

**Princes Street Investments Limited**

Annual report and audited  
financial statements

**For the year ended 31 August 2017**

*Registered Number: SC274858*

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# Princes Street Investments Limited

## Annual report and audited financial statements

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# Princes Street Investments Limited

## Company information

<b>Directors</b>	D. Grant S. Oakenfull
<b>Registered office</b>	13 Queens Street Aberdeen AB15 4YL
<b>Secretary</b>	L. Hibberd
<b>Independent auditor</b>	KPMG Statutory Auditor Chartered Accountants 1 Harbourmaster Place IFSC Dublin 1 Ireland
<b>Banker</b>	HSBC Bank plc West End Corporate Banking Centre 70 Pall Mall London SW1Y 5EZ
<b>Solicitors</b>	Pinsent Masons LLP 3 Hardman Street Manchester 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 2017.

### **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 2017, the Company held the freehold interest in four regional petrol stations.

### **Business review**

The Company's results for, and financial position at, the year ended 31 August 2017 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 £713,000 (31 August 2016: £1,156,000). Net assets of the Company at 31 August 2017 were £1,537,000 (31 August 2016: £824,000).

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 16 and 17 in the Annual Report of RDI REIT P.L.C. (with effect from 1 December 2017, formerly Redefine International P.L.C.) for the year ended 31 August 2017 that are publicly available and in which the Company is consolidated.

The investment property portfolio is fully occupied and let to a single and reputable tenant, BP Oil UK Ltd, with an average unexpired lease length of 15.1 years. Rental income earned from the portfolio was in line with the prior year. Three of the investment properties in the portfolio have had revaluation uplifts during the year while the valuation of the fourth property in the portfolio remained unchanged from the prior year.

### **Dividend**

The Directors do not recommend the payment of a dividend (2016: £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**

The Company is in a net asset position and maintains a sufficiently liquid cash position to meet external debt obligations on an ongoing basis. Additionally, the Company's parent, RDI REIT P.L.C., has undertaken to provide the necessary financial support to the Company to meet its liabilities as they fall due for a period of at least twelve months from the date of 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 financial position of the Company at 31 August 2017 and the financial commitment provided by RDI REIT P.L.C. For this reason, the Directors believe it is appropriate to prepare the financial statements on a going concern basis.

# Princes Street Investments Limited

## Directors' report *continued*

### **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. Grant  
S. 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 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, 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.

# Princes Street Investments Limited

## Directors' report *continued*

### **Auditors**

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*

21 December 2017



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

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

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

#### ***Opinion***

We have audited the financial statements of Princes Street Investments Limited ('the Company') for the year ended 31 August 2017 set out on pages 8 to 21, which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity and related notes, including the summary of significant accounting policies set out in note 1. The financial reporting framework that has been applied in their preparation is UK Law and FRS 101 *Reduced Disclosure Framework*.

In our opinion, the accompanying financial statements:

- give a true and fair view of the assets, liabilities and financial position of the Company as at 31 August 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with FRS 101 *Reduced Disclosure Framework*; and
- have been properly prepared in accordance with the requirements of the Companies Act 2006.

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

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with ethical requirements that are relevant to our audit of financial statements in the UK, including the Financial Reporting Council (FRC)'s Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### ***We have nothing to report on going concern***

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

#### ***Other information***

The directors are responsible for the other information presented in the financial statements. The other information comprises the information included in the directors' report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information 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 other information.

Based solely on the work undertaken in the course of the audit, we report that

- we have not identified material misstatements in the directors' report;
- in our opinion, the information given in the directors' report is consistent with the financial statements;
- in our opinion, the directors' 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 on these matters/in regard to these matters.

