REPORT OF THE DIRECTORS AND

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

FOR

Coleridge (No.35) Limited

CONTENTS OF THE FINANCIAL STATEMENTS
for the Year Ended 30 June 2017

Coleridge (No.35) Limited

**COMPANY INFORMATION**
**for the Year Ended 30 June 2017**

| | |
|---|---|
| **DIRECTORS:** | Cromwell Director Limited<br>J E Maddy |
| **SECRETARY:** | Cromwell Corporate Secretarial Limited |
| **REGISTERED OFFICE:** | 1st Floor<br>Unit 16<br>Manor Court Business Park<br>Scarborough<br>YO11 3TU |
| **REGISTERED NUMBER:** | 05282899 (England and Wales) |
| **INDEPENDENT AUDITORS :** | PricewaterhouseCoopers LLP<br>Chartered Accountants and Statutory Auditors<br>Central Square<br>29 Wellington Street<br>Leeds<br>LS1 4DL |
| **BANKERS:** | Bank of Scotland<br>2nd Floor<br>New Uberior House<br>11 Earl Grey Street<br>Edinburgh<br>EH3 9BN |

Coleridge (No.35) Limited (Registered number: 05282899)

## REPORT OF THE DIRECTORS
**for the Year Ended 30 June 2017**

The directors present their annual report and the audited financial statements of the company for the year ended 30 June 2017.

### PRINCIPAL ACTIVITY
The principal activity of the company in the year under review was that of property trading.

### REVIEW OF BUSINESS
Both the level of activity for the year and the financial position at the end of the year were as anticipated and the directors expect that the current level of rental income received will be sustained for the foreseeable future.

The company's profit for the year is £13,824,000 (2016: profit of £21,000) and is dealt with as shown on the income statement.

On 16 December 2016 the company's shares were sold to D.U.K.E. Investor Jersey Limited, a property investment vehicle incorporated in Jersey.This vehicle also acquired several other subsidiaries of the company's former ultimate parent entity D.U.K.E. Real Estate Limited.

Prior to this acquisition the balance sheet of the company was restructured with D.U.K.E. Real Estate agreeing to waive £7,038,000 of intercompany loans due to it.

On 4 April 2017 to company sold its development asset generating a profit on sale of £6,870,000.

### DIRECTORS
Cromwell Director Limited has held office during the whole of the period from 1 July 2016 to the date of this report.

Other changes in directors holding office are as follows:

N K Robertson - resigned 24 February 2017
J E Maddy - appointed 24 February 2017

### PRINCIPAL RISKS AND UNCERTAINTIES
The directors of D.U.K.E. Investor Jersey Limited manage the group's risks at a group level, rather than at an individual business unit level. For this reason, the company's directors believe that a discussion of the company's risks would not be appropriate for an understanding of the development, performance or position of the business of the company. The principal risks and uncertainties of D.U.K.E. Investor Jersey Limited, which include those of the company, are discussed in the group's annual report which does not form part of this report.

### KEY PERFORMANCE INDICATORS
The directors of D.U.K.E. Investor Jersey Limited manage the group's operations on a divisional basis. For this reason, the company's directors believe that analysis using key performance indicators of the company is not necessary or appropriate for an understanding of the development, performance or position of the business of the company. The development, performance and position of D.U.K.E. Investor Jersey Limited, which includes the company, is discussed in the group's annual report, which does not form part of this report.

### FINANCIAL RISK MANAGEMENT
The company's financial risk management is set out in detail in the notes to the financial statements.

### STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS
So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

**Coleridge (No.35) Limited (Registered number: 05282899)**

**REPORT OF THE DIRECTORS**
**for the Year Ended 30 June 2017**

This report has been prepared in accordance with the provisions of Part 15 of the Companies Act 2006 relating to small companies.

**ON BEHALF OF THE BOARD:**

J E Maddy - Director

26 March 2018

## STATEMENT OF DIRECTORS' RESPONSIBILITIES
**for the Year Ended 30 June 2017**

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 year. Under that law the directors have prepared the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union 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 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.

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.

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF COLERIDGE (NO.35) LIMITED (REGISTERED NUMBER: 05282899)**

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

**Opinion**

In our opinion, Coleridge (No.35) Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2017 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Report of the Directors and Financial Statements (the "Annual Report"), which comprise: the statement of financial position as at 30 June 2017; the income statement, the statement of comprehensive income, the statement of cash flows, the statement of changes in equity for the year 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**

We have nothing to report in respect of the following matters in relation to which 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.

