives. Any such system can only provide reasonable, not absolute, assurance against material misstatement or loss.

#### **Corporate and social responsibility**

The Group recognises the importance of its corporate and social responsibilities, monitors its impact on the environment and designs and implements policies to reduce any damage that might be caused by the Group's activities. The Company operates in accordance with Group policies, which are described in the Group's Annual Report and Financial Statements which do not form part of this report. Initiatives designed to minimise the Company's impact on the environment include recycling and reducing energy consumption.

#### **Political donations**

There were no political donations for the period (2018: none) and the Company did not incur any political expenditure (2018: £nil).

# **OPTIMISATION DEVELOPMENTS LIMITED**

## **DIRECTORS' REPORT (CONTINUED)**

***FOR THE 52 WEEKS ENDED 3 FEBRUARY 2019***

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### **Going concern**

The Directors' assessment of the Company's ability to continue as a going concern has taken into consideration the effect that the current economic climate has on the Group.

Notwithstanding net current liabilities of £106,152,000 (2018: £158,360,000) and net liabilities of £105,591,000 (2018: £157,799,000), these financial statements have been prepared on a going concern basis.

The Company is an indirect subsidiary undertaking of Wm Morrison Supermarkets PLC. Wm Morrison Supermarkets PLC has indicated its intention to provide such financial support as may be necessary for the foreseeable future and at least twelve months from the date of signing the financial statements and, in particular, not to demand repayment of amounts currently outstanding.

### **Financial risk management**

The financial risk management and policies of the Company are consistent with those of the Group. For further details, see pages 99 and 100 of the Wm Morrison Supermarkets PLC Annual Report and Financial Statements 2018/19, which does not form part of this report.

# OPTIMISATION DEVELOPMENTS LIMITED

## DIRECTORS' REPORT (CONTINUED)

**FOR THE 52 WEEKS ENDED 3 FEBRUARY 2019**

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### Statement of Directors' responsibilities

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

Company law requires the Directors to prepare financial statements for each financial 52 week period. Under that law the Directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 'Reduced Disclosure Framework', and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

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

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

This report was approved by the Board and signed on its behalf by:



J Burke

**Director**

22 October 2019

# **OPTIMISATION DEVELOPMENTS LIMITED**

## **INDEPENDENT AUDITORS' REPORT**

### **TO THE MEMBERS OF OPTIMISATION DEVELOPMENTS LIMITED**

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#### **Report on the audit of the financial statements**

##### **Opinion**

In our opinion, Optimisation Developments Limited's financial statements:

- give a true and fair view of the state of the Company's affairs as at 3 February 2019 and of its profit for the 52 week period (the 'period') then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 'Reduced Disclosure Framework', and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the balance sheet as at 3 February 2019; the income statement, the statement of changes in equity for the period then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

##### **Basis for opinion**

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

##### *Independence*

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

##### **Conclusions relating to going concern**

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

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the Company's trade, customers, suppliers and the wider economy.

# OPTIMISATION DEVELOPMENTS LIMITED

## INDEPENDENT AUDITORS' REPORT (CONTINUED)

### TO THE MEMBERS OF OPTIMISATION DEVELOPMENTS LIMITED

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#### **Reporting on other information**

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

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

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

#### *Strategic report and Directors' report*

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the period ended 3 February 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

#### **Responsibilities for the financial statements and the audit**

##### *Responsibilities of the Directors for the financial statements*

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

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

##### *Auditors' responsibilities for the audit of the financial statements*

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

##### *Use of this report*

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

# **OPTIMISATION DEVELOPMENTS LIMITED**

## **INDEPENDENT AUDITORS' REPORT (CONTINUED)**

### **TO THE MEMBERS OF OPTIMISATION DEVELOPMENTS LIMITED**

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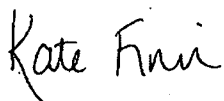
#### **Other required reporting**

##### **Companies Act 2006 exception reporting**

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

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

We have no exceptions to report arising from this responsibility.