**2 Respective responsibilities and restrictions on use**

***Responsibilities of directors for the financial statements***

As explained more fully in the directors' responsibilities 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, and 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 management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

***Auditor's 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 auditor's 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 fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities)

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

Our 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 (Senior Statutory Auditor)**  
for and on behalf of  
**KPMG Statutory Auditor**  
1 Harbourmaster Place  
IFSC  
Dublin 1

**21 December 2017**

# Princes Street Investments Limited

## Statement of comprehensive income for the year ended 31 August 2017

		Year ended 31 August 2017 £'000	Year ended 31 August 2016 £'000
	Note		
<b>Continuing operations</b>			
Revenue	2	646	1,010
Rental income	2	646	1,010
Rental expense		(23)	(5)
<b>Net rental income</b>		<b>623</b>	<b>1,005</b>
Administrative costs and other fees		(50)	(43)
<b>Net operating income</b>	3	<b>573</b>	<b>962</b>
Gain on revaluation of investment property	6	400	275
Profit on disposal of investment property	6	-	515
<b>Profit from operations</b>		<b>973</b>	<b>1,752</b>
Finance expense	4	(311)	(387)
Other finance expense	4	-	(136)
Change in fair value of derivative financial instrument	10	51	(73)
<b>Profit before tax</b>		<b>713</b>	<b>1,156</b>
Taxation	5	-	-
<b>Profit for the year</b>		<b>713</b>	<b>1,156</b>
Other comprehensive income		-	-
<b>Total comprehensive income for the year</b>		<b>713</b>	<b>1,156</b>

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

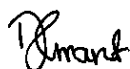
# Princes Street Investments Limited

## Balance sheet as at 31 August 2017

	Note	As at 31 August 2017 £'000	As at 31 August 2016 £'000
<b>Assets</b>			
<b>Non-current assets</b>			
Investment property	6	12,725	12,325
<b>Total non-current assets</b>		<b>12,725</b>	<b>12,325</b>
<b>Current assets</b>			
Trade and other receivables	7	-	25
Cash and cash equivalents	8	279	276
<b>Total current assets</b>		<b>279</b>	<b>301</b>
<b>Total assets</b>		<b>13,004</b>	<b>12,626</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Borrowings	9	(3,376)	(3,378)
Derivative financial instrument	10	(55)	(106)
<b>Total non-current liabilities</b>		<b>(3,431)</b>	<b>(3,484)</b>
<b>Current liabilities</b>			
Borrowings	9	(7,927)	(8,160)
Trade and other payables	11	(109)	(158)
<b>Total current liabilities</b>		<b>(8,036)</b>	<b>(8,318)</b>
<b>Total liabilities</b>		<b>(11,467)</b>	<b>(11,802)</b>
<b>Net assets</b>		<b>1,537</b>	<b>824</b>
<b>Equity</b>			
Share capital	12	-	-
Retained earnings		1,537	824
<b>Total equity</b>		<b>1,537</b>	<b>824</b>

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

On behalf of the Board



D. Grant  
Director  
21 December 2017

# Princes Street Investments Limited

## Statement of changes in equity for the year ended 31 August 2017

	Share capital £'000	Retained earnings/ (losses) £'000	Total equity £'000
Balance at 1 September 2015	-	(332)	(332)
Profit and total comprehensive income for the year	-	1,156	1,156
<b>Balance at 1 September 2016</b>	-	824	824
Profit and total comprehensive income for the year	-	713	713
<b>Balance at 31 August 2017</b>	-	<b>1,537</b>	<b>1,537</b>

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

# Princes Street Investments Limited

## Notes to the financial statements

for the year ended 31 August 2017

### 1. Accounting policies

#### Basis of preparation

The financial statements of the Company have been prepared on a 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 United Kingdom Accounting Standards, in particular, Financial Reporting Standard 101 'Reduced Disclosure Framework' ("FRS 101").

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 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 Standards ("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 the Companies Act and the Regulations.

The Company, as a qualifying entity, is a member of a group where the parent of that group, being RDI REIT 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 RDI REIT P.L.C. for the year ended 31 August 2017 can be obtained are disclosed in Note 14.

