Standishgate Wigan Limited

Report and audited financial statements

For the eighteen-month period ended 28 February 2020

Registered Number: 2976055

Standishgate Wigan Limited

Annual report and audited financial statements

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Company information

Directors	M. Baddeley (appointed 12 March 2019) D. Grant D. Kohler
Registered office	3rd Floor 33 Regent Street London SW1Y 4NB
Secretary	L. Hibberd
Independent auditor	KPMG LLP 15 Canada Square London E14 5GL

Standishgate Wigan Limited

Directors' report

The Directors submit their report together with the audited financial statements of Standishgate Wigan Limited ("the Company") for the eighteen-month period ended 28 February 2020.

Incorporation
The Company (registered number 2976055) was incorporated in England on the 7 October 1994 under the laws of England & Wales.

Principal activity
The Company's principal activity is property investment and development. At 28 February 2020, the Company owns a leasehold share of the Grand Arcade Shopping Centre, Wigan with its parent company Grand Arcade Wigan Limited. The debt facility secured over the Grand Arcade Shopping Centre with Aviva Commercial Finance Limited ("Aviva") is held by the immediate parent company, Grand Arcade Wigan Limited. This facility has been used to finance the Company's interest in the Grand Arcade Shopping Centre through the intercompany loan.

Business review
The Company's results for the eighteen-month period ended, and financial position as at, 28 February 2020 are set out in full in the statement of comprehensive income, the balance sheet, the statement of changes in equity, the statement of cash flows and the notes relating thereto.

The loss before tax for the eighteen-month period ended 28 February 2020 was £4,062,000 (year ended 31 August 2018: loss of £3,047,000).

Given the straightforward nature of the business the Directors are of the opinion, that analysis using KPIs is not necessary for an understanding of the development, performance or position of the Company.

Significant events during the year
On 8 April 2019, Aviva Commercial Finance Limited ("Aviva"), the lender with security over the Company's investment property, the Grand Arcade Shopping Centre, informed the Directors that following a further valuation of the investment property the lender's loan to value exceeded the 85 per cent loan to value covenant. After careful consideration by the Board of RDI REIT P.L.C., the Company's ultimate legal parent, the Directors were advised that RDI REIT P.L.C. would no longer provide the financial support necessary to cure the loan to value covenant to allow the Company (who is a chargee under the amalgamated facility agreement but not a direct borrower) to continue as a going concern. The directors of RDI REIT P.L.C. therefore agreed with Aviva that an orderly and consensual disposal of the property was in both parties' best interests.

Discussions were ongoing as to how best Aviva would enforce its security in the absence of RDI REIT P.L.C. curing the breach. On 23 April 2019, a Standstill Agreement ("Standstill") was signed which allowed for a consensual sales process to be carried out to Aviva's benefit, without Aviva taking legal ownership of the Company's shares or the property. Aviva's rights under the facility agreement were still in force during the Standstill period and the agreement could be terminated at any time. The standstill period expired in February 2020 and Aviva appointed Savills (UK) Limited as fixed charge receivers over the shopping centre on 6 May 2020.

Going concern
Aviva appointed Savills (UK) Limited as fixed charge receivers over the shopping centre on 6 May 2020. With Aviva's consent, the Directors are also in the process of arranging for the orderly wind-up of the affairs of the Company. This wind-up process is expected to be completed within twelve months of signing the financial statements. Therefore, the financial statements are prepared on a non-going concern basis of accounting where all assets at 28 February 2020 have been stated at their net recoverable amounts. Comparative information as at, and for the year ended, 31 August 2018 was also prepared on a non-going concern basis. The estimated costs of wind-up will be borne by the Company.

Significant events after the reporting date
On 11 March 2020, the World Health Organisation recognised the outbreak of COVID-19 as a global pandemic. This was followed by a series of measures taken by the UK Government to control the spread of its infection. Measures taken were wide ranging and restrictive in nature. While it is not possible to quantify the exact indirect impact of the disruption of the financial position and performance of the Company, the measures are expected to materially affect the performance of the Company in advance of liquidation. This was a non-adjusting post balance sheet event and had no bearing on the period end valuation.

On 3 April 2020 the Company's immediate parent, Grand Arcade Wigan Limited, waived an intercompany balance of £9,180,445 that was due from the Company in order to restore the Company to solvency.

As discussed above, Aviva appointed Savills (UK) Limited as fixed charge receivers over the shopping centre on 6 May 2020.

Dividend
The Directors do not recommend the payment of a dividend (2018: £nil).

Directors and Directors' interests
The Directors of the Company who were in office during the period and up to the date of signing the financial statements are provided below:

M. Baddeley (appointed 12 March 2019)
D. Grant
D. Kohler

The Directors did not hold an interest in the shares of the Company at any point during the financial period.

Statement of Directors' Responsibilities
The Directors are responsible for preparing the 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 period. Under that law they have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board ("IASB") 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 assets, liabilities and financial position of the Company and of its profit or loss for that period. In preparing these 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 Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the 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 Company or to cease operations, or have no realistic alternative but to do so. As explained in Note 1, the financial statements have not been prepared on a going concern basis for the reasons set out in that note.

