

Company Registration No. 06497115

PEEL HOLDINGS LAND AND PROPERTY (UK)  
LIMITED

ANNUAL REPORT AND FINANCIAL  
STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

THURSDAY



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20/12/2018  
COMPANIES HOUSE

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## Directors, Principal Professional Advisers and Registered Office

|                   |                                                                                                                   |
|-------------------|-------------------------------------------------------------------------------------------------------------------|
| <b>Directors:</b> | John Whittaker<br>Steven Underwood, A.C.A.<br>Neil Lees, A.C.I.S.<br>Peter Hosker, LL.B<br>John Schofield, A.C.A. |
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| <b>Secretary:</b> | Neil Lees, A.C.I.S. |
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| <b>Registered Office<br/>and Head Office:</b> | Peel Dome<br>Intu Trafford Centre<br>Traffordcity<br>Manchester<br>M17 8PL |
|-----------------------------------------------|----------------------------------------------------------------------------|

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| <b>Registered Number:</b> | 06497115 |
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| <b>Auditor:</b> | Deloitte LLP<br>Statutory Auditor<br>Manchester<br>United Kingdom |
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|-----------------|---------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Bankers:</b> | Lloyds TSB Bank plc<br>The Royal Bank of Scotland plc<br>Barclays Bank plc<br>HSBC plc<br>Aviva Commercial Finance Limited<br>Santander plc |
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| <b>Property Valuers:</b> | Jones Lang LaSalle<br>SLR Consulting Limited |
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## Strategic Report for the year ended 31 March 2018

The directors submit their strategic report of the group for the year ended 31 March 2018.

### Principal activities

The principal activities of the group are property investment, property development and trading.

### Review of business, future developments and prospects

#### Group

The principal strategies of the Peel Holdings Land and Property (UK) Limited group (the 'group') continue to be to increase the net asset value and rental income of the land and property asset portfolio and to generate positive cash flow for reinvestment and continual asset growth.

The following key performance indicators, most of which can be derived directly from the financial statements, are used by the directors on a monthly basis to review the performance of the business:

|                                              | 2018    | 2017    |
|----------------------------------------------|---------|---------|
|                                              | £'000   | £'000   |
| Annualised rent roll                         | 65,587  | 64,746  |
| Operating profit                             | 80,823  | 100,986 |
| Cash receipts from investment property sales | 75,603  | 55,695  |
| Financial investment                         | 47,493  | 31,466  |
| Net debt                                     | 896,528 | 915,254 |
| Overall loan to value                        | 56.2%   | 55.7%   |
| Shareholder's funds                          | 525,250 | 499,274 |

Annualised rent is the gross property rent receivable on a cash basis as at the reporting date.

The directors are not aware, at the date of this report, of any likely major changes in the group's activities in the coming year.

The group comprises several underlying businesses which are managed by the directors in accordance with either the geographic location of the assets owned or the nature of the asset class. The businesses which this gives rise to include Retail Parks, Glasgow Harbour, Chatham Waters, Liverpool and Wirral Waters, Traffordcity, which comprises land, future developments and property surrounding into Trafford Centre, Manchester Waters, Land and Planning and Environmental. Further information on these businesses which form the core of the group is given below:

#### Retail Parks

The Group owns and manages a retail park portfolio comprising 1.9m sq. ft. across 10 strategic UK locations. The portfolio benefits from 151 occupations and an occupancy rate of 94%. During the year ended 31 March 2018 there were 12 new lettings within the portfolio, totalling 150,599 sq. ft. adding £2.93m of new annual rent.

Following the identification of value accretive asset management and development opportunities there was a significant amount of pre-letting activity during the year ended 31 March 2018. There were a further 11 lettings agreed in principle, totalling 85,755sq. ft., with a potential of £1.16m of annual rent.