**Kate Finn (Senior Statutory Auditor)**  
**for and on behalf of PricewaterhouseCoopers LLP**  
**Chartered Accountants and Statutory Auditors**  
**Leeds**  
**23 October 2019**

# OPTIMISATION DEVELOPMENTS LIMITED

## INCOME STATEMENT

FOR THE 52 WEEKS ENDED 3 FEBRUARY 2019

|                                                                          |      | 52 Weeks<br>ended<br>3 February<br>2019<br>£000 | 53 Weeks<br>ended<br>4 February<br>2018<br>£000 |
|--------------------------------------------------------------------------|------|-------------------------------------------------|-------------------------------------------------|
|                                                                          | Note |                                                 |                                                 |
| Revenue                                                                  | 3    | 4,300                                           | 5,100                                           |
| Cost of sales                                                            |      | (3,686)                                         | (3,213)                                         |
| <b>Gross profit</b>                                                      |      | 614                                             | 1,887                                           |
| Administrative expenses                                                  |      | 53,934                                          | 25,586                                          |
| Administrative expenses before exceptional items                         |      | (314)                                           | (475)                                           |
| Adjustments for:                                                         |      |                                                 |                                                 |
| Reversal of impairment and release of provision<br>for onerous contracts |      | 3,248                                           | 26,061                                          |
| Waiver of intercompany balance                                           |      | 51,000                                          | -                                               |
| Other operating income                                                   |      | 3                                               | 6                                               |
| <b>Operating profit</b>                                                  | 4    | 54,551                                          | 27,479                                          |
| Interest receivable and similar income                                   | 5    | -                                               | 1,377                                           |
| Interest payable and similar charges                                     | 6    | (2,069)                                         | (3,004)                                         |
| <b>Profit on ordinary activities before taxation</b>                     |      | 52,482                                          | 25,852                                          |
| Tax on profit on ordinary activities                                     | 7    | (274)                                           | (14,751)                                        |
| <b>Profit for the financial period</b>                                   |      | 52,208                                          | 11,101                                          |

The income statement has been prepared on the basis that all operations are continuing operations.

There were no amounts recognised in other comprehensive income other than those included in the income statement.

The notes on pages 11 to 20 form part of these financial statements.

# OPTIMISATION DEVELOPMENTS LIMITED

## BALANCE SHEET

AS AT 3 FEBRUARY 2019

|                                                | Note | 2019<br>£000     | 2018<br>£000     |
|------------------------------------------------|------|------------------|------------------|
| <b>Fixed assets</b>                            |      |                  |                  |
| Investments                                    | 8    | 561              | 561              |
| <b>Current assets</b>                          |      |                  |                  |
| Stock                                          | 10   | 16,805           | 16,901           |
| Debtors                                        | 11   | 104,504          | 104,611          |
| Deferred tax asset                             | 12   | 134              | 202              |
| Cash and cash equivalents                      |      | 1,265            | 1,352            |
|                                                |      | <u>122,708</u>   | <u>123,066</u>   |
| Creditors: amounts falling due within one year | 13   | (228,860)        | (281,426)        |
| <b>Net current liabilities</b>                 |      | <u>(106,152)</u> | <u>(158,360)</u> |
| <b>Net liabilities</b>                         |      | <u>(105,591)</u> | <u>(157,799)</u> |
| <b>Shareholders' equity</b>                    |      |                  |                  |
| Called-up share capital                        | 14   | -                | -                |
| Accumulated losses                             |      | (105,591)        | (157,799)        |
| <b>Total shareholders' deficit</b>             |      | <u>(105,591)</u> | <u>(157,799)</u> |

The notes on pages 11 to 20 form part of these financial statements.