The Directors are responsible for keeping adequate accounting records which disclose with reasonable accuracy at any time the assets, liabilities, financial position and profit or loss of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal controls 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 Company and to prevent and detect fraud and other irregularities. The Directors are also responsible for preparing a directors' report that complies with the requirements of the Companies Act 2006.

Provision of information to auditors
Each of the persons who are Directors at the time when this Directors' report is approved has confirmed that:

- so far as that Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- that Director has taken all the necessary steps that they ought to have taken in order to make themselves aware of all relevant information needed by the Company's auditors in connection with preparing their report and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

Auditors
KPMG LLP were appointed as auditors of the company and its parent company for the eighteen-month period ended 28 February 2020.

Strategic report
This report is prepared in accordance with the special provisions relating to small companies in accordance with Section 414(b) of the Companies Act 2006 and as amended by Section 4(3) of the Companies, Partnerships and Group (Accounts and Reports) Regulations 2015. The Directors have taken advantage of the exemption to prepare a Strategic report.

On behalf of the Board

D. Grant
Director
18 September 2020

Independent auditor's report to the members of Standishgate Wigan Limited

Opinion

We have audited the financial statements of Standishgate Wigan Limited ("the company") for the period ended 28 February 2020 which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity, the statement of cash flow, 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 company's affairs as at 28 February 2020 and of its loss for the period then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRSs as issued by the IASB"); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Emphasis of matter - non-going concern basis of preparation

We draw attention to the disclosure made in note 1 to the financial statements which explains that the financial statements have not been prepared on the going concern basis for the reason set out in that note. Our opinion is not modified in respect of this matter.

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 company 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.

Directors' report

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

Our responsibility is to read 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 directors' report;
- in our opinion the information given in that report for the financial period is consistent with the financial statements; and
- in our opinion that report has 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, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 3, 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 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 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.

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.

Richard Kelly (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL

21 September 2020

Standishgate Wigan Limited

Statement of comprehensive income
for the eighteen-month period ended 28 February 2020

	Note	**Eighteen-month Period ended 28 February* 2020 £'000**	Year ended 31 August 2018 £'000
Revenue	*2*	**1,398**	793
Rental income	*2*	**1,398**	793
Rental expense		**(25)**	-
Net rental income		**1,373**	793
Administrative costs and other fees		**(7)**	(26)
Net operating income	*3*	**1,366**	767
Loss on revaluation of investment property	*6*	**(5,118)**	(3,395)
Loss from operations		**(3,752)**	(2,628)
Finance expense	*4*	**(310)**	(419)
Loss before tax		**(4,062)**	(3,047)
Taxation	*5*	**(232)**	-
Loss for the period		**(4,294)**	(3,047)
Other comprehensive income		**-**	-
Total comprehensive expense for the period		**(4,294)**	(3,047)

*The accounting reference period ending 31 August 2019 has been extended so as to end on 28 February 2020.

The notes to the financial statements form an integral part of the financial statements.

Balance sheet
as at 28 February 2020

	Note	As at 28 February 2020* £'000	As at 31 August 2018 £'000
Assets			
Non-current assets			
Investment property	*6*	**1,840**	6,958
Total non-current assets		**1,840**	6,958
Current assets			
Trade and other receivables	*7*	**1**	-
Cash and cash equivalents		**43**	22
Total current assets		**44**	22
Total assets		**1,884**	6,980
Liabilities			
Current liabilities			
Borrowings	*8*	**(8,289)**	(9,281)
Trade and other payables	*9*	**(109)**	(151)
Tax payable		**(232)**	-
Total current liabilities		**(8,630)**	(9,432)
Total liabilities		**(8,630)**	(9,432)
Net liabilities		**(6,746)**	(2,452)
Equity			
Share capital	*10*	-	-
Capital contribution reserve	*11*	**12,366**	12,366
Retained losses		**(19,112)**	(14,818)
Total equity		**(6,746)**	(2,452)

*The accounting reference period ending 31 August 2019 has been extended so as to end on 28 February 2020.

The notes to the financial statements form an integral part of the financial statements.

On behalf of the Board

DGrant

D. Grant
Director
18 September 2020

Standishgate Wigan Limited

Statement of changes in equity

for the eighteen-month period ended 28 February 2020

	Share capital £'000	Capital contribution reserve £'000	Retained losses £'000	Total equity £'000
Balance at 1 September 2017	-	12,366	(11,771)	595
Loss and total comprehensive expense for the year	-	-	(3,047)	(3,047)
Balance at 1 September 2018	**-**	**12,366**	**(14,818)**	**(2,452)**
Loss and total comprehensive expense for the eighteen-month period	-	-	**(4,294)**	**(4,294)**
Balance at 28 February 2020*	**-**	**12,366**	**(19,112)**	**(6,746)**

*The accounting reference period ending 31 August 2019 has been extended so as to end on 28 February 2020.

