**Princes Street Investments Limited**

**Annual report and audited financial statements**

**For the year ended 31 August 2016**

*Registered Number: SC274858*

# Princes Street Investments Limited

## Annual report and audited financial statements

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# Princes Street Investments Limited
## Company information

| | |
|---|---|
| **Directors** | D. A Grant<br>S J Oakenfull |
| **Registered office** | 13 Queens Street<br>Aberdeen<br>AB15 4YL |
| **Secretary** | L J Hibberd |
| **Independent auditor** | KPMG<br>Statutory Auditor<br>Chartered Accountants<br>1 Harbourmaster Place<br>IFSC<br>Dublin 1<br>Ireland |
| **Banker** | HSBC Bank plc<br>West End Corporate Banking Centre<br>70 Pall Mall<br>London<br>SWIY 5EZ |
| **Solicitors** | Pinsent Masons LLP<br>3 Hardman Street<br>Manchester<br>M3 3AU |

# Princes Street Investments Limited
## Directors' report

The Directors submit their annual report together with the audited financial statements of Princes Street Investments Limited ("the Company") for the year ended 31 August 2016.

**Incorporation**
The Company was incorporated (registration number SC274858) in Scotland on 18 October 2004 under the laws of Scotland.

**Principal activity**
The Company's principal activity is property investment. At 31 August 2016, the Company held the freehold interest in four regional petrol stations. Ten petrol filling stations were sold during year for £12,000,000 which resulted in a profit on disposal of £515,000, net of transaction costs.

**Business review**
The Company's results for and financial position at the year ended 31 August 2016 are set out in full in the statement of comprehensive income, the balance sheet, the statement of changes in equity and the notes relating thereto.

Profit after tax for the year was £1,156,000 (31 August 2015: restated £1,354,000). Net assets of the Company at 31 August 2016 were £824,000 (31 August 2015: restated net liabilities £332,000).

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

The Directors believe that the principal risks and uncertainties that face the Company are not materially different to those disclosed on pages 14 and 15 in the Annual Report of Redefine International P.L.C. for the year ended 31 August 2016 that are publicly available and in which the Company is consolidated.

The EU referendum result on 23 June 2016 has had a significant impact on the real estate investment market with transaction volumes down materially immediately following the outcome. The uncertainty created by the result is likely to have a negative impact on near term economic growth as investment decisions are postponed but the Directors are mindful that residual property portfolio is fully occupied and let to a single and reputable tenant, BP Oil UK Ltd, with an average lease length of 16.1 years.

**Dividend**
The Directors do not recommend the payment of a dividend (2015: £nil).

**Future developments**
The Company does not have any major plans for future development.

**Subsequent events**
No events occurred after the reporting date that would require amendment to the financial statements or inclusion of notes therein.

**Going concern**
Redefine International P.L.C., the ultimate parent, has provided an undertaking to provide necessary financial support to the Company, including the continuation of existing inter-group loan arrangements, to meet its liabilities as they fall due for a period of at least twelve months from the approval of these financial statements.

The Directors of the Company are satisfied that the Company has adequate resources to continue in operation for the foreseeable future, on account of the net asset position of the Company at 31 August 2016 and the financial commitment provided by Redefine International P.L.C. For this reason, the Directors believe it is appropriate to prepare the financial statements on a going concern basis.

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

D. A Grant
S J Oakenfull

The Directors held no interest in the shares of the Company at any point during the financial year.

**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 year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Accounting Standards, FRS 101 'Reduced Disclosure Framework' ("FRS 101"). FRS 101 sets out a reduced disclosure framework for the individual financial statements of qualifying entities that otherwise apply the recognition, measurement and disclosure requirements of International Financial Reporting Standard ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations as issued by the IFRS Interpretations Committee (IFRIC). Amendments are made to the requirements of IFRS where necessary so as to comply with Companies Act 2006 and the early adoption of the Companies, Partnerships and Groups (Accounts and Reports) Regulations 2015. 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 year. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- notify its shareholders in writing about the use of disclosure exemptions, if any, available under FRS 101 in the preparation of the financial statements; 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. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**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 replaced Wilson Wright LLP as auditors for the financial year ended 31 August 2016. Under section 487 of the Companies Act 2006, KPMG will be deemed to be reappointed as auditors 28 days after these financial statements are sent to members or 28 days after the latest date prescribed for filing the accounts with the registrar, whichever is earlier.