Major projects completed during the year include, the opening of a new 19,000 sq. ft. food store at Hyndburn Retail Park and the merging of two vacant units into one facilitating a 20,000 sq.ft. letting to one of the UK's leading variety retailers at Straiton Retail Park in Edinburgh. Also at Straiton Retail Park the Group completed a dual transaction with two furniture retailers for a re-gear of the existing lease and a new letting to comprise a total floor space of 20,348 sq. ft. Finally two new lettings to a frozen food retailer at The Peel Centre, Gloucester and Corby Retail Park were completed, comprising 22,851 sq. ft..

Notable planning successes during the year ended 31 March 2018 include one at Twibel Street, Barnsley comprising consent for 27,363 sq. ft. of planning permission definition D2 use (allowed to use for assembly and leisure) to enable a letting to a Gym operator and at Washington Retail Park the Group secured consent for redevelopment and refurbishment of units comprising a 21,000 sq. ft. food store and a non-food store of 7,500 sq.ft..

## Strategic Report *continued*

### *Retail Parks continued*

During the year we completed the two remaining unit sales of Peel Centre, Wolverhampton at a combined sale price of over £4m. The retail park portfolio was valued at £445.31m at 31 March 2018 (2017: £444.87m) and had a passing rent of £24.27m (2017: £24.60m).

### *Glasgow Harbour*

Glasgow Harbour is a 52 hectare (138 acre) integrated development featuring a range of uses including residential, retail, student accommodation, leisure and food. The Group completed the road infrastructure including major bridge construction and the early phases of housing led to 1,110 apartments being completed and sold in the period 2005 to 2009. The development includes the iconic Riverside Museum which opened in June 2011 and attracts circa 1 million visitors per year, whilst a major new whisky museum and distillery in the former Pumphouse was opened in September 2017 following sale of the property in 2015.

The existing retail consent was extended for 3 years in September 2017. The proposal is to create a world class iconic waterfront development which will be focused on designer outlets and leisure. This is now in detailed design stage with reserved matters applications due in 2018. The development will also involve two new pedestrian bridges, one over the river Clyde opening up the site to the South side of the river and one over the River Kelvin bringing together the Riverside Museums and the Retail Outlet development. Adjoining the outlets scheme there is a proposal for a Property Redress Scheme incorporating 492 units plus 172 parking spaces within 4 blocks of varying height which would overlook the Clyde. Planning is due to be submitted for this later in 2018. A small adjoining site has also been allocated for a hotel overlooking the River Kelvin.

The site of the former Scotway House was sold in December 2017 and had a granted consent for a 407 bed student development with circa 9,900 sq. ft. of food and beverage space. The food and beverage element will be leased by the Group and will form part of the general food and beverage offering within the Outlets development.

In September 2017 the Phoenix Honda Car Showroom, a site extending to 4.5 acres, was sold to the adjoining proprietor and will be redeveloped into a modern landmark car showroom.

The food store site at the west end of Glasgow Harbour was bought back from Tesco in 2015. Plans for residential development plus a circa 60,000 sq. ft. convenience retail development are being assessed and will be taken to the market in due course.

The car park of the food store adjoining Partick Station, the freehold of which is owned by the Group, was redeveloped during the year by Strathclyde Passenger Transport Executive to provide an enhanced traffic hub (over ground rail, underground rail and bus service) and which now provides a major point of connectivity to the Glasgow Harbour site. Work was completed to enhance the surroundings in early 2018.

On the Group's landholdings adjoining Beith Street the development of student accommodation has continued to prove popular with Phase 1 (700 beds) opening in September 2015 whilst Phase 2 (500 beds) opened in September 2017. Phase 2 incorporated a food store on the ground floor which has been in operation since February 2017 and is trading exceptionally well. The Phase 3 developer is onsite and nearing completion of a further 300 bed development. This will open by September 2018. The final phase 4 extends to 2.74 acres and is unlikely to get consent for further student accommodation, it is therefore being assessed for private rented sector or main stream flatted accommodation and there is significant interest in the site.

### *Chatham Waters*

The Chatham Waters scheme is a development of the Chatham Docks in Medway, Kent and will provide an employment-led mixed use redevelopment of 26 acres of brownfield land comprising approximately 1.9m sq. ft. of offices, leisure, retail and residential uses.