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.

**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 Report of the Directors, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF COLERIDGE (NO.35) LIMITED (REGISTERED NUMBER: 05282899)**

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.

**Report of the Directors**

In our opinion, based on the work undertaken in the course of the audit, the information given in the Report of the Directors for the year ended 30 June 2017 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 Report of the Directors.

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. 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.

**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.

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF COLERIDGE (NO.35) LIMITED (REGISTERED NUMBER: 05282899)**

**Entitlement to exemptions**

Under the Companies Act 2006 we are required to report to you if, in our opinion, the directors were not entitled to take advantage of the small companies exemption from preparing a strategic report. We have no exceptions to report arising from this responsibility.

Ian Marsden (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Leeds

Date: 20 March 2018

**Coleridge (No.35) Limited (Registered number: 05282899)**

**INCOME STATEMENT**
**for the Year Ended 30 June 2017**

| | Notes | 30.6.17<br>£'000 | 30.6.16<br>£'000 |
|---|---|---|---|
| **CONTINUING OPERATIONS** | | | |
| Revenue | | 9,288 | 42 |
| Cost of sales | | (2,382) | - |
| **GROSS PROFIT** | | 6,906 | 42 |
| Other operating income | | 1 | - |
| Administrative expenses | | (89) | (21) |
| **OPERATING PROFIT BEFORE EXCEPTIONAL ITEMS** | | 6,818 | 21 |
| Exceptional items | 4 | 7,038 | - |
| **OPERATING PROFIT** | | 13,856 | 21 |
| **PROFIT BEFORE INCOME TAX** | 5 | 13,856 | 21 |
| Income tax | 6 | (32) | - |
| **PROFIT FOR THE YEAR** | | 13,824 | 21 |

The notes form part of these financial statements

Coleridge (No.35) Limited (Registered number: 05282899)

## STATEMENT OF COMPREHENSIVE INCOME
**for the Year Ended 30 June 2017**

| | 30.6.17 | 30.6.16 |
|---|---|---|
| | £'000 | £'000 |
| **PROFIT FOR THE YEAR** | 13,824 | 21 |
| **OTHER COMPREHENSIVE INCOME** | - | - |
| **TOTAL COMPREHENSIVE INCOME FOR THE YEAR** | 13,824 | 21 |

The notes form part of these financial statements

**STATEMENT OF FINANCIAL POSITION**
**30 June 2017**

| | Notes | 30.6.17 £'000 | 30.6.16 £'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **CURRENT ASSETS** | | | |
| Inventories | 8 | - | 2,250 |
| Receivables | 9 | 57 | 17 |
| | | 57 | 2,267 |
| **TOTAL ASSETS** | | 57 | 2,267 |
| **EQUITY** | | | |
| **SHAREHOLDERS' EQUITY** | | | |
| Called up share capital | 10 | - | - |
| Retained earnings/(accumulated losses) | 11 | (18) | (6,392) |
| **TOTAL EQUITY** | | (18) | (6,392) |
| **LIABILITIES** | | | |
| **CURRENT LIABILITIES** | | | |
| Trade and other payables | 12 | 43 | 8,659 |
| Tax payable | | 32 | - |
| | | 75 | 8,659 |
| **TOTAL LIABILITIES** | | 75 | 8,659 |
| **TOTAL EQUITY AND LIABILITIES** | | 57 | 2,267 |

The financial statements on pages 8 to 23 were approved by the Board of Directors on 26 March 2018 and were signed on its behalf by:

J E Maddy - Director

The notes form part of these financial statements

## STATEMENT OF CHANGES IN EQUITY
**for the Year Ended 30 June 2017**

| | Retained earnings/(accumulated losses) £'000 | Total equity £'000 |
|---|---|---|
| **Balance at 1 July 2015** | (6,413) | (6,413) |
| **Changes in equity** | | |
| Total comprehensive income | 21 | 21 |
| **Balance at 30 June 2016** | (6,392) | (6,392) |
| **Changes in equity** | | |
| Dividends | (7,450) | (7,450) |
| Total comprehensive income | 13,824 | 13,824 |
| **Balance at 30 June 2017** | (18) | (18) |