**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*
25 January 2017

KPMG

**KPMG**
**Audit**
1 Harbourmaster Place
IFSC
Dublin 1
D01 F6F5
Ireland

## Independent auditor's report to the members of Princes Street Investment Limited

We have audited the financial statements of Princes Street Investment Limited for the year ended 31 August 2016 which comprise the principal accounting policies, the statement of comprehensive income, the balance sheet, the statement of changes in equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) including FRS 101 *Reduced Disclosure Framework*. Our audit was conducted in accordance with International Standards on Auditing (ISAs) (UK & Ireland).

**Opinions and conclusions arising from our audit**

***1 Our opinion on the financial statements is unmodified***

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 August 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

***2 Our conclusions on other matters on which we are required to report by the Companies Act 2006 are set out below***

In our opinion the information given in the Directors' Report for the financial year is consistent with the financial statements.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Directors' report:

- we have not identified material misstatements in that report; and.
- in our opinion, that report has been prepared in accordance with the Companies Act 2006.

***3 We have nothing to report in respect of matters on which we are required to report by exception***

Under ISAs (UK and Ireland) we are required to report to you if, based on the knowledge we acquired during our audit, we have identified other information in the annual report that contains a material inconsistency with either that knowledge or the financial statements, a material misstatement of fact, or that is otherwise misleading.

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.

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

KPMG

## Independent auditor's report to the members of Princes Street Investment Limited *(continued)*

### Basis of our report, responsibilities and restrictions on use

As explained more fully in the Statement of Directors' Responsibilities 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 and otherwise comply with the Companies Act 2006. Our responsibility is to audit and express an opinion on the financial statements in accordance with UK law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's Ethical Standards for Auditors.

An audit undertaken in accordance with ISAs (UK & Ireland) involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Whilst an audit conducted in accordance with ISAs (UK & Ireland) is designed to provide reasonable assurance of identifying material misstatements or omissions it is not guaranteed to do so. Rather the auditor plans the audit to determine the extent of testing needed to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements does not exceed materiality for the financial statements as a whole. This testing requires us to conduct significant audit work on a broad range of assets, liabilities, income and expense as well as devoting significant time of the most experienced members of the audit team, in particular the engagement partner responsible for the audit, to subjective areas of the accounting and reporting.

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.

N. Marshall

*N. Marshall (Senior Statutory Auditor)*
***for and on behalf of KPMG, Statutory Auditor***
*Chartered Accountants*
*1 Harbourmaster Place*
*IFSC*
*Dublin 1*

*25 January 2017*

# Princes Street Investments Limited

## Statement of comprehensive income
*for the year ended 31 August 2016*

| Continuing operations | Note | Year ended 31 August 2016 £'000 | Restated Year ended 31 August 2015 £'000 |
|---|---|---|---|
| Revenue | 2 | 1,010 | 1,473 |
| | | | |
| Rental income | 2 | 1,010 | 1,473 |
| Rental expense | | (5) | (8) |
| **Net rental income** | | **1,005** | **1,465** |
| | | | |
| Administrative costs and other fees | | (43) | (12) |
| **Net operating income** | 3 | **962** | **1,453** |
| | | | |
| Profit on revaluation of investment property | 6 | 275 | 592 |
| Profit on disposal of investment property | 6 | 515 | - |
| **Profit from operations** | | **1,752** | **2,045** |
| | | | |
| Finance expense | 4 | (387) | (670) |
| Other finance expense | 4 | (136) | - |
| Change in fair value of derivative financial instrument | 10 | (73) | (21) |
| **Profit before tax** | | **1,156** | **1,354** |
| | | | |
| Taxation | 5 | - | - |
| **Profit for the year** | | **1,156** | **1,354** |
| | | | |
| Other comprehensive income | | - | - |
| **Total comprehensive income for the year** | | **1,156** | **1,354** |