The scheme will provide economic, social and environmental regeneration in the Medway area and supports Medway Council's objectives in its Local Development Framework. The scheme was granted planning permission in 2012 and in June 2015 the first phase was completed comprising a 73,000 sq. ft. supermarket and a 60,000 sq. ft. University Technical College along with significant infrastructure and environmental improvements.

In September 2017, a land sale for a family restaurant and pub was completed and it is now open and trading well. Detailed planning permission has been secured for the first phase residential scheme, to be developed by a major residential developer, that includes 199 apartments for market sale and works have now commenced on site.

A detailed planning application has also been submitted for 193 residential units that the Group are building on behalf of an institutional fund, being a Private Rental Scheme. Further residential schemes are also being worked up along with an Affordable Housing provision.

## Strategic Report *continued*

### *Liverpool Waters*

The scale of Liverpool Waters and its ambitious long-term vision make it one of the most prestigious waterfront investment and redevelopment opportunities in Europe. Outline planning permission was granted in 2013 for 20m sq. ft. of mixed use floor space over a 32 year period covering 150 acres of former dockland, all within the Group's ownership and an expected investment value on completion of £5 billion.

The proposal includes five new neighbourhoods of multi-use development that incorporates offices, retail, leisure, visitor attractions, football stadium and community uses as well as a significant residential presence (approximately 9,000 units).

Liverpool Waters offers investors and occupiers a unique opportunity to be in the heart of an exciting new waterfront quarter in one of the most recognised city brands of the world. It is a natural extension to Liverpool's city centre, in the fastest growing regional economy outside of London.

The scheme has UK Government endorsement having been allocated the status of the 'Mersey Waters Enterprise Zone' alongside its sister project Wirral Waters. Their additional support is given by the Department of International Trade through the Northern Powerhouse Investment Portfolio. It is one of only 12 projects that has Government endorsement for the North of England.

After a decade of planning, we are now firmly in the delivery phase and highlights of 2017/18 include:

- detailed planning approval secured for over 900 apartments, which have either begun, or are due to commence on site imminently. This is in addition to an existing 1,300 apartments already built, pushing the total number of residents in the near future to over 4,000;
- £200 million of committed investment, including sales to Moda Living, Your Housing, Regenda and Romal Capital;
- landmark transaction through exchange of conditional contract for land sale with Everton Football Club to create a new stadium on Liverpool's iconic waterfront;
- transactions pending with the Isle of Man Government for a replacement Isle of Man Ferry Terminal and Liverpool City Council for a replacement Cruise Liner Terminal and hotel;
- over 220,000 sq. ft. of office accommodation occupied under institutional lease terms across three buildings;
- revised Princes Dock Neighbourhood Masterplan approved;
- funding confirmed to provide new link road to open up Central Docks (planning consent subsequently secured in April 2018 with construction scheduled to start in October 2018);
- 1,400 people now working within the Liverpool Waters neighbourhoods; and
- multiple music and public events including visits from over 50 cruise ships per year – pulling in over 250,000 people into Liverpool Waters.

Work continues to update the approved masterplan to respond and accommodate future market needs and requirements. Negotiations are progressing positively with potential occupiers, investors and developers wishing to release further land for development and building on the success to date.

The site was valued at £131.6m at 31 March 2018 (2017: £131.6m) and had a passing rent of £4.6m (2017: £3.3m).

## Strategic Report *continued*

### *Wirral Waters*

Planning permission was granted for the Wirral Waters project in May 2012. This is the largest planning permission in the UK by consented floor area. Wirral Waters forms part of the Mersey Waters Enterprise Zone which was designated by DCLG in April 2011. Since receiving planning permission, the Wirral Waters strategy has been to:

- prepare and remediate key sites;
- to facilitate the investment in infrastructure;
- to create 'oven ready' development parcels;
- to address market failure issues; and
- to bring forward a number of part publicly funded building projects that catalyse the delivery of Wirral Waters.