The relevant new standards, amendments and interpretations that have been adopted during the year are set out in the following table:

International Financial Reporting Standard
<i>Amendments</i>
IAS 1 'Presentation of Financial Statements' (amendment) ("IAS 1")

The adoption of the above amendment has not had a material impact on the financial statements of the Company. 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 2016.

#### 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.

# Princes Street Investments Limited

## Notes to the financial statements

for the year ended 31 August 2017

### 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 judgements and estimates has been made are detailed below:

##### *Investment property valuation*

The Company uses the valuations determined by an independent valuer 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 also makes reference to market evidence of transaction prices for similar properties where possible. 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.

##### *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.

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.

##### *Taxation*

Income tax on the profit or loss for the year 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 year 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 income statement because it excludes items of income that are not taxable or expenses that are not tax deductible.

Deferred tax is recognised using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their relative tax base. The amount of deferred tax provided is based on the expected manner of realisation or settlement, using tax rates enacted or substantively enacted at the reporting date.

On 4 December 2013, the RDI REIT 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.

# Princes Street Investments Limited

## Notes to the financial statements

for the year ended 31 August 2017

### 1. Accounting policies *continued*

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

##### ***Investment property***

In accordance with IAS 40 "Investment Property", 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 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 properties are valued on a bi-annual basis by an external, independent and professionally qualified valuer, having recent experience in the location and category of the properties being valued. The fair values are based on market values, being the estimated amount for which the properties 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.

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 income statement in the year in which 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 when the Company's obligations specified in the contract expire.

# Princes Street Investments Limited

## Notes to the financial statements

for the year ended 31 August 2017

### 1. Accounting policies continued

#### Significant accounting policies continued

##### *Financial instruments continued*

##### *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. Non-derivative financial instruments comprise investments in equity securities, trade and other receivables, cash and cash equivalents, loans and borrowings and trade and other payables. Loan receivables and payables are subsequently measured at amortised cost using the effective interest rate method.

##### *Derivative Financial Instruments*

Derivative financial instruments are held to manage interest rate risk exposures. 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 income statement as incurred. Derivatives are subsequently re-measured to fair value at each reporting date, and changes therein are accounted for in the income statement and presented under change in fair value of derivative financial instruments. The Company does not apply hedge accounting.

##### *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 of impairment. A financial asset is impaired if objective evidence indicates that a loss event has occurred and factors include: adverse changes in the payment status of a debtor or issuer; default or delinquency by a debtor; restructuring of an amount due on terms that the Company would not consider otherwise; potential bankruptcy of a debtor or issuer; and economic conditions that correlate with defaults or the disappearance of an active market for a security.

An impairment loss is calculated as the difference between the carrying amount of the financial asset and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. When a subsequent event objectively causes the amount of impairment loss to decrease, the decrease in impairment loss is calculated on a basis consistent with the impairment charge but the carrying value after any reversal must not exceed the original carrying value.

Impairment losses and reversals are recognised in the income statement and reflected in an allowance account against loans and receivables. Finance income on impaired interest-bearing assets continues to be recognised.

##### *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. Restricted cash comprises cash deposits that 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. Any difference between the transaction price and the deemed fair value of the borrowing is treated as a gain or loss in the income statement when the determination of fair value is based on observable inputs. Subsequent to initial recognition, interest-bearing borrowings are measured at amortised cost. Any differences between cost and the redemption value as a result of transaction costs incurred or fair value adjustments are recognised in the income statement over the contractual term of the borrowings on an effective interest rate basis.



# Princes Street Investments Limited

## Notes to the financial statements for the year ended 31 August 2017

### 1. Accounting policies continued

#### Significant accounting policies continued

##### Loans and borrowings continued

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

- full repayment is made to the lender;
- the company 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 and debt servicing payments are recognised in the income statement on an accruals basis, using the effective interest rate method.

##### Ordinary share capital

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

##### Dividends

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

### 2. Rental income

	Year ended 31 August 2017 £'000	Year ended 31 August 2016 £'000
Gross lease payments from third parties	646	1,010
<b>Rental income</b>	<b>646</b>	<b>1,010</b>

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

Not later than 1 year	646	645
Later than 1 year not later than 5 years	2,581	2,575
Later than 5 years	6,538	7,175
	<b>9,765</b>	<b>10,395</b>

The investment property portfolio has a weighted average unexpired lease term of 15.1 years (2016: 16.1 years).