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

# Princes Street Investments Limited

## Balance sheet
*as at 31 August 2016*

| | Note | As at 31 August 2016 £'000 | Restated As at 31 August 2015 £'000 | Restated As at 1 September 2014 £'000 |
|---|---|---|---|---|
| **Assets** | | | | |
| **Non-current assets** | | | | |
| Investment property | 6 | 12,325 | 23,627 | 23,037 |
| **Total non-current assets** | | 12,325 | 23,627 | 23,037 |
| **Current assets** | | | | |
| Trade and other receivables | 7 | 25 | 26 | 25 |
| Cash and cash equivalents | 8 | 276 | 839 | 217 |
| **Total current assets** | | 301 | 865 | 242 |
| **Total assets** | | 12,626 | 24,492 | 23,279 |
| **Liabilities** | | | | |
| **Non-current liabilities** | | | | |
| Borrowings, including finance leases | 9 | (3,378) | (24,187) | (24,430) |
| Derivative financial instrument | 10 | (106) | (116) | (95) |
| **Total non-current liabilities** | | (3,484) | (24,303) | (24,525) |
| **Current liabilities** | | | | |
| Borrowings, including finance leases | 9 | (8,160) | (157) | (157) |
| Trade and other payables | 11 | (158) | (364) | (283) |
| **Total current liabilities** | | (8,318) | (521) | (440) |
| **Total liabilities** | | (11,802) | (24,824) | (24,965) |
| **Net assets/(liabilities)** | | 824 | (332) | (1,686) |
| **Equity** | | | | |
| Share capital | 12 | - | - | - |
| Retained earnings/(loss) | | 824 | (332) | (1,686) |
| **Total equity** | | 824 | (332) | (1,686) |

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

On behalf of the Board

D. Grant

D. Grant
Director
25 January 2017

# Princes Street Investments Limited

## Statement of changes in equity
*for the year ended 31 August 2016*

| | Share capital £'000 | Retained earnings/(loss) £'000 | Total equity £'000 |
|---|---|---|---|
| Restated balance at 1 September 2014 | - | (1,686) | (1,686) |
| Restated profit and total comprehensive income for the year | - | 1,354 | 1,354 |
| **Restated balance at 1 September 2015** | - | (332) | (332) |
| Profit and total comprehensive income for the year | - | 1,156 | 1,156 |
| **Balance at 31 August 2016** | - | **824** | **824** |

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

### 1. Accounting policies

**Basis of preparation**
The financial statements of the Company have been prepared in accordance with the Companies Act 2006 and United Kingdom Accounting Standards, in particular, Financial Reporting Standard 101 'Reduced Disclosure Framework' ("FRS 101"). Under the Companies Act, the Company has chosen to early adopt the Companies, Partnerships and Groups (Accounts and Reports) Regulations 2015 ("the Regulations"), effective for financial periods beginning on or after 1 January 2016, in these financial statements and has applied the required amendments to FRS 101 in the same period.

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. The financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment property and derivative financial instruments.

FRS 101 sets out a reduced disclosure framework that addresses the financial reporting requirements of, and disclosure exemptions available in, the individual financial statements of qualifying entities that otherwise apply the recognition, measurement and disclosure requirements of International Financial Reporting Standard ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations as issued by the IFRS Interpretations Committee (IFRIC). Amendments are made to the requirements of IFRS where necessary so as to comply with Companies Act 2006 and the Regulations.

The Company, as a qualifying entity, is a member of a group where the parent of that group, being Redefine International P.L.C., prepares publicly available consolidated financial statements that are intended to give a true and fair view and the Company is included in the consolidation. Details of where the Annual Report of Redefine International P.L.C. for the year ended 31 August 2016 can be obtained are disclosed in note 13.

*Transition to FRS 101*
For all years, up to and including the year ended 31 August 2015, the Company's financial statements were prepared in accordance with existing United Kingdom Generally Accepted Accounting Principles ('UK GAAP'). These financial statements for the year ended 31 August 2016 are the first to be prepared in accordance with FRS 101 and the Directors have applied transitional arrangements accordingly. In preparing the financial statements, the opening balance sheet has been prepared as at 1 September 2014, being the date of transition to FRS 101. In line with IFRS 1 'First-time Adoption of International Financial Reporting Standards' ("IFRS 1"), the following tables explain the principal adjustments made in restating the Company's existing UK GAAP financial statements to FRS 101, including the opening balance sheet and the financial statements as at and for the year ended 31 August 2015.