The strategy has been successful in leveraging in public investment including ERDF funding for the remediation of West Float, Local Infrastructure Funding (via the HCA) for the remediation of the Mobil and Tower Road South sites, Setting the Scene for Growth funding for environmental improvements (via the Department for Business Innovation and Skills and the Forestry Commission), and funding via the Skills Funding Agency for the Wirral Metropolitan College building.

The Wirral Metropolitan Construction College (38,000 sq. ft.) was the first building to be delivered within Wirral Waters and within the Mersey Waters Enterprise Zone. On adjoining land The Tower Wharf office building (40,000 sq. ft.) has also been completed. These form part of a deliverable pipeline of projects to be delivered at the West Float and at Four Bridges neighbourhood areas. These include projects at:

- 'MEA Park' such as the Module Development Centre and Skills Factory as well as the Maritime Knowledge Hub;
- an amenity and arts 'village'; and
- a 30,000 sq. ft. BREEAM Excellent office building at Tower Road South.

A number of residential projects have also emerged including:

- the transformational Legacy Foundation project – a 500 unit PRS housing scheme;
- the Belong Extra Care facility; and
- the Peel Land and Property/Urban Splash Joint Venture.

These housing projects are underpinned by Wirral Waters's Housing Zone status and Housing Infrastructure Fund 'grant'.

Based on the 'live' projects and anticipated new rates delivery, a TIF-style (Tax Increment Fund) investment fund has been set up utilising the Enterprise Zone designation. This is known as the Wirral Waters Investment Fund and totals circa £47m. This fund will address any viability gaps necessary to facilitate emerging projects.

The Group is working collaboratively with stakeholders including MHCLG, Homes England, BEIS, DIT and the LCR LEP and Combined Authority to enable further activity in Wirral Waters. The Group's management team continues to drive down void rates within the existing built estate portfolio.

Properties at Wirral Waters were valued at £92.1m at 31 March 2018 (2017: £89.0m).

### *Traffordcity/City Gateway*

Traffordcity estate extends to approximately 550 acres and adjoins into Trafford Centre home to a number of retail and leisure destinations. The investment portfolio has a value as at 31 March 2018 of £254m (2017: £245m) and a rent roll of £12.17m (2017: £12.7m). The destination includes substantial development and redevelopment opportunities. Planning permission has been recently secured for the Trafford Waters Scheme, which will include 3,000 residential units and 1m sq. ft. of commercial space and a marina. Approximately £40m of road infrastructure improvement works to support the development have been carried out and the new road crossing the Manchester Ship Canal has been opened.

During the year the sale of 14 acres of land for the development of high-end brand car showrooms completed and the construction of the new metro-link extension commenced and continues to make good progress on programme.

Other significant transactions during the year included the letting of over 82,000 sq. ft. of industrial space, a pre-let to provide the first Nursery Facility in Traffordcity exchanged and the development completed shortly after the year end.

## Strategic Report *continued*

### *Manchester Waters*

The landholding surrounding Cornbrook Metrolink station fronting out Chester Road has predominantly been acquired leaving CPO action on the last remaining occupier. A mixed-use scheme including an hotel, retail and residential uses was submitted for planning. A regeneration framework of this area was approved by both Trafford and Manchester in 2015.

Planning permission was secured for 216 residential apartments to be developed by a major residential developer and works have now commenced. A further 526 dwellings are proposed and a planning application is being drawn up.

### *Land and Planning*

The Land and Planning department of the Group manage an estate of 15,000 acres with a value in excess of £200m and has had another extremely active and positive year, achieving completed land sales in excess of £30m and delivering an increase of £13m in profit and revaluation uplift to the land portfolio.

Relationships with house builders in a buoyant housebuilding industry remain very important. Successful transactions having taken place with our major partners; Bellway plc, Barratt Developments plc, Rowland Homes Limited and Redrow plc, across the year and relationships with Story Homes, Anwyl Homes and Taylor Wimpey are being progressed as the housebuilding industry continues to perform well.