The financial statements on pages 8 to 20 were approved by the Board of Directors and authorised for issue on 22 October 2019 and are signed on its behalf by:



J Goff  
Director

Company Registration No. 06653349

# OPTIMISATION DEVELOPMENTS LIMITED

## STATEMENT OF CHANGES IN EQUITY

**FOR THE 52 WEEKS ENDED 3 FEBRUARY 2019**

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|                                                                | Called-up<br>share capital | Accumulated<br>losses | Total<br>shareholders'<br>deficit |
|----------------------------------------------------------------|----------------------------|-----------------------|-----------------------------------|
|                                                                | £000                       | £000                  | £000                              |
| <b>Balance at 30 January 2017</b>                              | -                          | (168,900)             | (168,900)                         |
| Profit and total comprehensive income for the financial period | -                          | 11,101                | 11,101                            |
|                                                                | <hr/>                      | <hr/>                 | <hr/>                             |
| <b>Balance at 4 February 2018</b>                              | -                          | (157,799)             | (157,799)                         |
| Profit and total comprehensive income for the financial period | -                          | 52,208                | 52,208                            |
|                                                                | <hr/>                      | <hr/>                 | <hr/>                             |
| <b>Balance at 3 February 2019</b>                              | -                          | (105,591)             | (105,591)                         |
|                                                                | <hr/> <hr/>                | <hr/> <hr/>           | <hr/> <hr/>                       |

The notes on pages 11 to 20 form part of these financial statements

# OPTIMISATION DEVELOPMENTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 3 FEBRUARY 2019

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### 1 Accounting policies

#### Company information

Optimisation Developments Limited is a private company, limited by shares, incorporated in the United Kingdom under the Companies Act 2006 (Registration number 06653349). The Company is domiciled in the United Kingdom and its registered address is Hilmore House, 71 Gain Lane, Bradford, West Yorkshire, England, BD3 7DL.

#### Basis of preparation

These financial statements of the Company have been prepared in accordance with the Companies Act 2006 (the Act) as applicable to companies using Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101). FRS 101 sets out a reduced disclosure framework for a 'qualifying entity' as defined in the standard which addresses the financial reporting requirements and disclosure exemptions in the individual financial statements of qualifying entities that otherwise apply the recognition, measurement and disclosure requirements of EU-adopted IFRS.

The Company is a qualifying entity for the purposes of FRS 101 as it is a member of a group which prepares publicly available consolidated financial statements and it is included in the consolidation for that group.

These financial statements, which have been prepared on the going concern basis, under the historic cost convention and in accordance with applicable accounting standards in the United Kingdom, are presented as required by the Companies Act. The financial statements have been prepared on the going concern basis including a commitment of continued financial support from the parent company for a period of at least 12 months from the date of approval of these financial statements.

The disclosure exemptions adopted by the Company in preparation of these financial statements in accordance with FRS 101 are as follows:

- a) IFRS 2, 'Share-based payment' (paragraphs 45(b) and 46 to 52) – details of the number and weighted-average exercise prices of share options, and how the fair value of goods or services received was determined;
- b) IFRS 7, 'Financial Instruments: Disclosures';
- c) IFRS 13, 'Fair value measurement' (paragraphs 91 to 99) – disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities;
- d) IAS 1, 'Presentation of financial statements' (paragraph 38) – comparative information requirements in respect of paragraph 79(a)(iv) of IAS 1;
- e) The following paragraphs of IAS 1, 'Presentation of financial statements':
  - (i) 10(d), (statement of cash flows);
  - (ii) 111 (cash flow statement information); and
  - (iii) 134-136 (capital management disclosures);
- f) IAS 7, 'Statement of cash flows';
- g) IAS 8 'Accounting policies, changes in accounting estimates and errors' (paragraph 30 and 31) – requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective;

# OPTIMISATION DEVELOPMENTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE 52 WEEKS ENDED 3 FEBRUARY 2019

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### 1 Accounting policies

(Continued)

h) The following requirements of IAS 24, 'Related party disclosures':

(i) paragraph 17 – key management compensation; and

(ii) the requirements to disclose related party transactions entered into with two or more wholly owned members of a group.