The notes to the financial statements form an integral part of the financial statements.

Standishgate Wigan Limited

Statement of cash flows
for the eighteen-month period ended 28 February 2020

	Eighteen-month Period ended 28 February 2020* £'000	Year ended 31 August 2018 £'000
Cash flows from operating activities		
Loss before tax	**(4,062)**	(3,047)
Adjustments for:		
Loss on revaluation of investment property	**5,118**	3,395
Finance expense	**310**	419
	1,366	767
Changes in working capital	**(63)**	90
Net cash inflow from operating activities	**1,303**	857
Cash flows from financing activities		
Repayment of borrowings	**(1,282)**	(835)
Net cash outflow from financing activities	**(1,282)**	(835)
Net increase in cash and cash equivalents	**21**	22
Cash and cash equivalents at 1 September	**22**	-
Cash and cash equivalents at end of the period	**43**	22

*The accounting reference period ending 31 August 2019 has been extended so as to end on 28 February 2020.

The notes to the financial statements form an integral part of the financial statements.

Notes to the financial statements
for the eighteen-month period ended 28 February 2020

1. Accounting policies

Basis of preparation
The financial statements of the Company have been prepared on a on a non-going concern basis in accordance with the Companies Act 2006 ("the Companies Act"), the Companies, Partnerships and Groups (Accounts and Reports) Regulations 2015 ("the Regulations") and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board ("IASB").

The Company's financial statements are presented in Great British Pounds (£), which is the functional and presentational currency of the Company and rounded to the nearest thousand pounds, unless otherwise stated. The financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment property.

As discussed in the Directors report, the Board of RDI REIT P.L.C., the Company's ultimate legal parent, had concluded that they would no longer provide the financial support necessary to cure the loan to value covenant to allow the Company to continue as a going concern. On 23 April 2019, a Standstill Agreement ("Standstill") was signed which allowed for a consensual sales process to be carried out to Aviva's benefit, without Aviva taking legal ownership of the Company's shares or the property. Aviva's rights under the facility agreement were still in force during the Standstill period and the agreement could be terminated at any time. The standstill period expired in February 2020 and Aviva appointed Savills (UK) Limited as fixed charge receivers over the shopping centre on 6 May 2020.

Notwithstanding that ownership of the Company or the property did not legally transfer during the period, the transaction constituted a loss of control event in line with IFRS 10 'Consolidated Financial Statements' as, from an economic perspective, Aviva has the ability to enforce its rights at any time and make material decisions regarding the Company and the property at its absolute discretion. RDI REIT P.L.C. therefore ceased to consolidate the Company with effect from 23 April 2019.

The Company therefore no longer meets the criteria of a qualifying entity under United Kingdom Accounting Standards, in particular, Financial Reporting Standard 101 'Reduced Disclosure Framework' ("FRS 101") and cannot avail of the disclosure exemptions available under that Standard.

Going concern
Aviva appointed Savills (UK) Limited as fixed charge receivers over the shopping centre on 6 May 2020. With Aviva's consent, the Directors are also in the process of arranging for the orderly wind-up of the affairs of the Company. This wind-up process is expected to be completed within twelve months of signing the financial statements. Therefore, the financial statements are prepared on a wind-up basis of accounting where all assets at 28 February 2020 have been stated at their net recoverable amounts. Comparative information as at, and for the year ended, 31 August 2018 was also prepared on a wind-up basis. The estimated costs of wind-up will be borne by the Company.

Statement of Compliance
The financial statements for the eighteen-month period ended 28 February 2020 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The relevant new standards, amendments and interpretations that have been adopted during the period are set out in the following table:

International Financial Reporting Standard
IFRS 9 'Financial Instruments' ("IFRS 9")
IAS 40 'Investment Property' (amendment)

1. Accounting policies *continued*

IFRS 9 applies to the recognition, classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets and is effective for the Company from 1 September 2018. The changes required to the recognition and classification of financial instruments do not have a quantitative impact on the financial statements and the Company does not apply hedge accounting. The introduction of the expected credit losses model replaces the incurred loss model but does not have a material impact on the net asset position of the Company as it applies primarily to trade receivables which are not determined to be material balances and no impairment charge has been recognised during the period.

The Company adopted the amendments to IAS 40 using the prospective application method permitted by the standard. The Company has assessed the impact of the amendment to IAS 40 on the classification of existing property as at 1 September 2018 and has concluded that no reclassifications are required on adoption of the amendment.
The accounting policies otherwise applied are the same as those applied in the audited financial statements as at and for the year ended 31 August 2018.

Disclosed in the table below are the relevant new standards, amendments and interpretations that have been issued by the IASB but are not yet effective or have not been early adopted.