### 3. Net operating income

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

Administration fees include management fees of £57,000 (2016: £32,000) payable to a related party, Redefine International Group Services Limited.

Audit fees for the years ended 31 August 2017 and 31 August 2016 were borne by the Company's ultimate parent, RDI REIT P.L.C. and have not been recharged.

Director's fees are borne by the Company's ultimate parent, RDI REIT P.L.C.

There were no employees of the Company during the year (2016: nil).

# Princes Street Investments Limited

## Notes to the financial statements

for the year ended 31 August 2017

### 4. Finance expense

	Year ended 31 August 2017 £'000	Year ended 31 August 2016 £'000
<b>Finance expense</b>		
Finance expense on secured bank loan	157	286
Amortisation of debt issue costs	152	83
Finance lease interest	2	18
<b>Net finance expense</b>	<b>311</b>	<b>387</b>
<b>Other finance expense</b>		
Other finance costs on prepayment of borrowings	-	50
Swap break costs	-	86
<b>Other finance expense</b>	<b>-</b>	<b>136</b>

### 5. Taxation

	Year ended 31 August 2017 £'000	Year ended 31 August 2016 £'000
UK corporation tax at 19.58% (2016: 20%)	-	-

#### *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 19.58 per cent (2016: 20 per cent) is explained as follows:

	Year ended 31 August 2017 £'000	Year ended 31 August 2016 £'000
Profit before tax	713	1,156
Profit before tax multiplied by the standard rate of corporation tax in the UK of 19.58% (2016: 20%)	140	231
<i>Effect of:</i>		
Gain on revaluation of investment property	(78)	(55)
Gain on disposal of investment property	-	(103)
Change in fair value of derivative financial instrument	(10)	15
Income not subject to UK income tax	(126)	(202)
Expenses not deductible for UK income tax	74	114
<b>Tax charge for the year reported in the statement of comprehensive income</b>	<b>-</b>	<b>-</b>

# Princes Street Investments Limited

## Notes to the financial statements

for the year ended 31 August 2017

### 5. Taxation continued

The enactment of Finance (No. 2) Act 2015 and Finance Act 2016 has reduced the main rate of corporation tax from 20 per cent to 19 per cent with effect 1 April 2017, with a further reduction to 17 per cent from April 2020.

#### *Factors that may affect future tax charges*

On 4 December 2013, RDI REIT 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 RDI REIT 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 2017 £'000	31 August 2016 £'000
<b>Freehold</b>		
Opening carrying value at 1 September	12,325	23,627
Disposal of investment property	-	(11,324)
Disposal of head lease	-	(253)
Gain on revaluation of investment property	400	275
<b>Market value at 31 August</b>	<b>12,725</b>	<b>12,325</b>

Investment property at 31 August 2017 represents the Company's freehold interest in four regional petrol stations. The Company's petrol filling stations are let to a single tenant, BP Oil UK Ltd, with an average lease length of 15.1 years and subject to fixed five yearly rental uplifts based on 2.5 per cent per annum compound.

#### **Valuation**

The carrying amount of the investment property portfolio is the market value of the portfolio as determined by an appropriately qualified independent valuer. The valuations are based on what is determined to be the highest and best use of each property. 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 portfolio for the year ended 31 August 2017 was assessed by an independent and appropriately qualified valuer in accordance with the Royal Institute of Chartered Surveyors ("RICS") standards and IFRS 13. The bi-annual valuations were performed by Savills. The valuations are reviewed internally by senior management and presented to the Audit and Risk Committee of RDI REIT P.L.C. The presentation includes discussion around the assumptions used by the external valuer, as well as a review of the resulting valuations.