The Directors have chosen not to prepare consolidated financial statements for the Company in accordance with the provisions of section 400 of the Act. The results of the Company are included in the consolidated financial statements of Wm Morrison Supermarkets PLC.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are impairment of non-financial assets and stock. For further details, see page 73 of the Wm Morrison Supermarkets PLC Annual Report and Financial Statements 2018/19, which does not form part of this report.

#### **New accounting standards, amendments and interpretations adopted by the Company**

The following new standards, interpretations and amendments to standards are mandatory for the first time for the financial period ended 3 February 2019:

- IFRS 9 'Financial Instruments'
- IFRS 15 'Revenue from Contracts with Customers'
- IFRIC 22 'Foreign Currency Transactions and Advance Consideration'

Amendments to the following standards:

- IAS 40 'Transfers of Investment Property'
- IFRS 2 'Classification and Measurement of Share-based Payment Transactions'
- IFRS 4 'Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts'
- Clarifications to IFRS 15 'Revenue from Contracts with Customers'
- Improvements to IFRSs (2014-2016)

The Company has considered the above new standards, and amendments to published standards and has concluded that, except for IFRS 9 and IFRS 15, they are either not relevant to the Company or they do not have a significant impact on the Company's financial statements.

# OPTIMISATION DEVELOPMENTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE 52 WEEKS ENDED 3 FEBRUARY 2019

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#### 1 Accounting policies

(Continued)

##### *IFRS 9 'Financial Instruments'*

IFRS 9 'Financial Instruments' replaces IAS 39 'Recognition and Measurement' and is applicable to financial assets and financial liabilities. Transition to IFRS 9 for the Company took place on 5 February 2018 and the Company has adopted the standard using the modified retrospective transition approach, which does not require restatement of prior year comparatives.

IFRS 9 introduced three key changes when compared to IAS 39 relating to:

- new requirements for the classification and measurement of financial assets and financial liabilities;
- a new model for recognising provisions for impairment of financial assets based on expected credit losses; and
- revised hedge accounting treatment by aligning hedge accounting more closely to risk management objectives.

Upon adoption of IFRS 9, there has been no change in the classification of financial assets. All trade receivables of the Company and amounts owed by Group undertakings continue to be held at amortised cost under IFRS 9. For financial liabilities, the classification and measurement requirements under IFRS 9 are similar to those under IAS 39.

IFRS 9 also introduced a forward-looking expected credit loss model for recognising provisions in respect of financial assets and receivables. This, in theory, could result in earlier recognition of credit losses, than the incurred loss model of IAS 39. The Company has updated its accounting policy for the establishment of provisions against trade receivables to reflect the lifetime expected credit loss, consistent with the simplified approach under IFRS 9. However, the impact of using the expected credit loss model on the financial statements of the Company is immaterial.

As a result of the assessment, the Company concluded that IFRS 9 has an immaterial impact on the financial statements. Accordingly, no adjustment to the opening balance sheet at 5 February 2018 has been recognised.

##### *IFRS 15 'Revenue from Contracts with Customers'*

IFRS 15 'Revenue from Contracts with Customers' was published in May 2014 and has become effective for the Company from the period beginning 5 February 2018. The standard replaces IAS 18 'Revenue', IAS 11 'Construction contracts' and related interpretations. Transition to IFRS 15 for the Company took place on 5 February 2018 and the Company has adopted the modified retrospective transition approach which does not require restatement of prior year comparatives.

The standard introduces a five-step approach to the timing and recognition of revenue, based on performance obligations in customer contracts. Under IFRS 15, revenue should only be recognised when a customer obtains control of goods or services and has the ability to direct the use and obtain the benefits from the goods or services. It applies to all contracts with customers, except those in the scope of other standards.