**1. Accounting policies** *continued*

**Basis of preparation** *continued*

*Transition to FRS 101*

| Reconciliation of previously reported balance sheets | As at 1 September 2014 £'000 | As at 31 August 2015 £'000 |
|---|---|---|
| **Non-current assets previously reported under UK GAAP** | 22,782 | 23,374 |
| *Adjustment* | | |
| Recognition of finance lease asset | 255 | 253 |
| **Non-current assets restated under FRS 101** | 23,037 | 23,627 |
| | | |
| **Non-current creditors previously reported under UK GAAP** | (24,192) | (23,951) |
| *Adjustments* | | |
| Recognition of non-current finance lease obligation | (238) | (236) |
| Derivative financial instrument | (95) | (116) |
| **Non-current liabilities restated under FRS 101** | (24,525) | (24,303) |
| | | |
| **Current creditors previously reported under UK GAAP** | (423) | (503) |
| *Adjustment* | | |
| Recognition of current finance lease obligation | (17) | (17) |
| **Current liabilities restated under FRS 101** | (440) | (521) |
| | | |
| **Total shareholder deficit previously reported under UK GAAP** | (1,591) | (216) |
| *Adjustment* | | |
| Derivative financial instrument | (95) | (116) |
| **Total equity restated under FRS 101** | (1,686) | (332) |

| Reconciliation of previously reported statement of comprehensive income | Year ended 31 August 2015 £'000 |
|---|---|
| **Profit for the financial year previously reported under UK GAAP** | 783 |
| *Adjustment* | |
| Change in fair value of derivative financial instrument. | (21) |
| Gain on revaluation of investment property | 592 |
| **Total comprehensive income for the year restated under FRS 101** | 1,354 |

Finance leases
Under existing UK GAAP, investment property was carried at open market value in accordance with Statement of Standard Accounting Practice No. 19 'Accounting for Investment Properties'. Under FRS 101, the Directors have chosen the fair value model of IAS 40 'Investment Property' ("IAS 40"), whereby the market value of the property is increased by the carrying amount of any liability to the superior leaseholder. Finance lease interests in investment property under FRS 101 are therefore capitalised to the property and recognised as both an asset and a liability or obligation to pay future minimum lease payments. At 1 September 2014, the fair value of the minimum lease payments under the finance lease was £255,000 and at 31 August 2015, the fair value was £253,000.

**1. Accounting policies** *continued*

**Basis of preparation** *continued*

*Transition to FRS 101*

Derivative financial instrument

Under existing UK GAAP, the Company chose not to recognise derivative financial instruments, as set out under Financial Reporting Standard 29, as it is a wholly owned subsidiary of Redefine International P.L.C. whose financial statements are publicly available. Under FRS 101 derivative financial instruments have been recognised at fair value at each balance sheet date with fair value movements reflected through the statement of comprehensive income. At 1 September 2014, the fair value of derivative financial instruments was £95,000 in deficit. During the year ended 31 August 2015 there was a fair value loss through profit or loss of £21,000 resulting in a net fair value deficit of £116,000 at the balance sheet date.

Revaluation of investment property

Under existing UK GAAP, revaluation gains and losses were recognised in the statement of total recognised gains and losses. Under FRS 101, gains and losses arising from changes in the fair value of investment property are recognised in the statement of comprehensive income. This has resulted in an increase in the profit of the Company by £592,000 for the year ended 31 August 2015.

*Disclosure exemptions*

The Directors have taken advantage of the following disclosure exemptions available under FRS 101:
- The requirements of paragraphs 10(d), 16, 38A, 38B, 38C, 38D, 111 and 134 to 136 of IAS 1 'Presentation of Financial Statements';
- The requirements of IAS 7 'Statement of Cash Flows';
- The requirements of paragraphs 30 and 31 of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'- disclosure of new standards and interpretations that have been issued but not yet effective and not applied by the Company;
- The requirements of IAS 24 'Related Party Disclosures' to disclose related party transactions entered into between two or more members of a group;
- The requirements of IFRS 7 'Financial Instruments: Disclosures; and
- The requirements of paragraphs 91 to 99 of IFRS 13 'Fair value measurement' ("IFRS 13") - disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities.

The Directors have notified the shareholder of the Company in writing about the use of disclosure exemptions in these financial statements and the shareholder does not object.