The Group completed a legacy project during the year successfully joining a partnership with the Royal Horticultural Society (RHS) and Salford City Council. The RHS have chosen the historic Estate of the Duke of Bridgewater at Worsley, Salford as the location for their new 5<sup>th</sup> garden. This represents a significant investment for the Salford area, which is excellent news for the whole of Greater Manchester and the North West. The project achieved planning consent and work has started on site and we are pleased to note that Phase One of the garden should be open to the public in 2019/20.

The Group also has an ambitious scheme for the Hulton Estate in Bolton and have designed a championship golf course with the intention to bid for the Ryder Cup. This legacy project on 645 acres of Grade II registered park and gardens would be transformational for the region. The project will require the continued support from Bolton Council, Greater Manchester and Central Government for the vision to succeed.

Strategically this year the focus for Land and Planning has been promoting growth and investment for the Northern Powerhouse areas of the Liverpool City Region, Greater Manchester Strategic Plan Area and across the region to Doncaster and Sheffield and to Durham Tees Valley. The Greater Manchester Strategic Plan has been delayed for its second consultation but it is expected the revised plan will continue to be a vehicle for growth for Greater Manchester.

The Group owns and manages a ground rent portfolio with a value of over £10m and have issued a statement as to how it will retain and manage the portfolio in house and in a fair manner in the future. The Group will continue to create ground rents and will insist on high standards of behaviour, fair lease terms and excellent management practice. The outcome of the Government's leasehold reforms are awaited.

Nationally the Group continues to influence and contribute to Government Policy on matters concerning planning and housing and the economy. We constantly liaise with Central Government to assist with policy matters.

The positive economic conditions remain and coupled with a steady and positive planning system indications are that Land and Planning will continue to have further success over the next 12 months.

### *Environmental*

In the year to 31 March 2018 the business generated a turnover of £3.4m (2017: £2.6m) and an operating profit before revaluations of £1.5m (2017: £1.7m). The gross book value for the business is £71.8m (2017: £61.5m). Protos, the 134 acre / 2m sq. ft. energy park saw the commissioning of the 21.5MWe biomass power station and revised heads of terms agreed with Covanta Energy for the 35MWe Energy from Waste Facility. The year also saw the launch of the Energy Innovation District with Protos central to the proposition.

Four additional leases were entered in to with UKPR for Short Term Operating Reserve (STOR) facilities which bring the total to nine with the first two battery sites entering construction. Contracts were entered in to for the acquisition of a 236MW CCGT power station site with a back to back lease with UKPR.

Conditions precedent have been satisfied for the disposal of the South Clyde Energy Centre project, contracts entered in to for the Bilsthorpe Energy project and heads of terms agreed for the Houghton Main project.

## Strategic Report *continued*

### Results and financial performance and dividends

The group's results and financial position are set out in the profit and loss account, statement of comprehensive income, balance sheets and statements of changes in equity on pages 15 to 19.

Turnover on continuing activities for the year totalled £84.8m (2017: £81.2m).

Operating profit for the year from continuing activities was £80.8m (2017: £101.0m), driven mainly by surplus on revaluation of investment properties of £38.8m (2017: £64.5m).

Profit on the disposal of fixed assets of £11.6m (2017: £5.9m) arose from continuing activities.

The net interest charge for the year was £61.8m (2017: £73.8m).

Net profit for the year was £28.5m (2017: £36.0m).

Net assets of the group were £525.0m at 31 March 2018 compared to £499.0m at 31 March 2017 due to profit achieved for the financial year.

The directors paid a final dividend of £nil (2017: £1.7m).