During the 53 weeks ended 4 February 2018, the Company assessed the impact of IFRS 15 on the financial statements and concluded that IFRS 15 had an immaterial impact on the existing accounting policies for revenue recognition on the basis that the majority of the Company's transactions (volume and value) are for sale of properties where the transfer of control is clear (per the details of the agreed contract). Accordingly, no adjustment to the opening balance sheet at 5 February 2018 has been recognised.

# OPTIMISATION DEVELOPMENTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE 52 WEEKS ENDED 3 FEBRUARY 2019

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### 1 Accounting policies

(Continued)

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements.

#### Accounting reference date

The accounting period of the Company ends on the Sunday falling between 29 January and 4 February each year.

#### Revenue

Revenue is recognised when the Company has a contract with a customer and a performance obligation has been satisfied, at a transaction price allocated to that performance obligation. Revenue comprises the fair value of consideration received or receivable for the sale of completed development sites in the ordinary course of the Company's activities, net of value added tax. It is recognised when control is transferred to the buyer, there is reasonable certainty of recovery of the consideration and the amount of revenue, associated costs and possible return of goods can be estimated reliably.

The Company does not adjust any of the transaction prices for the time value of money due to the nature of the Company's transactions being completed shortly after the transaction is entered into with the customer.

#### Cost of sales

Cost of sales consists of all costs to the point of sale including cost of acquisition, development and borrowing costs.

#### Other operating income

Other operating income represents rent received from properties on development sites, held under operating leases. Rent received is recognised on a straight line basis over the life of the lease.

#### Current taxation

The current income tax charge is calculated on the basis of the tax laws in effect during the period and any adjustments to tax payable in respect of previous periods. Taxable profit differs from the profit as reported in the profit for the period as it is adjusted both for items that will never be taxable or deductible, and temporary differences. Current tax is charged to profit for the period, except when it relates to items charged or credited directly in other comprehensive income or equity in which case the current tax is reflected in other comprehensive income or equity as appropriate.

#### Deferred taxation

Deferred tax is recognised using the balance sheet method. Provision is made for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. No deferred tax is recognised for temporary differences that arise on the initial recognition of goodwill or the initial recognition of assets and liabilities that are not a business combination and that affects neither accounting nor taxable profits.

Deferred tax is calculated based on tax law that is enacted or substantively enacted at the reporting date and provided at rates expected to apply when the temporary differences reverse. Deferred tax is charged or credited to profit for the period except when it relates to items charged or credited directly to other comprehensive income, in which case the deferred tax is reflected in other comprehensive income or equity as appropriate.

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the asset can be utilised. Deferred tax assets recognised are reviewed at each reporting date as judgement is required to estimate the availability of future taxable income. Deferred tax assets and liabilities are offset where amounts will be settled on a net basis as there is a legally enforceable right to offset.

Accruals for tax contingencies require management to make judgements and estimates of the probable outcome of tax compliance issues. All accruals are included in current liabilities.

# OPTIMISATION DEVELOPMENTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE 52 WEEKS ENDED 3 FEBRUARY 2019

### 1 Accounting policies

(Continued)

#### Investments

Investments comprise investments in equity instruments held for long term investment. They are measured at fair value through other comprehensive income, where the fair value can be measured reliably. Where the fair value of the instruments cannot be measured reliably, for example, when there is variability in the range of estimates, the investments are recognised at cost less accumulated impairment losses.

#### Stock

Stock represents work in progress on development projects and are valued at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale. Cost includes the cost of acquisition, development and borrowing costs during development. When development is completed, borrowing costs and other holding charges are expensed as incurred.

Interest costs are capitalised based on 1% above the Bank of England base rate. Capitalisation commences when both expenditure on the asset and borrowing costs are being incurred, and necessary activities to prepare the asset for use are in progress. In the case of new stores, this is generally when planning permission has been obtained. Capitalisation ceases when the asset is ready for use.