The notes form part of these financial statements

Coleridge (No.35) Limited (Registered number: 05282899)

## STATEMENT OF CASH FLOWS
**for the Year Ended 30 June 2017**

| | Note | 30.6.17 £'000 | 30.6.16 £'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash generated from operations | 1 | 7,450 | - |
| Net cash from operating activities | | 7,450 | - |
| **Cash flows from financing activities** | | | |
| Equity dividends paid | | (7,450) | - |
| Net cash from financing activities | | (7,450) | - |
| **Increase in cash and cash equivalents** | | - | - |
| **Cash and cash equivalents at beginning of year** | | - | - |
| **Cash and cash equivalents at end of year** | | - | - |

The notes form part of these financial statements

## NOTES TO THE STATEMENT OF CASH FLOWS
**for the Year Ended 30 June 2017**

### 1. RECONCILIATION OF PROFIT BEFORE INCOME TAX TO CASH GENERATED FROM OPERATIONS

| | 30.6.17 | 30.6.16 |
|---|---|---|
| | £'000 | £'000 |
| Profit before income tax | 13,856 | 21 |
| Decrease in inventories | 2,250 | - |
| Increase in trade and other receivables | (40) | (6) |
| Decrease in trade and other payables | (8,616) | (15) |
| **Cash generated from operations** | 7,450 | - |

The notes form part of these financial statements

**NOTES TO THE FINANCIAL STATEMENTS**
**for the Year Ended 30 June 2017**

## 1. STATUTORY INFORMATION

Coleridge (No.35) Limited is a private company, limited by shares, registered in England and Wales. The company's registered number and registered office address can be found on the Company Information page.

2. **ACCOUNTING POLICIES**

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

These financial statements have been prepared in accordance with European Union ("EU") Endorsed International Financial Reporting Standards ("IFRSs"), IFRS IC interpretations and those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention, with the exception of financial instruments which require an alternative treatment under IFRS.

The preparation of financial statements in conformity with IFRSs 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 disclosed within the accounting policies note.

**New and amended standards not currently relevant to the company**
There are no new standards and amendments to standards that are mandatory for the financial period beginning 1 July 2016.

**New and amended standards not currently relevant to the company**
The following new standards, amendments to standards and interpretations are mandatory for the first time for the financial year beginning 1 July 2016, but are not currently relevant to the company:

- Amendment to IFRS 11 'Joint arrangements' on acquisition of an interest in a joint operation (effective 1 January 2016)

- Amendments to IAS 16 'Property, plant and equipment' and IAS 38 'Intangible assets' on depreciation and amortisation (effective 1 January 2016)

- Amendments to IAS 27, 'Separate financial statements' on the equity method (effective 1 January 2016)

- Annual improvements 2014 (effective 1 January 2016)

- Amendment to IAS 1 'Presentation of financial statements' on the disclosure initiative (effective 1 January 2016)

- Amendment to IFRS 10 and IAS 28 on investment entities applying the consolidation exception (effective 1 January 2016)

**New and amended standards not effective for current financial year**

The following new standards and amendments have been issued but are not effective for the financial year beginning 1 July 2016 and have not been adopted early:

- Amendments to IAS 7, 'Statement of cash flows' on disclosure initiative (effective 1 January 2017)

- Amendments to IAS 12, 'Income taxes' on recognition of deferred tax assets for unrealised losses (effective 1 January 2017)

- IFRS 15 'Revenue from contracts with customers' (effective 1 January 2018)

- IFRS 9 'Financial instruments' (effective 1 January 2018)

**2 - ACCOUNTING POLICIES - continued**

**New and amended standards not effective for current financial year (continued)**

- Amendments to IFRS 2 'Share-based payment' on clarifying how to account for certain types of share-based payment transactions (effective 1 January 2018)

- Amendments to IFRS 16 'Leases' (effective 1 January 2019)

- Amendments to IAS 40, 'Investment property' relating to transfers of investment property (effective 1 January 2018)

- Annual Improvements 2014-16, (effective 1 January 2017).

- IFRIC 22 'Foreign currency transactions and advance consideration' (effective 1 January 2018)

The impact of these standards is yet to be finalised by the company.

**General information**

The company is a limited liability company incorporated and domiciled in Scotland. The address of its registered office is: Exchange Place 3, 3 Semple Street, Edinburgh, EH3 8BL.