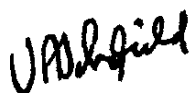
### Principal risks and uncertainties

The principal aim of the group is to maximise long term returns whilst minimising risks. Responsibility for management of each key risk is clearly identified and delegated by the directors to specific senior staff within the group. The directors consider the following to be the major items of risk affecting the group:

- economic cycles, including impact on tenant covenant quality. This risk is mitigated by a large and diversified customer base and strong relationships with tenants;
- interest rates and their impact on property values. This risk is mitigated by a large multi-asset portfolio;
- potential impact of adverse changes in property values on the group's ability to comply with its banking covenants in the future. This risk is mitigated by a large multi-asset portfolio;
- the demand for commercial and residential property and the availability of funding from prospective buyers. This risk is mitigated by long leases;
- exposure to interest rate fluctuations. To mitigate this virtually all the borrowing is either fixed rate or covered by an interest rate swap;
- as part of normal trading operations, the group invests cash on short-term deposits with certain major UK banks. The group is therefore exposed to the risk of a decline in the credit worthiness of one or more of those banks. The group mitigates its exposure to this risk by monitoring closely the economic environment and by ensuring that cash amounts are at all times invested with more than one bank; and
- government policy may change causing potential planning applications to be rejected. The group mitigates this risk by constantly assessing changes of policies in the forthcoming 12 months.

The future departure of the UK from the EU will give rise to uncertainty and will be monitored closely.

Approved by the Board of Directors and signed on behalf of the Board



John Schofield, A.C.A.  
Director

26 September 2018

## Report of the Directors *for the year ended 31 March 2018*

The directors submit their annual report together with the audited financial statements of the group for the year ended 31 March 2018.

### **Matters included in the Strategic Report**

In accordance with s414(C) (11) of the Companies Act, included in the strategic report is information relating to the future development of the business and risks and uncertainties which would otherwise be required by Schedule 7 of the 'large and medium sized companies and groups (accounts and reports) regulations 2008' to be contained in a report of directors.

### **Going concern**

The directors have concluded, after making enquiries, they have a reasonable expectation that the company and the group has adequate resources to continue in operational existence for the foreseeable future and therefore they continue to adopt the going concern basis in preparing the financial statements.

Further details regarding the adoption of the going concern basis can be found in the statement of accounting policies in note 1 of the financial statements.

### **Directors**

The directors who held office during the financial year and thereafter are:

John Whittaker  
Steven Underwood, A.C.A.  
Paul P. Wainscott, A.C.I.S. (Resigned 16 March 2018)  
Neil Lees, A.C.I.S.  
Peter Hosker, L.L.B.  
John Schofield, A.C.A.

### **Financial risk management objectives and policies**

The group's activities expose it to a number of financial risks including credit risk, cash flow risk and liquidity risk. The use of financial derivatives is governed by the group's policies approved by the directors. The group does not use derivative financial instruments for speculative purposes.

#### **Cash flow risk**

The group's activities expose it to the financial risk of changes in interest rates. The group uses interest rate contract swaps to hedge this exposure.

The group's exposure to foreign currency risk is minimal.

#### **Credit risk**

The group's principal financial assets are other debtors. The most significant part of this is restricted cash held on behalf of the group under covenants. The credit risk on these funds is limited because the banks have high credit ratings by international credit rating agencies.

Trade debtors as presented in the notes to the Balance Sheet are net of provisions for doubtful debts. A provision for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of cash flows.

#### **Liquidity risk**

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the group uses a mixture of long term and short-term debt finance with an emphasis on working with joint venture partners.

## Report of the Directors *continued*

### **Dividends**

The directors paid a final dividend of £nil (2017: £1.7m).

### **Directors' responsibilities statement**

The directors are responsible for preparing the annual 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 Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland. 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 judgments and accounting 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### **Directors indemnities**

The company has made qualifying third-party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report.

### **Political and charitable contributions**

During the financial year, contributions by the group for charitable purposes totalled £45,605 (2017: £13,025). The group made no political contributions during the financial year (2017: same).

### **Employee involvement and health and safety at work**

Regular meetings are held involving directors, managers and supervisory staff to convey information about the business. During the year, the company has provided training for employees at all levels through a structured programme of courses, seminars and workshops.

The policy of the group is to ensure, in so far as it is able to do so, the health, safety and welfare of everyone engaged in or affected by its activities.

### **Employment of disabled persons**

It is the policy of the group to give full and fair consideration to applications for employment received from disabled persons. Within the limitations of their abilities, they are given the same opportunities for training, career development and promotion as are available to other group employees and if necessary, retraining is given to an employee who becomes disabled whilst in the group's employment.