#### Impairment of non-financial assets

The Company considers that each of its sites is a CGU. The Company tests non-financial assets if events or changes in circumstances indicate that the carrying amount may not be recoverable. Testing is performed at the level of a cash generating unit (CGU) in order to compare the CGU's recoverable amount against its carrying value. An impaired CGU is written down to its recoverable amount, which is the higher of value in use or its fair value less costs to dispose. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses are reversed if there is evidence of an increase in the recoverable amount of a previously impaired asset, but only to the extent that the recoverable amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognised.

#### Amounts owed to/by Group undertakings

Amounts owed to/by Group undertakings are initially recorded at fair value, which is generally the proceeds received. They are subsequently carried at amortised cost.

#### Trade and other debtors

Trade and other debtors are initially recognised at fair value, which is generally equal to face value, and subsequently held at amortised cost. Provision is made based on lifetime expected credit losses, with the charge being included in administrative expenses.

#### Trade and other creditors

Trade and other creditors are initially recognised at fair value, which is generally equal to face value of the invoices received, and subsequently held at amortised cost.

#### Cash and cash equivalents

Cash and cash equivalents for cash flow purposes include cash-in-hand, cash-at-bank and bank overdrafts. In the balance sheet bank overdrafts that do not have a right of offset are presented within current liabilities.

#### Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

# OPTIMISATION DEVELOPMENTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE 52 WEEKS ENDED 3 FEBRUARY 2019

### 2 Employees and Directors

The Company has no employees (2018: none).

The emoluments of the Directors are paid by Wm Morrison Supermarkets PLC which makes no recharge to the Company. It is not possible to make an accurate apportionment of the emoluments of the Directors between Wm Morrison Supermarkets PLC and fellow subsidiaries. Accordingly, the financial statements include no emoluments in respect of Directors.

Where the Directors are also Directors of the ultimate parent company, Wm Morrison Supermarkets PLC, details of the emoluments and accrued benefits under the defined benefit pension schemes that the Directors received for the period ended 3 February 2019 are disclosed in the Annual Report and Financial Statements of that company.

### 3 Revenue

All revenue relates to the principal activity of the Company and all revenue is derived in the UK.

### 4 Operating profit

|                                                                       | 2019<br>£000 | 2018<br>£000 |
|-----------------------------------------------------------------------|--------------|--------------|
| Operating profit for the period is stated after (crediting)/charging: |              |              |
| Waiver of intercompany balances                                       | (51,000)     | -            |
| Reversal of previous impairment charge                                | (3,248)      | -            |
| Release of provisions for onerous contracts                           | -            | (26,061)     |
| Value of stock expensed                                               | 3,686        | 3,213        |

In the period, an exceptional credit of £51,000,000 (2018: £nil) has been recognised relating to the waiver of amounts owed to Group undertakings relating to the Group's pipeline sites. In addition, as part of the sale process for one of the Company's sites, a previous impairment of £3,248,000 (2018: £nil) was reversed and recognised as an exceptional item.

Reversal of provisions credit in the 53 weeks ended 4 February 2018 related to a release of amounts provided for onerous commitments in respect of the Group's 'pipeline' sites, as part of the Group's annual impairment and provision contract review.

Audit fees and expenses of £15,000 (2018: £15,000) were paid by the ultimate parent company. There are no fees in relation to non-audit services (2018: none).