**Revenue**

Revenue comprises rental income arising from property, including lease incentives, which are accounted for on a straight line basis over the lease term of ongoing leases. Revenue is recognised to the extent it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. All such revenue is reported net of discounts and value added and other sales taxes.

2. **ACCOUNTING POLICIES - continued**

**Financial instruments**
The company recognises financial instruments when it becomes party to the contractual provisions of the instrument. Financial assets are derecognised when the contractual right to receive the cash flows expires or it has transferred the financial asset and the economic benefit of the cash flows. Financial liabilities are derecognised when the obligation specified in the contract is discharged, cancelled or expires.

Financial instruments are used to support the company's operations. Interest is charged to the income statement as incurred or earned. Issue costs for instruments subsequently recorded at amortised cost are netted against the fair value of the related debt instruments on initial recognition and are charged to the income statement over the term of the relevant facility.

Financial instruments are recorded initially at fair value. Subsequent measurement depends on the designation of the instrument, as follows:

a) Financial assets/liabilities held for short term gain, including derivatives other than hedging instruments, are measured at fair value and movements in fair value are credited/charged to the income statement in the year.

b) Loans and receivables/payables and non-derivative financial assets/liabilities with fixed or determinable payments that are not quoted in an active market are measured at amortised cost. These are included in current assets/liabilities except for instruments that mature after more than 12 months which are included in non current assets/liabilities.

**Critical judgements in applying accounting policies and key sources of estimation uncertainty**
Some of the amounts included in the financial statements involve the use of judgement and/or estimation. These judgements and estimates are based on management's best knowledge of the relevant facts and circumstances, having regard to previous experience, but actual results may differ from the amounts included in the financial statements. Information about such judgements and estimation is contained in the accounting policies and/or the notes to the financial statements, and the key areas summarised below.

Areas of judgement and sources of estimation uncertainty that have the most significant effect on the amounts recognised in the financial statements are:

**Assessment of net realisable value of development property inventory**
Development appraisals have been undertaken to estimate the residual value of the landholding after due regard to the cost of and revenue from the development of the property.

**Inventories**
Inventories are valued at the lower of cost and net realisable value. Cost includes expenditure that is directly attributable to the acquisition of the assets.

Subsequent expenditure is included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. Other repair and maintenance expenditures are charged to the Income Statement during the financial period in which they are incurred.

Interest incurred on development projects is only capitalised on all qualifying assets that are large new build developments and major refurbishments to the extent that they are capital in nature. A property ceases to be treated as being in the course of development when substantially all the activities that are necessary to prepare the property for use are complete.

Impairment on inventories is recorded in the income statement.

2. **ACCOUNTING POLICIES - continued**

***Taxation***

**Current Tax**

The expense or credit for current tax is based on the results for the year adjusted for items that are either not subject to taxation or for expenditure which cannot be deducted in computing the tax expense or credit. The tax expense or credit is calculated using taxation rates that have been enacted or substantively enacted at the balance sheet date.

**Deferred Tax**

Deferred tax is recognised using the balance sheet liability method on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit. Deferred tax is recognised in respect of all taxable temporary differences, with certain limited exceptions:

- deferred tax is not provided on the initial recognition of an asset or liability in a transaction that does not affect accounting profit or taxable profit and is not a business combination; and

- deferred tax assets are only recognised if it is probable that there will be sufficient profits from which the future reversal of the temporary differences can be deducted. In deciding whether future reversal is probable, the directors review the company's forecasts and make an estimate of the aggregate deferred tax asset that should be recognised. This aggregate deferred tax asset is then allocated into the different categories of deferred tax.

Deferred tax is calculated at the tax rates that are expected to apply in the periods in which temporary differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited to the income statement, except where it applies to items credited or charged to equity, in which case the deferred tax is also dealt with in equity.

**Going concern**

The financial statements have been prepared on the going concern basis. In forming their view as to going concern, the directors have prepared long term cash flow forecasts for the group based on its trading. The directors have also considered alternative scenarios based on key sensitivities. The projections indicate, taking into account the relatively predictable nature of the group costs, that the group will be able to operate within its existing cash resources, taking into account the key sensitivities.

Taking all the above into consideration, the directors believe that the company will be able to meet its liabilities as they fall due for at least a period of 12 months from the date of signing these financial statements and that it is appropriate to prepare the company's financial statements on a going concern basis.