International Financial Reporting Standards	**Effective annual periods beginning on or after:**
Annual improvements to IFRSs 2015-2017 cycle	
IFRS 11 'Joint Arrangements' (amendment) ("IFRS 11")	1 January 2019
IAS 12 'Income Taxes' (amendment) ("IAS 12")	1 January 2019
IAS 23 'Borrowing Costs' (amendment) ("IAS 23")	1 January 2019
Other amendments	
IFRS 9 'Financial Instruments' (amendment) ("IFRS 9")	1 January 2019
IFRS 16 'Leases' ("IFRS 16")	1 January 2019
IFRIC 23 'Uncertainty over Income Tax Treatments'	1 January 2019

The Company has assessed the impact of the new standards, amendments and interpretation, these will not materially impact the Company as the Company will be put into liquidation in the next financial year.

1. Accounting policies *continued*

Estimation and Uncertainty
The preparation of financial statements in conformity with IFRS requires the use of judgements and estimates that affect the reported amounts of assets and liabilities at the reporting date and the reported amount of revenues and expenses during the period. Although these estimates are based on the Directors' best knowledge of the amount, event or actions, actual results may differ materially from those estimates.

The principal areas where an estimate has been made is detailed below:

Investment property valuation
The Company uses valuations determined by independent valuers in accordance with IFRS 13 'Fair Value Measurement' ("IFRS 13") as the fair value of its investment property. The valuations are based upon assumptions including estimated rental values, future rental income, anticipated maintenance costs, future development costs and appropriate market yields. The valuer makes reference to market evidence of transaction prices for similar properties where possible. Where there is a lack of comparable transactional evidence, as is currently the case for UK shopping centres, then the degree of potential variability in valuations may widen. Further details are provided in Note 6.

Significant accounting policies
The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all periods presented, unless otherwise stated.

Rental income
Rental income from investment property leased out under operating leases is recognised in the statement of comprehensive income on a straight-line basis over the term of the lease. Tenant lease incentives, including rent-free periods granted and cash contributions paid, which are an integral part of securing leases, were written off to the statement of comprehensive income in previous year as financial statements have been prepared on a break-up basis.

Contingent rents are recognised as they arise. Rent reviews are recognised as income or as a reduction thereof from the date it is probable that the revised terms will be agreed. Surrender premiums paid by the tenant to terminate a lease early are recognised immediately in the statement of comprehensive income.

Service charges
Where the Company invoices budgeted service charges to tenants, amounts received are not recognised as income as the risks in relation to the subsequent provision of actual goods and services are primarily borne by the tenants during the service charge period. Consequently, amounts received are recognised as a liability on the balance sheet and reduced by the actual service charge expenditure incurred. Any non-recoverable service charge expenses suffered by the Company, as a result of void or capped units, are included within rental expense in the statement of comprehensive income.

1. Accounting policies *continued*

Taxation

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

Current tax is based on taxable profit for the period and is calculated using tax rates that have been enacted or substantively enacted by the reporting date. Taxable profit differs from net profit as reported in the statement of comprehensive income because it excludes items of income that are not taxable or expenses that are not tax deductible.

On 4 December 2013, the RDI REIT P.L.C. Group, in which the Company is a 100 per cent subsidiary, converted to a UK Real Estate Investment Trust (UK REIT). As a result the Group and subsidiaries in which it holds an interest of 75 per cent or more no longer pay UK corporation tax on the profits and gains from qualifying rental business in the UK provided certain conditions are met. Non-qualifying profits and gains continue to be subject to corporation tax as normal.

With effect from the 23 April 2019, the Company ceased to be a member of the RDI REIT P.L.C. REIT Group and any profits and gains fall under the UK Corporation Tax regime. Any losses relating to the property rental business cannot be carried forward as the property rental business is treated as ceasing once the exiting company leaves the regime. Any losses of the residual business are regarded as a business that carries on uninterrupted and would be available to offset in the normal way.

Investment property

In accordance with IAS 40, Paragraph 14, judgement may be required to determine whether a property qualifies as investment property. The Company has developed criteria so that it can exercise judgement consistently in recognising investment property, namely: property held for long-term capital appreciation; property owned (or held under finance leases) and leased out under one or more operating leases; and property that is being developed for future use as investment property. The recognition and classification of property as investment property principally assumes that the Company:

- does not retain significant exposure to the variation in cash flows arising from the underlying operations of tenants; and
- will recover the carrying value through continuing rental income streams and longer-term capital appreciation.

Investment property is initially recognised at cost, including directly attributable transaction costs, and subsequently measured at fair value. The property is valued on a bi-annual basis by an external, independent and professionally qualified valuer, having recent experience in the location and category of the property being valued. The fair values are based on market values, being the estimated amount for which the property could be exchanged on a highest and best use basis between a willing buyer and seller in an arm's length transaction.

The valuations are determined by considering comparable and timely market transactions for sales and lettings and having regard for the current leases in place. In the case of lettings, this includes consideration of the aggregate net annual market rents achievable for the property and associated costs. A yield which reflects the risks inherent in the future cash flows is applied to the net annual rents to arrive at the property valuation.