There were no new standards and guidelines relevant to the Company that were issued and effective during the year or up to the date of approval of the financial statements.

*Going concern*

The Directors of the Company are satisfied that the Company has adequate resources to continue in operation for the foreseeable future and for this reason believe it is appropriate to prepare the financial statements on a going concern basis.

### 1. Accounting policies *continued*

**Basis of preparation** *continued*

**Estimation and uncertainty**
The preparation of financial statements in conformity with FRS 101 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 year. 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 area where such judgements and estimates have been made is in the valuation of investment property.

*Investment property valuation*
The Company uses the valuation determined by an independent valuer in accordance with IFRS 13 as the fair value of its investment property. The valuation is based upon assumptions including estimated rental values, future rental income, anticipated maintenance costs, future development costs and appropriate discount rates. The valuer also makes reference to market evidence of transaction prices for similar properties.

**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 years 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 leases. Lease incentives granted are recognised as an integral part of the total rental income and amortised over the term of the leases.

Contingent rental income is recognised as it arises. Premiums to terminate leases are recognised in the statement of comprehensive income as they arise.

***Service charges***
Where the Company invoices service charges, these amounts are not recognised as income as the risks in relation to the provision of these goods and services are primarily borne by the Company's tenants and consequently recognised as a reduction in rental expense. Any servicing expenses suffered by the Company are included within property operating expenses in the statement of comprehensive income.

***Finance costs***
Finance costs recognised in the statement of comprehensive income comprise interest payable on borrowings calculated using the effective interest rate method, net of interest capitalised.

***Taxation***
Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement 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 year and is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are not taxable (or tax deductible).

Deferred tax is provided, using the statement of financial position liability method, on temporary timing differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured using rates of tax that have been enacted or substantively enacted by the reporting date.

**1. Accounting policies** ***continued***

**Significant accounting policies** ***continued***

***Taxation continued***
On 4 December 2013, the Redefine International P.L.C Group, in which the Company is a 100% 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% 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.

***Investment property***
Investment properties are those which are held either to earn rental income or for capital appreciation or for both. Investment properties are initially recognised at cost and subsequently measured at fair value.

External, independent valuation companies, having professionally qualified valuers and recent experience in the location and category of the property being valued, values the portfolio on a bi-annual basis. The fair values are based on market values, being the estimated amount for which property could be exchanged on a highest and best use basis between a willing buyer and a willing 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 current leases in place. In the case of lettings this includes considering the aggregate of the net annual market rents receivable from the properties and where relevant, associated costs. A yield which reflects the risks inherent in the net cash flows is then applied to the net annual rentals to arrive at the property valuation.

As the fair value model is applied, property under construction or redevelopment for future use as investment property continues to be measured at fair value. However, where the fair value of investment property under redevelopment cannot be measured reliably, the property is measured at cost.

In determining the fair value of the property, the market value as determined by the independent valuers is:
- reduced by the carrying amount of any accrued income and expense resulting from the spreading of lease incentives to tenants and/or minimum lease payments; and
- increased by the carrying amount of any liability to the superior leaseholder included in the balance sheet as a finance lease obligation.

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 disclosed in the investment property note to the financial statements.

Gains or losses arising from changes in the fair value of investment property are included in the consolidated income statement in the year in which they arise. Acquisition and disposals of investment property are recognised when significant risks and rewards attached to the property have transferred to, or from, the Company. Profit or loss on disposal of investment property is recognised in the statement of comprehensive income when significant risks and rewards have transferred from the Company.

**1. Accounting policies** *continued*

**Significant accounting policies** *continued*

*Leases*
When the Company enters into a lease that transfers substantially all of the risks and rewards of ownership of the related asset, the lease is accounted for as a finance lease. In accordance with IAS 40, property held under finance and operating leases may be accounted for as investment property. Finance lease interests in investment property are capitalised to the property at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the future minimum lease payments.

The corresponding liability to the superior leaseholder is recognised in the balance sheet as a finance lease obligation. Lease payments are apportioned between the finance charges and the capital reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability over the lease term. Finance charges are charged through profit or loss as they arise.

*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 if the Company's obligations specified in the contract expire.