### 5 Interest receivable and similar income

|                                         | 2019<br>£000 | 2018<br>£000 |
|-----------------------------------------|--------------|--------------|
| Interest on loans to Group undertakings | -            | 1,377        |

# OPTIMISATION DEVELOPMENTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE 52 WEEKS ENDED 3 FEBRUARY 2019

### 6 Interest payable and similar charges

| 2019 | 2018 |
|------|------|
| £000 | £000 |

|                                           |       |       |
|-------------------------------------------|-------|-------|
| Interest on loans from Group undertakings | 2,069 | 3,004 |
|-------------------------------------------|-------|-------|

### 7 Tax on profit on ordinary activities

| 2019 | 2018 |
|------|------|
| £000 | £000 |

#### Current tax

|                                                      |     |        |
|------------------------------------------------------|-----|--------|
| UK corporation tax on profits for the current period | 206 | 14,953 |
|------------------------------------------------------|-----|--------|

#### Deferred tax

|                                                   |    |       |
|---------------------------------------------------|----|-------|
| Origination and reversal of temporary differences | 68 | (202) |
|---------------------------------------------------|----|-------|

#### Total tax charge for the period

|     |        |
|-----|--------|
| 274 | 14,751 |
|-----|--------|

The tax rate for both periods is different to the standard rate of corporation tax in the UK of 19.00% (2018: 19.16%). The differences are explained below:

| 2019 | 2018 |
|------|------|
| £000 | £000 |

|                                               |        |        |
|-----------------------------------------------|--------|--------|
| Profit on ordinary activities before taxation | 52,482 | 25,852 |
|-----------------------------------------------|--------|--------|

Expected tax charge based on a corporation tax rate of 19.00% (2018: 19.16%)

|       |       |
|-------|-------|
| 9,972 | 4,953 |
|-------|-------|

(Income)/expenses not deductible for tax

|         |       |
|---------|-------|
| (9,690) | 9,773 |
|---------|-------|

Transfer pricing adjustments

|   |     |
|---|-----|
| - | (1) |
|---|-----|

Change in tax rate

|     |    |
|-----|----|
| (8) | 26 |
|-----|----|

#### Total tax charge for the period

|     |        |
|-----|--------|
| 274 | 14,751 |
|-----|--------|

#### Factors affecting current and future tax charges

Legislation to reduce the standard rate of corporation tax to 17% from 1 April 2020 was included in Finance Act 2016. Accordingly, deferred tax has been provided at 17% depending upon when the temporary difference is expected to reverse (2018: 17%).

There have not been any further announcements of changes to the rate of corporation tax after 1 April 2020.

### 8 Investments

| 2019 | 2018 |
|------|------|
| £000 | £000 |

|                         |     |     |
|-------------------------|-----|-----|
| Cost and net book value | 561 | 561 |
|-------------------------|-----|-----|

The Directors believe that the carrying value of the investments is supported by their underlying net assets.

# OPTIMISATION DEVELOPMENTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE 52 WEEKS ENDED 3 FEBRUARY 2019

### 9 Related undertakings

In accordance with section 409 of the Companies Act 2006, a full list of related undertakings including the country of incorporation, the principal activity and the effective percentage of equity owned as at 3 February 2019 is disclosed below. The registered address of all undertakings is Hilmore House, Gain Lane, Bradford, BD3 7DL unless otherwise stated.

| Related undertaking              | Country of incorporation | Ownership interest (%) | Principal activity   |
|----------------------------------|--------------------------|------------------------|----------------------|
| Trilogy (Leamington Spa) Limited | United Kingdom           | 100                    | Dormant              |
| Divertigo Limited                | United Kingdom           | 100                    | Dormant              |
| MDW (Eastbourne) Limited         | United Kingdom           | 100                    | Dormant              |
| Tower Centre Hoddesdon Limited   | United Kingdom           | 100                    | Dormant              |
| Ascot Road Watford Limited       | United Kingdom           | 100                    | Dormant              |
| Monument Hill Properties Limited | United Kingdom           | 100                    | Dormant              |
| Newincco 1072 Limited            | United Kingdom           | 100                    | Property development |

| 10 Stock         | 2019<br>£000 | 2018<br>£000 |
|------------------|--------------|--------------|
| Work in progress | 16,805       | 16,901       |

There is no significant difference between the balance sheet value and replacement cost of stock.

| 11 Debtors                         | 2019<br>£000 | 2018<br>£000 |
|------------------------------------|--------------|--------------|
| Amounts owed by Group undertakings | 104,481      | 104,580      |
| Prepayments and accrued income     | 23           | 31           |
|                                    | 104,504      | 104,611      |

Amounts owed by Group undertakings are non-interest bearing, unsecured and are repayable on demand. In the 53 weeks ended 4 February 2018, amounts owed by Group undertakings were interest bearing at an average rate of 1.31%, unsecured and were repayable on demand.