1. Accounting policies *continued*

Significant accounting policies *continued*

Investment property *continued*
The bi-annual valuations of investment property are based upon estimates and subjective judgements that may vary materially from the actual values and sales prices that may be realised by the Company upon ultimate disposal. The critical assumptions made in determining the valuations have been included in Note 6 to the financial statements.

Subsequent expenditure is capitalised to investment property when the expenditure incurred enhances the future economic benefits associated with the property, such as enhanced future rental income, capital appreciation or both. Contributions to tenant refurbishments under lease arrangements are treated as tenant lease incentives and amortised against rental income over the term of the lease.

Gains or losses arising from changes in the fair value of investment property are included in the statement of comprehensive income in the period in which they arise.

Property will be transferred to or from investment property when, and only when, there is a change in use and there is substantive evidence to support that change in use.

Financial instruments
Recognition, classification and measurement
A financial instrument is recognised when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Company's contractual rights to the cash flows from the financial assets expire or if the Company transfers the financial assets to another party without retaining control or substantially all risks and rewards of the asset. Regular way purchases and sales of financial assets are accounted for at trade date, i.e. the date that the Company commits itself to purchase or sell the asset. Financial liabilities are derecognised when the Company's obligations specified in the contract expire.

Non-derivative financial instruments
Non-derivative financial instruments are recognised initially at fair value plus, for those instruments not designated at fair value through profit or loss, any directly attributable transaction costs. Financial assets that are held for collection of contractual cash flows where these cash flows represent solely payments of principal or interest are measured at amortised cost. The company does not hold financial assets that meet the criteria of fair value through profit or loss. All non-derivative financial liabilities are measured at amortised cost as the Company has not opted to measure any liabilities at fair value through profit or loss. Non-derivative financial instruments comprise trade and other receivables and trade and other payables (including amounts owed to group undertakings) which the Company holds with the objective to collect or settle the contractual cash flows.

Impairment
The Company assesses the expected credit losses associated with its current financial assets carried at amortised cost on a forward-looking basis using the simplified method. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Financial assets are specifically impaired when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, among others, the probability of insolvency or significant financial difficulties of the debtor. Impaired debts are derecognised when they are assessed as uncollectable. Impairment losses and reversals are recognised in the statement of comprehensive income.

1. Accounting policies *continued*

Significant accounting policies *continued*

Financial instruments *continued*

Impairment continued
Impairment losses and reversals are recognised in the statement of comprehensive income and reflected in an allowance account against loans and receivables.

Cash and cash equivalents
Cash and cash equivalents comprise cash balances on hand, cash deposited with financial institutions and short-term call deposits. Cash and cash equivalents are recognised at fair value and have maturities of less than three months.

Loans and borrowings
Interest-bearing borrowings have been recognised initially at fair value less directly attributable transaction costs. Any difference between the transaction price and the deemed fair value of the borrowing is treated as a gain or loss in the statement of comprehensive income when the determination of fair value is based on observable inputs. Subsequent to initial recognition, interest-bearing borrowings are measured at amortised cost.

A financial liability is derecognised when it is extinguished. This may happen when:

- full repayment is made to the lender;
- the borrower is legally released from primary responsibility for the financial liability; or
- where there is an exchange of debt instruments with substantially different terms or a substantial modification to the existing terms of a debt instrument.

Ongoing finance costs are recognised in the income statement on an accruals basis, using the effective interest rate method.

Provisions, capital commitments and contingent liabilities
A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Capital commitments are disclosed when the Company has a contractual future obligation which has not been provided for at the balance sheet date.

1. Accounting policies *continued*

Significant accounting policies *continued*

Ordinary share capital
Ordinary shares are classified as equity. External costs directly attributable to the issue of new shares are shown as a deduction of any recognised share premium, net of tax.

Capital contribution
Capital contributions represent the receipt of non-refundable considerations received from related parties including the waiver or forgiveness of debt. Contributions may comprise both financial and non-financial assets. The contributions are classified as equity and may be either distributable or non-distributable. Capital contributions are distributable if the assets received are in the form of cash or another asset that is readily convertible cash.

2. Rental income

	Eighteen-month Period ended 28 February 2020 £'000	Year ended 31 August 2018 £'000
Rental income	**1,398**	878
Tenant lease incentive adjustment	**-**	(85)
Rental income	**1,398**	793

The future aggregate minimum rentals receivables under non-cancellable operating leases are as follows:

Not later than one year	**862**	927
Later than one year not later than five years	**2,530**	3,011
Later than five years	**4,696**	5,538
	8,088	9,476

3. Net operating income
Net operating income for the period is stated after charging administration and other fees.

Administration fees include management fees of £11,000 (2018: £25,000) payable to related parties, namely to RDI Management Services Limited £11,000 (2018: £15,000) and to Redefine International Group Services Limited £nil (2018: £10,000).

Audit fees for the eighteen-month period ended 28 February 2020 and the year ended 31 August 2018 were borne by the Company's ultimate legal parent, RDI REIT P.L.C., and have not been recharged.

Directors' remuneration is borne by the Company's ultimate legal parent, RDI REIT P.L.C.

