Princes Street Investments Limited

Annual report and audited
financial statements

For the year ended 31 August 2020

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. Grant S. Oakenfull
Registered office	13 Queens Street Aberdeen AB15 4YL
Secretary	L. Hibberd
Independent auditor	KPMG LLP 15 Canada Square London E14 5GL
Solicitors	Pinsent Masons LLP 30 Crown Place London EC2A 4ES

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 2020.

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 2020, 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 2020 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 before tax for the year was £643,000 (31 August 2019: £864,000). Net assets of the Company at 31 August 2020 were £3,608,000 (31 August 2019: £2,965,000).

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 in the Annual Report of RDI REIT P.L.C. for the year ended 31 August 2020 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 12.2 years subject to indexation. Rental income earned from the portfolio was broadly in line with the prior year.

Dividend
The Directors do not recommend the payment of a dividend (2019: £nil).

Significant events during and after the period
On 11 March 2020, the World Health Organisation recognised the outbreak of COVID-19 as a global pandemic. This was followed by a series of measures taken by the UK Government to control the spread of its infection. Measures taken were wide ranging and restrictive in nature. The measures did not, materially affect the performance of the Company. These restrictive measures began to ease in June 2020.

As a result of the widespread growth in COVID-19 rates of infection across the UK after the reporting date, restrictions were reintroduced by the UK Government under a tier-based system, and were under constant review and subject to change depending on the prevalence of COVID-19 in the local area. The various tier systems restricted the operation of non-essential shops, restaurants, bars and entertainment venues and travel in and around the UK. People were encouraged to work from home where possible. On 4 January 2021, England was put into national lockdown with all non-essential retailers, pubs, bars, restaurants, leisure facilities being forced to close and the Government has reinforced guidelines on working from home. These measures are expected to remain in place until March 2021. Whilst the impact of these measures and the timelines required for full recovery remain unclear, they are not expected to have a material impact on the Company's financial performance.

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

Princes Street Investments Limited

Directors' report *continued*

Going concern

The Company is in a net asset position and maintains sufficiently liquid to meet creditor 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 given the current net liability position of the Company as a result of intergroup lending.

In light of the current COVID-19 pandemic (refer to Note 13) and the ongoing uncertainty around the United Kingdom's future trading relationship with the European Union, the Directors of RDI REIT P.L.C. placed a particular focus on the appropriateness of adopting the going concern basis in preparing the RDI REIT P.L.C. group's ("the group") financial statements for the year ended 31 August 2020. Having made enquiries, the Directors had a reasonable expectation that the group had adequate resources to continue in operational existence for a period of not less than 18 months from the date of approval of the consolidated financial statements. In addition, having reassessed the group's principal risks, the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the group's financial statements that were published on 5 November 2020.

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 2020, the financial commitment provided by RDI REIT P.L.C. and their consideration of forecasts and plans for the Company. 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. 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 they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework.*

Under Company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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 responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

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

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappoint-ed and KPMG LLP will therefore continue in office.

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

DGrant

D. Grant
Director
8 January 2021

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

Opinion

We have audited the financial statements of Princes Street Investments Limited ("the company") for the year ended 31st August 2020 which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31st August 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- have been 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Emphasis of matter – uncertain valuation of investment property

We draw attention to note 1 to the financial statements which states that the independent external valuations of investment properties at the reporting date are reported on the basis of 'material valuation uncertainty' due to the potential economic effect of the coronavirus pandemic. Consequently, more subjectivity is associated with the valuation of investment property than would normally be the case. Our opinion is not modified in respect of this matter.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

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 a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

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

Directors' report

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

Our responsibility is to read the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the directors' report;
- in our opinion the information given in that report for the financial year is consistent with the financial statements; and
- in our opinion that report has been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 3, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

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

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

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Richard Kelly (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL
8 January 2021

Princes Street Investments Limited
Statement of comprehensive income
for the year ended 31 August 2020

	Note	**Year ended 31 August 2020 £'000**	Year ended 31 August 2019 £'000
Revenue	2	**694**	692
Rental income	2	**694**	692
Rental expense		**(4)**	(4)
Net rental income		**690**	688
Administrative costs and other fees		**(47)**	(24)
Net operating income	3	**643**	664
Gain on revaluation of investment property	5	**-**	200
Profit before tax		**643**	864
Taxation	4	**-**	-
Profit for the year		**643**	864
Other comprehensive income		**-**	-
Total comprehensive income for the year		**643**	864