*Non-derivative financial instruments*
Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, loans and borrowings and trade and other payables. Non-derivative financial instruments are recognised initially at fair value plus, for instruments not designated at fair value through profit or loss, any directly attributable transaction costs. Loan and borrowings are subsequently measured at amortised cost using the effective interest rate method.

*Derivative Financial Instruments*
The Company holds derivative financial instruments to manage its interest rate risk exposures. These instruments have not been designated as qualifying for hedge accounting and are classified as held for trading. Derivatives are recognised initially at fair value on the date the Company becomes party to the contract; any attributable transaction costs are recognised in the statement of comprehensive income as incurred. Subsequent to initial recognition, derivatives are re-measured to fair value at each reporting date, and changes therein are accounted for in the statement of comprehensive income and presented under change in fair value of derivative financial instruments.

*Impairment*
Financial assets not carried at fair value through profit or loss are assessed at each reporting date to determine whether there is objective evidence that they are impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition, that the loss event had a negative effect on the estimated future cash flows of that asset and the impact on those cash flows can be estimated reliably.

**1. Accounting policies** *continued*

**Significant accounting policies** *continued*

***Financial instruments continued***

*Impairment continued*
Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers in the Company, economic conditions that correlate with defaults or the disappearance of an active market for a security.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in the statement of comprehensive income and reflected in an allowance account against loans and receivables. Interest on the impaired asset continues to be recognised. When a subsequent event (e.g. repayment by a debtor) causes the amount of impairment loss to decrease, the decrease in impairment loss is calculated on a basis consistent with the original charge and reversed through the statement of comprehensive income.

***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 have a maturity of less than three months. Restricted cash comprises cash deposits which are restricted until the fulfilment of certain conditions.

***Loans and borrowings***
Interest-bearing borrowings are recognised initially at fair value less directly attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the statement of comprehensive income over the contractual term of the borrowings on an effective interest basis.

***Ordinary share capital***
Ordinary shares are classified as equity. External costs directly attributable to the issue of new shares are shown as a deduction in equity, net of tax, from the proceeds.

***Dividends***
Dividends attributable to the Company's shareholder are recognised when they become legally payable.

***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.

## 2. Rental income

| | Year ended 31 August 2016 £'000 | Year ended 31 August 2015 £'000 |
|---|---|---|
| Gross lease payments from third parties | 1,010 | 1,473 |
| **Rental income** | 1,010 | 1,473 |

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

| | | |
|---|---|---|
| Not later than 1 year | 645 | 1,583 |
| Later than 1 year not later than 5 years | 2,575 | 5,463 |
| Later than 5 years | 7,175 | 14,781 |
| | 10,395 | 21,827 |

## 3. Net operating income

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

Administration fees include management fees of £32,000 (2015: £nil) payable to a related party, Redefine International Group Services Limited.

Audit fees for the year ended 31 August 2016 were borne by the Company's ultimate parent, Redefine International P.L.C. and have not been recharged. Audit fees of £12,000 for the year ended 31 August 2015 were charged directly to the Company.

Director's remuneration is borne by the Company's ultimate parent, Redefine International P.L.C.

There were no employees of the Company during the year (2015: nil).

## 4. Finance costs

| | Year ended 31 August 2016 £'000 | Restated Year ended 31 August 2015 £'000 |
|---|---|---|
| **Finance expense** | | |
| Finance expense on secured bank loan | 286 | 515 |
| Amortisation of debt issue costs | 83 | 137 |
| Finance lease interest | 18 | 18 |
| **Net finance expense** | 387 | 670 |
| | | |
| **Other finance expense** | | |
| Other finance costs on prepayment of borrowings | 50 | - |
| Swap break costs | 86 | - |
| **Other finance expense** | 136 | - |

**5. Taxation**

| | Year ended 31 August 2016 £'000 | Restated Year ended 31 August 2015 £'000 |
|---|---|---|
| UK corporation tax at 20% (2015: 20.58%) | - | - |