There were no employees of the Company during the period (2018: nil).

4. Finance expense

	Eighteen-month Period ended 28 February 2020 £'000	Year ended 31 August 2018 £'000
Finance expense due to parent undertaking (Note 13)	**310**	419
Finance expense	**310**	419

The fixed interest expense due to parent undertaking is a recharge of a portion of the external loan interest expense incurred by the Company's parent, Grand Arcade Wigan Limited under the Aviva facility.

5. Taxation

The tax rate for the period is lower than the average standard rate of corporation tax in the UK of 19 per cent (31 August 2018: 19 per cent). The differences are explained below:

	Eighteen-month Period ended 28 February 2020 £'000	Year ended 31 August 2018 £'000
Loss before tax	**(4,062)**	(3,047)
Loss before tax multiplied by the standard rate of corporation tax in the UK of 19% (2018: 19%)	**(772)**	(579)
Effect of:		
Loss on revaluation of investment property	**972**	645
Expenses not deductible for UK income tax	**83**	-
Exempt property rental profits	**(51)**	(66)
Tax charge for the period reported in the statement of comprehensive income	**232**	-

The main rate of corporation tax was set by section 7 of Finance Act 2015 to be reducing from 19 per cent to 18 per cent for the financial year 2020. Legislation was introduced in Finance Bill 2020 to extend the main rate of 19 per cent for financial year 2020 and 2021.

Factors that may affect future tax charges

On 4 December 2013, Grand Arcade Wigan Limited became a member of the RDI REIT P.L.C. REIT Group, a UK Real Estate Investment Trust (UK REIT). As a result, the Company was exempt from paying UK Corporation tax on profits and gains on qualifying rental business, with non-qualifying profits and gains continuing to be subject to UK Corporation Tax.

With effect from 23 April 2019, the Company is no longer a member of the RDI REIT P.L.C. Group, therefore, any profits and gains will fall under the UK Corporation tax regime from that date.

6. Investment property

	28 February 2020 £'000	31 August 2018 £'000
Leasehold		
Opening carrying value at 1 September	**6,958**	10,353
Loss on revaluation of investment property	**(5,118)**	(3,395)
Carrying and market value at 31 August	**1,840**	6,958

Investment property represents the Company's share of the long leasehold interest in Grand Arcade Shopping Centre, Wigan. The property comprises a substantial purpose-built shopping centre which was completed in early 2007. The centre includes a rooftop car park comprising 260 car parking spaces to the northern half of the scheme and a 600 space multi-storey car park. Subsequent to the reporting date, Aviva appointed Savills (UK) Limited as fixed charge receivers over the shopping centre on 6 May 2020.

Valuation

The carrying amount of the investment property is the market value of the property as determined by an appropriately qualified independent valuer and adjusted for minimum payments under head leases. The valuation is based on what is determined to be the highest and best use. When considering the highest and best use a valuer will consider its actual and potential uses which are physically, legally and financially viable. Where the highest and best use differs from the existing use, the valuer will consider the cost and the likelihood of achieving and implementing this change to determine an appropriate valuation.

The fair value of the investment property for the eighteen-month period ended 28 February 2020 was assessed by independent and appropriately qualified valuers in accordance with the Royal Institute of Chartered Surveyors ("RICS") standards and IFRS 13. In preparing the financial statements on a break-up basis at 28 February 2020, the investment property has been presented at fair value based on the most recent independent valuation performed by BNP Paribas Real Estate ("BNP") at 28 February 2020. Fees paid to the valuer were based on an arms-length fixed price contract.

The long leasehold interest in Grand Arcade Shopping Centre is held by the Company and its immediate parent, Grand Arcade Wigan Limited. The shopping centre is valued as one property by the BNP and the valuation is split 11.5 per cent to the Company and 88.5 per cent to Grand Arcade Wigan Limited.

6. Investment property *continued*

	28 February 2020 £'000	31 August 2018 £'000
Share of property held by the Company	**1,840**	6,958
Share of property held by Grand Arcade Wigan Limited	**14,160**	53,542
Total market value per valuation report	**16,000**	60,500

Valuation inputs
The fair value of the investment property has been determined using a yield capitalisation technique, whereby contracted and market rental values are capitalised at a market rate. The resulting valuation is cross-checked against the net initial yield and the fair market values per square foot of comparable recent market transactions.

The valuation techniques are consistent with IFRS 13 and use significant unobservable inputs. Valuation techniques can change at each valuation round depending on prevailing market conditions, market transactions and the property's highest and best use at the reporting date. Where there is a lack of market comparable transactions, the level of estimation and judgement increases on account of less observable inputs and the degree of variability could be expected to widen. This is of particular relevance to the Company's UK shopping centre asset where there is continued weakening of investor sentiment, retail failures and ongoing structural change in consumer behaviour in the wider retail market.

At the latest valuation date, no COVID-19 material uncertainty clauses was adopted by the valuers in their valuation report.