Provisions for impairment of amounts owed by Group undertakings have been assessed on lifetime expected credit losses. As all balances are repayable on demand, and the Company expects to be able to recover the outstanding intercompany balances if demanded, no provision has been recognised in the 52 weeks ended 3 February 2019 (2018: £nil).

# OPTIMISATION DEVELOPMENTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE 52 WEEKS ENDED 3 FEBRUARY 2019

### 12 Deferred tax asset

The movements in deferred tax assets during the period are shown below:

|                                       | Total<br>£000 |
|---------------------------------------|---------------|
| Deferred tax asset at 30 January 2017 | -             |
| Credited to income statement (note 7) | 202           |
| Deferred tax asset at 4 February 2018 | 202           |
| Charged to income statement (note 7)  | (68)          |
| Deferred tax asset at 3 February 2019 | 134           |

The following is the analysis of the deferred tax balances at the period end:

|                     | 2019<br>£000 | 2018<br>£000 |
|---------------------|--------------|--------------|
| Deferred tax assets | 134          | 202          |

### 13 Creditors: amounts falling due within one year

|                                    | 2019<br>£000 | 2018<br>£000 |
|------------------------------------|--------------|--------------|
| Trade creditors                    | 319          | 250          |
| Amounts owed to Group undertakings | 211,635      | 263,105      |
| Accruals and deferred income       | 921          | 2,303        |
| Other creditors                    | 826          | 815          |
| Corporation tax liability          | 15,159       | 14,953       |
|                                    | 228,860      | 281,426      |

One of the loan balances within amounts owed to Group undertakings was interest bearing at a floating rate above base rate at an average of 1.64% (2018: 1.31%), unsecured and repayable on demand. All other amounts were non-interest bearing.

### 14 Called-up share capital

|                                       | 2019<br>£ | 2018<br>£ |
|---------------------------------------|-----------|-----------|
| 1 ordinary share (2018: 1) of £1 each | 1         | 1         |

All issued shares are fully paid.

# **OPTIMISATION DEVELOPMENTS LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE 52 WEEKS ENDED 3 FEBRUARY 2019**

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### **15 Other financial commitments**

Total commitments contracted for, but not provided in the financial statements amounted to £5,000 (2018: £5,000).

### **16 Post balance sheet events**

Following IAS 10 'Events after the balance sheet date', the Company continues to disclose events that it considers material and non-disclosure of which can influence the economic decisions of users of the financial statements.

On 1 August 2019, the Company sold a site to Wm Morrison Supermarkets PLC, the Company's parent undertaking, for consideration of £1,177,000. The profit or loss on disposal for this site will be recognised in the 52 weeks ended 2 February 2020.

The Directors consider this transaction to be a non-adjusting post balance sheet event.

### **17 Ultimate holding company**

The Company's immediate parent undertaking is Wm Morrison Supermarkets Holdings Limited. The ultimate parent undertaking and controlling party is Wm Morrison Supermarkets PLC. The smallest and largest group in which these results of the Company are consolidated. Wm Morrison Supermarkets PLC is incorporated in Great Britain and registered in England and Wales.

Copies of the financial statements of Wm Morrison Supermarkets PLC are available from:

The Company Secretary  
Wm Morrison Supermarkets PLC.  
Hilmore House  
Gain Lane  
Bradford  
West Yorkshire  
BD3 7DL