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

Princes Street Investments Limited

Balance sheet

as at 31 August 2020

	Note	**As at 31 August 2020 £'000**	As at 31 August 2019 £'000
Assets			
Non-current assets			
Investment property	5	**13,100**	13,100
Total non-current assets		**13,100**	13,100
Current assets			
Trade and other receivables	6	**6**	-
Cash and cash equivalents	7	**3**	54
Total current assets		**9**	54
Total assets		**13,109**	13,154
Liabilities			
Current liabilities			
Borrowings	8	**(9,399)**	(10,075)
Trade and other payables	9	**(102)**	(114)
Total current liabilities		**(9,501)**	(10,189)
Total liabilities		**(9,501)**	(10,189)
Net assets		**3,608**	2,965
Equity			
Share capital	10	**-**	-
Retained earnings		**3,608**	2,965
Total equity		**3,608**	2,965

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

On behalf of the Board

D. Grant
Director
8 January 2021

Princes Street Investments Limited
Statement of changes in equity
for the year ended 31 August 2020

	Share capital £'000	Retained earnings £'000	Total equity £'000
Balance at 1 September 2018	-	2,101	2,101
Profit and total comprehensive income for the year	-	864	864
Balance at 1 September 2019	-	2,965	2,965
Profit and total comprehensive income for the year	-	643	643
Balance at 31 August 2020	**-**	**3,608**	**3,608**

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 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, except for investment property which is carried at fair value.

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 2020 can be obtained are disclosed in Note 12.

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

International Financial Reporting Standards
Annual improvements to IFRSs 2015-2017 cycle
IFRS 16 'Leases' ("IFRS 16")
IFRS 9 'Financial Instruments' (amendment) ("IFRS 9")
IFRIC 23 'Uncertainty over Income Tax Treatments'

The adoption of these new standards, amendments and interpretations has not had a material impact on the financial statements of the Company and has resulted in changes to presentation and disclosure only.

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 2019.

1. Accounting policies *continued*

Basis of preparation *continued*

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
- Certain 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 requirements of paragraphs 97 of IFRS 16'Leases'- minimum lease payments to be disclosed on an annual basis for a minimum of each of the first five years and a total of the amounts for the remaining years.

Going concern
The Company is in a net asset position and maintains a sufficiently liquid cash position to meet creditor 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 given the current net liability position of the Company as a result of intergroup lending.

In light of the current COVID-19 pandemic (refer to Note 13) and the ongoing uncertainty around the United Kingdom's future trading relationship with the European Union, the Directors of RDI REIT P.L.C. placed a particular focus on the appropriateness of adopting the going concern basis in preparing the RDI REIT P.L.C. group's ("the group") financial statements for the year ended 31 August 2020. Having made enquiries, the Directors had a reasonable expectation that the group had adequate resources to continue in operational existence for a period of not less than 18 months from the date of approval of the consolidated financial statements. In addition, having reassessed the group's principal risks, the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the group's financial statements that were published on 5 November 2020.

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 2020, the financial commitment provided by RDI REIT P.L.C. and their consideration of forecasts and plans for the Company. For this reason, the Directors believe it is appropriate to prepare the financial statements on a going concern basis.

Significant judgements and estimates
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.

1. Accounting policies *continued*

Basis of preparation *continued*

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

Investment property valuation
The Company uses valuations determined by independent valuers in accordance with IFRS 13 'Fair Value Measurement' ("IFRS 13") as the fair value of its investment property. The valuations are based upon assumptions including estimated rental values, future rental income, anticipated maintenance costs, future development costs and appropriate market yields. The valuer makes reference to market evidence of transaction prices for similar properties where possible. Where there is a lack of comparable transactional evidence then the degree of potential variability in valuations may widen. As a result of the outbreak of COVID-19, a material uncertainty clause was adopted by the Company's valuer in their year-end valuation report. Further details in respect of assumptions and estimation uncertainties are provided in Note 5.

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 income statement except to the extent that it relates to items recognised in other comprehensive income or directly in equity, in which case it is recognised in other comprehensive income.

Current tax is based on taxable profit or loss 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 per cent subsidiary, converted to a UK Real Estate Investment Trust ("UK REIT"). As a result, the Group and subsidiaries in which it holds an interest of 75 per cent or more no longer pay UK corporation tax on the profits and gains from qualifying rental business in the UK provided certain conditions are met. Non-qualifying profits and gains continue to be subject to corporation tax as normal.

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

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

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 5 to the financial statements.

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

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.