*Factors affecting the tax charge for the year*
The difference between the actual tax assessed in the year and the charge based on the standard rate of corporation tax in the United Kingdom of 20 per cent (2015: 20.58 per cent) is explained as follows:

| | Year ended 31 August 2016 £'000 | Restated Year ended 31 August 2015 £'000 |
|---|---|---|
| Profit before tax | 1,156 | 1,354 |
| Profit before tax multiplied by the standard rate of corporation tax in the UK of 20% (2015: 20.58%) | 231 | 279 |
| *Effect of:* | | |
| Gain on revaluation of investment property | (55) | (122) |
| Gain on disposal of investment property | (103) | - |
| Change in fair value of derivative financial instrument | 15 | 4 |
| Income not subject to UK income tax | (202) | (303) |
| Expenses not deductible for UK income tax | 114 | 142 |
| **Tax charge for the year reported in the statement of comprehensive income** | - | - |

*Factors that may affect future tax charges*
On 4 December 2013, Redefine International P.L.C. Group, of which the Company is a 100% subsidiary, converted to a UK Real Estate Investment Trust (UK REIT). As a result, the Company no longer pays 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.

It is intended that the Redefine International P.L.C. Group will continue as a REIT for the foreseeable future, with the result that deferred tax is no longer recognised on temporary differences relating to the Company's property rental business which is within the REIT structure.

**6. Investment property**

| | 31 August 2016 £'000 | Restated 31 August 2015 £'000 |
|---|---|---|
| **Freehold** | | |
| Opening carrying value at 1 September | 23,627 | 23,037 |
| Disposal of investment property | (11,324) | - |
| Disposal of head lease | (253) | - |
| Capital reduction in head lease | - | (2) |
| Gain on revaluation of investment property | 275 | 592 |
| **Carrying value at 31 August** | 12,325 | 23,627 |
| Adjustments: | | |
| Minimum payments under head leases | - | (253) |
| **Market value at 31 August** | 12,325 | 23,374 |

Investment property at 31 August 2016 represents the Company's freehold interest in four regional petrol stations. Ten petrol filling stations were sold during year for £12,000,000 at a 6.0 per cent premium to carrying value. This resulted in a profit on disposal of £515,000 net of transaction costs. The Company's remaining petrol filling stations are let to a single tenant, BP Oil UK Ltd, with an average lease length of 16.1 years and subject to fixed five yearly rental uplifts based on 2.5 per cent per annum compound.

In accordance with IAS 40, Paragraph 14, judgement is needed to determine whether a property qualifies as an investment property. The Directors have developed criteria so that it can exercise its judgement consistently in recognising investment property. These include, inter alia: 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 the shopping centre business.

The carrying amount of investment property is the fair value of the property as determined by an appropriately qualified independent valuer, Savills (UK) Limited (2015: Cushman and Wakefield). The fair value of the property for the year ended 31 August 2016 was assessed by the valuer in accordance with the Royal Institute of Chartered Surveyors ("RICS") standards and IFRS 13. The valuations determined bi-annually by the valuer are reviewed by the senior management and by the Audit and Risk Committee of Redefine International P.L.C. This includes discussion of the assumptions used by the external valuer, as well as a review of the resulting valuation.

The valuation is based on what is determined to be the highest and best use. When considering the highest and best use the valuer considers, the property's 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 in arriving at its valuation.

## 6. Investment property *continued*

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

The net initial yield applied at 31 August 2016 was 4.92% which reflects the risks inherent in the net cash flows.

The Company was not contractually committed to expenditure for the future development and enhancement of investment property at 31 August 2016.

## 7. Trade and other receivables

| | 31 August 2016 £'000 | Represented 31 August 2015 £'000 |
|---|---|---|
| Rent receivable | - | 18 |
| Prepayments and accrued income | 25 | 8 |
| **Trade and other receivables** | **25** | **26** |

## 8. Cash and cash equivalents

| | 31 August 2016 £'000 | 31 August 2015 £'000 |
|---|---|---|
| Bank balances | 276 | 716 |
| Unrestricted cash and cash equivalents | 276 | 716 |
| Restricted cash and cash equivalents | - | 123 |
| **Cash and cash equivalents** | **276** | **839** |

At 31 August 2016, there were no cash and cash equivalents to which the Company did not have instant access (31 August 2015: £123,000).