# Princes Street Investments Limited

## Notes to the financial statements

for the year ended 31 August 2017

### 6. Investment property *continued*

#### Valuation inputs

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

The valuation techniques described above are consistent with IFRS 13 and use significant unobservable inputs. Valuation techniques can change at each valuation round depending on prevailing market conditions and the property's highest and best use at the reporting date. The Company considers that its investment property portfolio falls within 'Level 3', as defined by IFRS 13. There has been no transfer of property within the fair value hierarchy during the year.

The table below summarises the key unobservable inputs used in the valuation of the Company's investment property portfolio at 31 August 2017 and 31 August 2016:

	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 (£)
<b>31 August 2017</b>	12,725	1,210	533.4	15.1	4.7	574.4
	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 (£)
<b>31 August 2016</b>	12,325	1,210	533.4	16.1	4.9	574.4

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.

#### 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

	31 August 2017 £'000	31 August 2016 £'000
Prepayments and accrued income	-	25
<b>Trade and other receivables</b>	<b>-</b>	<b>25</b>

# Princes Street Investments Limited

## Notes to the financial statements

for the year ended 31 August 2017

### 8. Cash and cash equivalents

	31 August 2017 £'000	31 August 2016 £'000
Bank balances	279	276
Unrestricted cash and cash equivalents	279	276
<b>Cash and cash equivalents</b>	<b>279</b>	<b>276</b>

At 31 August 2017, there were no cash and cash equivalents to which the Company did not have instant access (31 August 2016: £nil).

### 9. Borrowings

	31 August 2017 £'000	31 August 2016 £'000
<b>Non-current</b>		
Bank loan	3,412	3,653
Less: unamortised debt issue costs	(36)	(275)
<b>Total non-current borrowings</b>	<b>3,376</b>	<b>3,378</b>
<b>Current</b>		
Bank loan	240	240
Less: unamortised debt issue costs	(87)	-
	153	240
Loans payable to related party	7,774	7,920
<b>Total current borrowings</b>	<b>7,927</b>	<b>8,160</b>
<b>Total borrowings</b>	<b>11,303</b>	<b>11,538</b>
Cash and cash equivalents	(279)	(276)
<b>Net borrowings</b>	<b>11,024</b>	<b>11,262</b>

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

#### Bank loan

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.

#### Loan payable to related party

The amount due to the related party is payable to Ciref Malthurst Limited, the Company's immediate parent and no interest is charged. The loan is repayable on demand.

# Princes Street Investments Limited

## Notes to the financial statements

for the year ended 31 August 2017

### 10. Derivative financial instrument

	31 August 2017 £'000	31 August 2016 £'000
<b>Non-current</b>		
Opening fair value at 1 September	106	116
Change in fair value of derivative financial instrument	(51)	73
Reduction in derivative financial instrument on prepayment of bank loan	-	(83)
<b>Closing fair value at 31 August</b>	<b>55</b>	<b>106</b>

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 2017 £'000	31 August 2016 £'000
Rent received in advance	30	-
Accruals and deferred income	-	39
Interest payable	28	29
Trade payables	18	39
Other payables	-	16
VAT payable	33	35
	<b>109</b>	<b>158</b>

### 12. Share capital

	31 August 2017 £	31 August 2016 £
<b>Authorised</b>		
100 ordinary shares of £1 each	100	100
	<b>100</b>	<b>100</b>
<b>Issued, called up and fully paid</b>		
1 ordinary shares of £1 each	1	1
	<b>1</b>	<b>1</b>

### 13. Contingencies, guarantees and commitments

At 31 August 2017, the Company had no capital commitments or contingent liabilities (2016: £nil).

# Princes Street Investments Limited

## Notes to the financial statements

*for the year ended 31 August 2017*

### **14. 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 RDI REIT P.L.C.

RDI REIT P.L.C. is the ultimate parent and controlling party of the Company and its consolidated Group financial statements are available to the public and may be obtained from the Company's website ([www.rdireit.com](http://www.rdireit.com)) or upon request from the Company's registered 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 21 December 2017.