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

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

1. Accounting policies *continued*

Significant accounting policies *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. Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. The Company does not hold financial assets that meet the criteria of fair value through other comprehensive income and therefore, assets that do not meet the definition of amortised cost are measured at fair value through profit or loss. All non-derivative financial liabilities are measured at amortised cost as the Company has not opted to measure any liabilities at fair value through profit or loss. Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, borrowings and trade and other payables which the Company holds with the objective to collect or settle the contractual cash flows. Loan payables are subsequently measured at amortised cost, using the effective interest rate method.

Impairment
The Company assesses the expected credit losses associated with its financial assets carried at amortised cost on a forward-looking basis. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Financial assets are specifically impaired when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, among others, the probability of insolvency or significant financial difficulties of the debtor. Impaired debts are derecognised when they are assessed as uncollectible. For general provisioning, the Company considers impairment of financial assets under the expected credit loss model as required under IFRS 9. For trade receivables, the Company applies the simplified approach which requires expected lifetime losses to be recognised from initial recognition of the receivables. Expected loss rates are considered with reference to the historic payment profiles of tenants and credit losses incurred over a corresponding period.

The resulting loss rates are then adjusted to reflect current and forward-looking information on macroeconomic factors: namely economic, regulatory, technological and environmental factors; external market indicators; and the current tenant base. Separately, the Company applies a twenty-five per cent provision against all balances in excess of 120 days-past-due in line with the Company's stated bad debt policy. Where there is a material difference in the resulting provision requirement relative to total expected credit losses, the Company will adjust in line with the latter.

Impairment losses and reversals are recognised in 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 are recognised at fair value and have maturities of less than three months.

1. Accounting policies *continued*

Significant accounting policies *continued*

Borrowings
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 statement of comprehensive income when the determination of fair value is based on observable inputs. Subsequent to initial recognition, 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 statement of comprehensive income over the contractual term of the borrowings on an effective interest rate basis.

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.

In the event of a substantial modification of terms, any difference between the carrying amount of the original liability and the consideration paid is recognised in the income statement. The consideration paid includes non-financial assets transferred and the assumption of liabilities, including the new modified financial liability. The modified borrowing is recognised initially at fair value and subsequently carried at amortised cost under the effective interest rate method. Any costs or fees incurred are recognised as part of the gain or loss on extinguishment.

Where existing borrowings are exchanged for new or amended borrowings and the terms are not substantially different, the total contractual cash flows of the modified borrowings are discounted at the effective interest rate of the original loan in line with IFRS 9 and any material difference is recognised immediately as a gain or loss in the income statement. The adjustment to the carrying value of the modified loan is subsequently reversed though the income statement as a finance expense to maturity. Any costs or fees incurred as a result of the modification are adjusted against the carrying value and amortised over the remaining term.

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

Provisions, capital commitments and contingent liabilities
A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected cash flows to present value using an appropriate discount rate that reflects 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 to a third party which has not been provided for at the balance sheet date.

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

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

2. Rental income

	Year ended 31 August 2020 £'000	Year ended 31 August 2019 £'000
Gross lease payments from third parties	**694**	692
Rental income	**694**	692

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

Not later than one year	**705**	694
Later than one year not later than five years	**3,008**	2,954
Later than five years	**5,862**	6,409
	9,575	10,057

The investment property portfolio has a weighted average unexpired lease term of 12.2 years (2019: 13.2 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 £43,000 (2019: £39,000) payable to related parties, being £43,000 to RDI Management Services Limited (2019: £43,000) and a refund from Redefine International Group Services Limited £nil (2019: £4,000).

Audit fees for the years ended 31 August 2020 and 31 August 2019 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 (2019: nil).

4. Taxation

	Year ended 31 August 2020 £'000	Year ended 31 August 2019 £'000
UK corporation tax at 19 per cent (2019: 19 per cent)	-	-

Factors affecting the tax charge for the year
The tax rate for the year is lower than the average standard rate of corporation tax in the UK of 19 per cent (31 August 2019: 19 per cent). The differences are explained below:

	Year ended 31 August 2020 £'000	Year ended 31 August 2019 £'000
Profit before tax	**643**	864
Profit before tax multiplied by the standard rate of corporation tax in the UK of 19 per cent (2019: 19 per cent)	**122**	164
Effect of:		
Gain on revaluation of investment property	-	(38)
Exempt property rental profits	**(122)**	(126)
Tax charge for the year reported in the statement of comprehensive income	-	-

Factors that may affect future tax charges
On 4 December 2013, RDI REIT P.L.C. Group, of which the Company is a 100 per cent subsidiary, converted to a 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 UK 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 UK REIT structure.