## 2. ACCOUNTING POLICIES - continued

**Impairment**
The carrying value of cash generating units (taking into account related liabilities and allocated central net assets) is tested for impairment by comparison with expected relevant future cash flows discounted at the pre-tax cost of capital taking into account appropriate risk; provision is made for any impairment identified.

When a review for impairment is conducted, the recoverable amount is assessed by reference to the higher of 'value in use' (being the present value of expected future cash flows of the relevant cash generating unit) or 'fair value less costs to sell'. Where there is no binding sale agreement or active market, fair value less costs to sell is based on the best information available to reflect the amount the Company could receive for the cash generating unit in an arm's length transaction.

**Cash and cash equivalents**
In the preparation of the company's statement of cash flows, cash and cash equivalents represent short term liquid investments which are readily realisable. Cash which is subject to restrictions, being held to match certain liabilities, is included in cash and cash equivalents in the balance sheet.

**Ordinary shares**
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.

**Dividend distribution**
Dividend distribution to the company's shareholders is recognised in the financial statements in the year in which the dividends are paid.

## 3. EMPLOYEES AND DIRECTORS

The company had no employees during the current or prior year.

**Directors' emoluments**
The directors are executives of the Cromwell (Europe) Limited group. D.U.K.E. Investor Jersey Limited, the ultimate parent company, has a management agreement with Cromwell Management Services Limited, a subsidiary of Cromwell (Europe) Limited. The management charge is invoiced to Coleridge (No.1) Limited. The management charge includes various costs and the directors' remuneration cannot be separately identified.

## 4. EXCEPTIONAL ITEMS

Exceptional items relate to the forgiveness of intercompany loans payable to D.U.K.E Real Estate Limited of £7,038,000 that were waived prior to the company being sold to D.U.K.E. Investor Jersey Limited during the year.

## 5. PROFIT BEFORE INCOME TAX

The profit before income tax is stated after charging:

| | 30.6.17 | 30.6.16 |
|---|---|---|
| | £'000 | £'000 |
| Cost of inventories recognised as expense | 2,382 | - |

## 6. INCOME TAX

**Analysis of tax expense**

| | 30.6.17 £'000 | 30.6.16 £'000 |
|---|---|---|
| Current tax: | | |
| Tax | 32 | - |
| Total tax expense in income statement | 32 | - |

**Factors affecting the tax expense**
The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The difference is explained below:

| | 30.6.17 £'000 | 30.6.16 £'000 |
|---|---|---|
| Profit before income tax | 13,856 | 21 |
| Profit multiplied by the standard rate of corporation tax in the UK of 19.750% (2016 - 20%) | 2,737 | 4 |
| Effects of: | | |
| Group relief received for nil consideration | (208) | (4) |
| Profit on disposal of development property taxable as investment property gains | (1,356) | - |
| Utilisation of brought forward losses | (258) | - |
| Non taxable waiver of intercompany loans | (1,390) | - |
| Investment property gains | 507 | - |
| Tax expense | 32 | - |

A change to the UK corporation tax rate was announced in the Chancellor's Budget on 16 March 2016. The change announced is to reduce the main rate to 17% from 1 April 2020.

## 7. DIVIDENDS

During the year the company proposed and paid a dividend of £7,450,000 per share totalling £7,450,000 (2016: £nil).

## 8. INVENTORIES

| | 30.6.17 £'000 | 30.6.16 £'000 |
|---|---|---|
| Net costs less foreseeable losses | - | 2,250 |

The amount shown above is stated after cumulative impairment provisions of £nil (2016: £5,608,000).

## 9. RECEIVABLES

| | 30.6.17 £'000 | 30.6.16 £'000 |
|---|---|---|
| Current: | | |
| Other receivables | 41 | 11 |
| VAT | 16 | 1 |
| Prepayments | - | 5 |
| | 57 | 17 |

The carrying amount of receivables approximates to their fair value. All of the company's receivables are denominated in sterling.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivables as disclosed in note 10. The company does not hold any collateral as security.

The receivables do not contain impaired assets.