The Company considers that its investment property falls within 'Level 3', as defined by IFRS 13. There has been no transfer of property within the fair value hierarchy during the period.

The table below summarises the key unobservable inputs used in the valuation of the Company's investment property, on a total basis, at 28 February 2020 and 31 August 2018:

28 February 2020	**Market Value (£'000)**	**Lettable Area (sqm)**	**Average Rent per sqm (£)**	**Weighted Average Lease Length (years)**	**Weighted Average Net Initial Yield (%)**	**Average Market Rent per sqm (£)**
	16,000	41,486	156.4	7.1	25.3	95.4

31 August 2018	**Market Value (£'000)**	**Lettable Area (sqm)**	**Average Rent per sqm (£)**	**Weighted Average Lease Length (years)**	**Weighted Average Net Initial Yield (%)**	**Average Market Rent per sqm (£)**
	60,500	41,486	140.2	8.5	9.0	148.7

There are interrelationships between the unobservable inputs as they are determined by market conditions; an increase in more than one input could impact on the valuation.

The Directors have furthered considered the impact of a significant valuation decline of up to 25 per cent impacting the shopping centre, brought about by continued negative sentiment and tenant failures and the potential impact of the outbreak of COVID-19 as a global pandemic after the reporting date. Based on the 28 February 2020 market value of the Grand Arcade Shopping Centre, the Company's share of a 25 per cent reduction in valuation would result in a fair value loss to the statement of comprehensive income of £460,000.

6. Investment property *continued*

Commercial Property Price Risk
The Directors draw attention to the risks associated with commercial property investments. Although over the long-term property is considered a low risk asset, there are significant short and medium-term risk factors inherent in the asset class. Investments in property are relatively illiquid and usually more difficult to realise than listed equities or bonds and this restricts the Company's ability to realise value in cash in the short-term.

7. Trade and other receivables

	28 February 2020 £'000	31 August 2018 £'000
Current		
Other receivables	**1**	-
Total current trade and other receivables	**1**	-

8. Borrowings

	28 February 2020 £'000	31 August 2018 £'000
Current		
Loan payable to parent undertaking (Note 13)	**8,289**	9,281
Total current borrowings	**8,289**	9,281

Amounts owed to parent undertaking are payable to the Company's immediate parent, Grand Arcade Wigan Limited. The loan is a trading balance which fluctuates throughout each financial period. It is repayable on demand and is therefore classified as a current borrowing in the balance sheet.

On 3 April 2020 the Company's immediate parent, Grand Arcade Wigan Limited, formally waived the amounts owing from the Company to restore it to a position of solvency, see Note 16.

The external debt facility secured over the Grand Arcade Shopping Centre with Aviva Commercial Finance Limited ("Aviva") is held by the immediate parent company, Grand Arcade Wigan Limited. This facility has been used to finance the Company's interest in the Grand Arcade Shopping Centre through the intercompany loan.

9. Trade and other payables

	28 February 2020 £'000	31 August 2018 £'000
Trade payables	-	22
Rent received in advance	**55**	68
VAT liability	**50**	58
Other sundry payables	**4**	3
	109	151

Notes to the financial statements
for the eighteen-month period ended 28 February 2020

10. Share capital

	28 February 2020 £	31 August 2018 £
Authorised		
1,000 ordinary shares of £1 each	**1,000**	1,000
	1,000	1,000
Issued, called up and fully paid		
100 ordinary shares of £1 each	**100**	100
	100	100

11. Capital contribution reserve

	28 February 2020 £'000	31 August 2018 £'000
Capital contribution reserve	**12,366**	12,366
	12,366	12,366

During the year ended 31 August 2014, the Company's parent Grand Arcade Wigan Limited assessed the financial position of the Company and determined that it did not have sufficient assets to support its loan payable, £12,366,000. The loan was forgiven and this was deemed to be a capital contribution to the Company by its parent.

12. Financial risk management

The Company has exposure to the following risks from its use of financial instruments:

- liquidity risk; and
- credit risk.

In common with all other businesses, the Company is exposed to risks that arise from its use of financial instruments. The following quantitative and qualitative disclosures describe the Company's objectives, policies and processes for measuring and managing these risks, and the Company's management of capital.

The Company's risk management policies require the identification and analysis of the risks faced by the Company, the setting of appropriate risk limits and controls, and the monitoring of risks and adherence to limits. Risk management policies and systems are reviewed regularly and adjusted to reflect changes in market conditions and the Company's activities.