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

5. Investment property

	31 August 2020 £'000	31 August 2019 £'000
Freehold		
Opening carrying value at 1 September	**13,100**	12,900
Gain on revaluation of investment property	**-**	200
Market value at 31 August	**13,100**	13,100

Investment property at 31 August 2020 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 12.2 years and are subject to fixed five yearly rental uplifts based on 2.5 per cent per annum compounded.

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 2020 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. Fees paid to valuers are based on arms-length fixed price contracts.

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 are consistent with IFRS 13 and use significant unobservable inputs. Valuation techniques can change at each valuation round depending on prevailing market conditions, market transactions and the property's highest and best use at the reporting date. Where there is a lack of market comparable transactions, the level of estimation and judgement increases on account of less observable inputs and the degree of variability could be expected to widen. At the latest valuation date, with some real estate markets experiencing significantly lower levels of transactional activity and liquidity as a result of the outbreak of COVID-19, a material uncertainty clause was adopted by the valuer in their valuation report for the four freehold interests owned by the Company.

5. Investment property *continued*

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 2020 and 31 August 2019:

31 August 2020	Market value (£'000)	Lettable area (sqm)	Average rent per sqm (£)	Weighted average lease length (years)	Weighted average net initial yield (%)	Average market rent per sqm (£)
	13,100	1,210	574.4	12.2	4.89	574.4

31 August 2019	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 (£)
	13,100	1,210	573.2	13.2	4.89	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.

6. Trade and other receivables

	31 August 2020 £'000	31 August 2019 £'000
Prepayments and accrued income	**1**	-
Sundry debtors	**5**	-
Trade and other receivables	**6**	-

7. Cash and cash equivalents

	31 August 2020 £'000	31 August 2019 £'000
Unrestricted cash and cash equivalents	**3**	54
Cash and cash equivalents	**3**	54

At 31 August 2020, there were no cash and cash equivalents to which the Company did not have instant access (31 August 2019: £nil).

8. Borrowings

	31 August 2020 £'000	31 August 2019 £'000
Current		
Loans payable to related party	**9,399**	10,075
Total borrowings	**9,399**	10,075

The Company's borrowings are carried at amortised cost.

Loan payable to related party
The amount due to the related party is payable to Redefine AUK Holdings Limited, the Company's immediate parent and no interest is charged. The loan is repayable on demand and fluctuates throughout the year as cash generated from the operations of the Company is transferred to Redefine AUK Holdings Limited.

9. Trade and other payables

	31 August 2020 £'000	31 August 2019 £'000
Rent received in advance	**36**	88
VAT payable	**65**	26
Accruals	**1**	-
	102	114

At 31 August 2020, the Company had deferred payment of £35,000 of outstanding VAT liabilities as allowed under the UK government grant as a result of COVID-19.

10. Share capital

	31 August 2020 £	31 August 2019 £
Authorised		
100 ordinary shares of £1 each	**100**	100
	100	100
Issued, called up and fully paid		
1 ordinary share of £1 each	**1**	1
	1	1

11. Contingencies, guarantees and commitments

At 31 August 2020, the Company had no capital commitments or contingent liabilities (2019: £nil).

12. Ultimate parent and controlling party

At 31 August 2020 the Company's immediate parent undertaking is Redefine AUK Holdings Limited, a company incorporated in the British Virgin Islands. Redefine AUK Holdings Limited is a 100 per cent subsidiary of Redefine AUK Limited, a company incorporated in the British Virgin Islands, which is wholly owned by RDI REIT P.L.C.

RDI REIT P.L.C. is the ultimate 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) or upon request from the Company's registered office at 2nd Floor, St Mary's Court, 20 Hill Street, Douglas, Isle of Man, IM1.

13. Events after the end of the reporting period

As a result of the widespread growth in COVID-19 rates of infection across the UK after the reporting date, restrictions were reintroduced by the UK Government under a tier-based system, and were under constant review and subject to change depending on the prevalence of COVID-19 in the local area. The various tier systems restricted the operation of non-essential shops, restaurants, bars and entertainment venues and travel in and around the UK. People were encouraged to work from home where possible. On 4 January 2021, England was put into national lockdown with all non-essential retailers, pubs, bars, restaurants, leisure facilities being forced to close and the Government has reinforced guidelines on working from home. These measures are expected to remain in place until March 2021. Whilst the impact of these measures and the timelines required for full recovery remain unclear, they are not expected to have a material impact on the Company's financial performance.

14. Approval of financial statements

The financial statements were approved by the Board on 8 January 2021.