### 9. Borrowings, including finance leases

| | 31 August 2016 £'000 | Restated 31 August 2015 £'000 |
|---|---|---|
| **Non-current** | | |
| Bank loan | 3,653 | 10,507 |
| Less: unamortised debt issue costs | (275) | (358) |
| Finance lease obligation | - | 236 |
| **Total non-current borrowings, including finance leases** | 3,378 | 24,187 |
| **Current** | | |
| Bank loan | 240 | 140 |
| Loans payable to related parties | 7,920 | 13,802 |
| Finance lease obligation | - | 17 |
| **Total current borrowings, including finance leases** | 8,160 | 157 |
| **Total borrowings, including finance leases** | 11,538 | 24,344 |
| Cash and cash equivalents | (276) | (839) |
| **Net debt** | 11,262 | 23,505 |

The Company's loans and borrowings are carried at amortised cost.

The current bank loan with HSBC is secured against the investment property and matures in January 2019. It bears interest at LIBOR plus 2.65 per cent. The nominal value of the bank loan is considered a reasonable approximation of fair value given that it is floating rate debt.

The amounts due to related parties are payable to Ciref Malthurst Limited, the Company's immediate parent and no interest is charged. The loan is repayable on demand. Following a review of the working capital of the Company, the loan was re-classified from non-current to current during the year as the Directors consider it more appropriate to classify the loan as a current trading balance.

The Company used the net proceeds on disposal of ten petrol stations during the year to make a prepayment of £6,514,000 on the HSBC bank loan and £5,500,000 repayment of amounts owing to related parties. The Company incurred early termination costs of £50,000 and swap break costs of £169,000, £83,000 of which was offset against the relative portion of the opening derivative liability.

### 9. Borrowings, including finance leases *continued*

**Finance leases**
Obligations under finance leases at the reporting date are as follows:

| | 31 August 2016 £'000 | Restated 31 August 2015 £'000 |
|---|---|---|
| *Minimum lease payments under finance lease obligations:* | | |
| Not later than one year | - | 17 |
| Later than one year not later than five years | - | 69 |
| Later than five years | - | 578 |
| | - | 664 |
| Less: finance charges allocated to future periods | - | (411) |
| **Present value of minimum lease payments** | - | 253 |
| *Present value of minimum finance lease obligations:* | | |
| Not later than one year | - | 17 |
| Later than one year not later than five years | - | 55 |
| Later than five years | - | 181 |
| **Present value of minimum lease payments** | - | 253 |

### 10. Derivative financial instrument

| | 31 August 2016 £'000 | Restated 31 August 2015 £'000 |
|---|---|---|
| **Non-current** | | |
| Opening fair value at 1 September | 116 | 95 |
| Change in fair value of derivative financial instrument | 73 | 21 |
| Reduction in derivative financial instrument on prepayment of bank loan | (83) | - |
| Closing fair value at 31 August | 106 | 116 |

The interest rate swap liability has a coterminous maturity with the bank loan, January 2019, and a fixed rate of 1.5 per cent.

### 11. Trade and other payables

| | 31 August 2016 £'000 | Represented 31 August 2015 £'000 |
|---|---|---|
| Rent received in advance | - | 61 |
| Accruals and deferred income | 39 | 130 |
| Interest payable | 29 | 81 |
| Trade payables | 39 | - |
| Other payables | 16 | - |
| VAT payable | 35 | 92 |
| | 158 | 364 |

### 12. Share capital

| | 31 August 2016 £ | 31 August 2015 £ |
|---|---|---|
| **Authorised** | | |
| 100 ordinary shares of £1 each | 100 | 100 |
| | 100 | 100 |
| **Issued, called up and fully paid** | | |
| 1 ordinary shares of £1 each | 1 | 1 |
| | 1 | 1 |

### 13. Ultimate parent and controlling party

The Company's immediate parent undertaking is Ciref Malthurst Limited, a company incorporated in the British Virgin Islands. Ciref Malthurst Limited is a 100% subsidiary of Redefine International Holdings Limited, a company incorporated in Jersey, which is wholly owned by Redefine International P.L.C.

Redefine International P.L.C. is the ultimate parent company and controlling party of the Company. The consolidated group financial statements of Redefine International P.L.C. are available to the public and may be obtained from the its office at Merchants House, 24 North Quay, Douglas, Isle of Man, IM1 4LE.

### 15. Events after the end of the reporting period

No events occurred after the reporting date that would require amendment to the financial statements or inclusion of notes therein.

### 16. Approval of financial statements

The financial statements were approved by the Board on 25 January 2017.