## 10. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:

| Number: | Class: | Nominal value: | 30.6.17 £ | 30.6.16 £ |
|---|---|---|---|---|
| 1 | Ordinary | £1 | 1 | 1 |

## 11. RESERVES

| | **Retained earnings/ (accumulated) losses £'000** |
|---|---|
| At 1 July 2016 | (6,392) |
| Profit for the year | 13,824 |
| Dividends | (7,450) |
| At 30 June 2017 | (18) |

## 12. TRADE AND OTHER PAYABLES

| | 30.6.17 £'000 | 30.6.16 £'000 |
|---|---|---|
| Current: | | |
| Trade payables | - | 1 |
| Amounts owed to group undertakings | 43 | 8,633 |
| Other payables | - | 25 |
| | 43 | 8,659 |

All amounts owed to group undertakings are repayable on demand, carry no security and are interest free.

## 13. FINANCIAL INSTRUMENTS

The company's principal financial instruments include receivables and trade and other payables.

| Other financial assets and liabilities | 30.6.17 | | 30.6.16 | |
|---|---|---|---|---|
| | **Book value** | **Fair value** | **Book value** | **Fair value** |
| | £'000 | £'000 | £'000 | £'000 |
| **Assets** | | | | |
| Receivables excluding prepayments | 57 | 57 | 12 | 12 |
| **Liabilities** | | | | |
| Trade and other payables | (75) | (75) | (8,659) | (8,659) |

In accordance with IAS 39, the company classifies the assets and liabilities in the analysis above as 'loans and receivables' and 'other financial liabilities' measured at amortised cost, respectively. At the current and prior year ends, the company did not have any 'held to maturity' or 'available for sale' financial assets or 'held for trading' financial assets and liabilities as defined by IAS 39.

For other financial assets and liabilities, which are all short-term in nature, the carrying value approximates to fair value.

The fair value hierarchy at the current and prior year end was level 3.

## 14. ULTIMATE PARENT COMPANY

The company's immediate parent undertaking is D.U.K.E. Investor Jersey Limited.

The company's ultimate parent undertaking is OZRE Holdings XVIII LLC, an American entity.

## 15. CONTINGENT LIABILITIES

There are no contingent liabilities at the year end.

Prior to the acquisition of the company by D.U.K.E Investor Jersey Limited on 16 December 2016 the company was party to cross collateralisation and cross default provisions. The total Group debt outstanding as at 30 June 2016 was £46,664,000.

## 16. RELATED PARTY DISCLOSURES

**Amounts owed to group undertakings**

The funding of D.U.K.E. Investor Jersey Limited and its subsidiaries ('the group') is controlled centrally. Resources are allocated to different entities within the Group according to their needs, which constantly vary due to differing trading patterns, seasonality and other factors. The amounts owed at the year end disclosed in notes 11 include £43,000 (2016: £nil) owed to D.U.K.E. Investor Jersey Limited.

Prior to the sale of the company's shares to D.U.K.E. Investor Jersey on 16 December 2016 the company was a wholly owned subsidiary of D.U.K.E. Real Estate Limited. The amounts owed at the prior year end disclosed in note 10 were entirely owed to D.U.K.E. Property Holdings (UK) Limited a wholly owned subsidiary of D.U.K.E. Real Estate Limited.

## 17. FINANCIAL RISK MANAGEMENT

The company's activities expose it to a variety of financial risks: credit risk and liquidity risk. The company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the company's financial performance.

Risk management is carried out by a central treasury function on a group-wide basis under policies approved by the board of directors. The central treasury function identifies, evaluates and hedges financial risks in close co-operation with the group's property trading businesses. The board provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments and investment of excess liquidity.

**(a) Credit risk**
The company is subject to credit risk arising from outstanding receivables. The company's policy is to manage credit exposure to trading counterparties within defined trading limits. All of the company's significant counterparties are assigned internal credit limits.

If any of the company's customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, the company assesses the credit quality of the customer taking into account its financial position, past experience and other factors.

**(b) Liquidity risk**
The company is subject to the risk that it will not have sufficient borrowing facilities to fund its existing business and its future plan for growth. The company manages its liquidity requirements with the use of both short and long-term cash flow forecasts. These forecasts are supplemented by a financial headroom position which is used to demonstrate funding adequacy for at least a 12 month period.

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses, the central treasury function aims to maintain flexibility in funding by keeping committed credit lines available.

**Capital risk management**
The company's objectives when managing capital are to safeguard the company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the company may adjust the amount of dividends paid to shareholders, return capital to its parent, issue new shares or sell assets to reduce debt.