The board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

Liquidity risk
Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

12. Financial risk management *continued*

Below are the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting agreements:

28 February 2020	Carrying amount	Contractual cash flows	6 months or less	6 – 12 months	1 – 2 years	2-5 years
Financial liabilities at amortised cost						
Loan payable to parent undertaking (Note 13)	**8,289**	**(8,289)**	**(8,289)**	-	-	-
Tax payable	**232**	**(232)**	**(232)**			
Trade and other payables	**109**	**(109)**	**(109)**	-	-	-
	8,630	**(8,630)**	**(8,630)**	-	-	-

31 August 2018	Carrying amount	Contractual cash flows	6 months or less	6 – 12 months	1 – 2 years	2-5 years
Financial liabilities at amortised cost						
Loan payable to parent undertaking (Note 13)	9,281	(9,281)	(9,281)	-	-	-
Trade and other payables	151	(151)	(151)	-	-	-
	9,432	(9,432)	(9,432)	-	-	-

Credit risk
Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

Maximum credit risk exposure
The carrying amount of financial assets represents the maximum credit exposure. The Company's maximum exposure to credit risk at the reporting date is as follows:

	28 February 2020 £000	31Agust 2018 £'000
Trade and other receivables	**1**	-
	1	-

12. Financial risk management *continued*

Credit risk *continued*

Fair values

Fair values versus carrying amounts

The fair values of financial liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

	28 February 2020		31 August 2018	
	Carrying amount	**Fair value**	Carrying amount	Fair value
	£'000	**£'000**	£'000	£'000
Held at amortised cost				
Loans payable to parent undertaking (Note 13)	**8,289**	**8,289**	9,281	9,281
Tax payable	**232**	**232**	-	-
Trade and other payables	**109**	**109**	151	151
	8,398	**8,398**	9,432	9,432

The fair value of the loan is deemed to be its carrying value given that the loan is contractually repayable on demand.

Capital management

With Aviva's consent, the Directors are in the process of arranging for the orderly wind-up of the affairs of the Company. This wind-up process is expected to be completed within twelve months of signing the financial statements.

13. Related party transactions

	28 February 2020	31 August 2018
	£'000	£'000
Finance transactions		
Finance expense on loan from parent undertaking		
Grand Arcade Wigan Limited	**(310)**	(419)
Management Fees		
RDI Management Services Limited	**(11)**	(15)
Redefine International Group Services Limited	**-**	(10)
	(11)	(25)

RDI Management Services Limited is indirectly wholly owned by RDI REIT P.L.C. and provides management services which are recharged to the group.

Outstanding balances		
Borrowings		
Loans payable to parent undertaking – Grand Arcade Wigan Limited	**(8,289)**	(9,281)

Notes to the financial statements
for the eighteen-month period ended 28 February 2020

14. Contingencies, guarantees and commitments
The Company's investment property is cross-collateralised under the amalgamated facility provided by Aviva to a number of related party companies including Weston Favell Limited, Grand Arcade Wigan Limited, Byron Place Seaham Limited, Seaham Limited and Birchwood Warrington Limited as borrowers and Redefine Wigan Limited and Standishgate Wigan Limited as guarantors. As each borrower has defaulted Aviva can seek remedy from each borrower and guarantor for the total balance outstanding under the facility agreement, being £130,958,000 principal and £6,218,000 accrued interest as at 28 February 2020.

15. Ultimate parent and controlling party
The Company's immediate parent undertaking is Grand Arcade Wigan Limited, a company incorporated in the United Kingdom. Grand Arcade Wigan Limited is a 100% subsidiary of is Redefine Wigan Limited, a company incorporated in the British Virgin Islands, which is wholly owned by RDI REIT P.L.C. RDI REIT P.L.C. is the ultimate legal parent of the Company. The Company ceased to be consolidated in the group financial statements with effect from 23 April 2019.

On 23 April 2019, a Standstill Agreement ("Standstill") was signed which allowed for a consensual sales process to be carried out to Aviva's benefit, without Aviva taking legal ownership of the subsidiary shares or the underlying property held by the Company. Aviva's rights under the facility agreement were still in force during the Standstill period and the agreement could be terminated at any time. The standstill period expired in February 2020 and Aviva have since appointed fixed charge receivers over the property owned by the Company. Notwithstanding that ownership of the Company has not legally transferred to Aviva, Aviva has the ability to enforce its rights at any time and make material decisions regarding the Company at its absolute discretion. Aviva is exposed to the variable returns from the property's performance and sale of the asset, including the value at which the property will be sold will be determined by Aviva. Aviva is therefore deemed to be the controlling party of the property and the operations of the business; however, the Company remains legally owned ultimately by RDI REIT P.L.C. and is not consolidated by either its legal parent or by Aviva.

16. Subsequent events
On 11 March 2020, the World Health Organisation recognised the outbreak of COVID-19 as a global pandemic. This was followed by a series of measures taken by the UK Government to control the spread of its infection. Measures taken were wide ranging and restrictive in nature. While it is not possible to quantify the exact indirect impact of the disruption of the financial position and performance of the Company, the measures are expected to materially affect the performance of the company in the immediate future. This was a non-adjusting post balance sheet event and had no bearing on the period end valuation.

On 3 April 2020 the Company's immediate parent, Grand Arcade Wigan Limited, waived an intercompany balance of £9,180,445 that was due from the Company in order to restore the Company to solvency.

Aviva appointed Savills (UK) Limited as fixed charge receivers over the shopping centre on 6 May 2020.

17. Approval of financial statements
The financial statements were approved by the Board on 18 September 2020.