## Report of the Directors *continued*

### **Environment**

The group is conscious of the impact of its operations on the environment. Necessary attention is given to environmental issues particularly when developing new projects, refurbishing existing properties and on possible acquisitions. Design consultants are encouraged to promote good environmental performance with consideration given to environmental risk, energy consumption, the use of environmentally friendly materials and the avoidance of materials hazardous to health.

### **Auditor and the disclosure of information to the auditor**

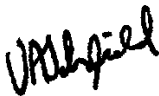
Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the directors are aware, there is no relevant audit information of which the company's auditor is unaware; and
- they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditor is 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.

The auditor, Deloitte LLP, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

Approved by the Board of Directors and signed on behalf of the Board



**John Schofield, A.C.A.**

*Director*

26 September 2018

## Independent Auditor's Report to the member of Peel Holdings Land and Property (UK) Limited

### Report on the audit of the financial statements

#### Opinion

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2018 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Peel Holdings Land and Property (UK) Limited (the 'parent company') and its subsidiaries (the 'group') which comprise:

- the group profit and loss account;
- the group statement of comprehensive income;
- the group and company balance sheets;
- the group statement of changes in equity;
- the company statement of changes in equity;
- the group cash flow statement; and
- the related notes 1 to 31.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

#### 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 group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the 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.

#### Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

## Independent Auditor's Report to the member of Peel Holdings Land and Property (UK) Limited *continued*

### **Other information**

The directors are responsible for the other information. The other information comprises the information included in the annual 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, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

### **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement, 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 the directors 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 group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have 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 further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### **Use of our report**

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.

Independent Auditor's Report to the member of Peel Holdings Land and Property (UK) Limited *continued*

**Report on other legal and regulatory requirements**

**Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

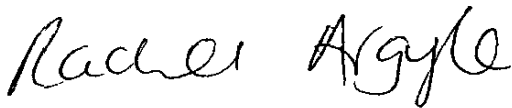
In the light of the knowledge and understanding of the group and of the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

**Matters on which we are required to report by exception**

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.



Rachel Argyle (Senior statutory auditor)  
For and on behalf of Deloitte LLP  
Statutory Auditor  
Manchester, United Kingdom

26 September 2018

PEEL HOLDINGS LAND AND PROPERTY (UK) LIMITED

Group Profit and Loss Account *for the year ended 31 March 2018*

|                                                 | Note  | 2018<br>£'000 | 2017<br>£'000  |
|-------------------------------------------------|-------|---------------|----------------|
| Turnover                                        | 3     | 84,785        | 81,190         |
| <b>Group operating profit:</b>                  |       |               |                |
| Goodwill amortisation                           | 3     | (594)         | -              |
| Surplus on revaluation of investment properties | 3     | 38,754        | 64,450         |
| Impairment of stock properties                  | 3     | (125)         | (3,344)        |
| Other operating profit                          |       | 42,788        | 39,880         |
| <b>Total operating profit</b>                   |       | <b>80,823</b> | <b>100,986</b> |
| Share of joint venture operating profit         | 14(a) | 1,536         | 572            |
| Profit on disposal of fixed assets              | 4     | 11,605        | 5,948          |
| <b>Profit before interest and taxation</b>      |       | <b>93,964</b> | <b>107,506</b> |
| Net interest payable and similar expenses       | 6     | (61,823)      | (73,822)       |
| <b>Profit before taxation</b>                   | 5     | <b>32,141</b> | <b>33,684</b>  |
| Tax on profit                                   | 7     | (3,656)       | 2,302          |
| <b>Profit after taxation</b>                    |       | <b>28,485</b> | <b>35,986</b>  |
| Non-controlling interests                       | 25    | -             | 8              |
| <b>Profit for the financial year</b>            |       | <b>28,485</b> | <b>35,994</b>  |

The accompanying notes form an integral part of these financial statements.

All of the above results derive from continuing activities.

PEEL HOLDINGS LAND AND PROPERTY (UK) LIMITED

Group Statement of Comprehensive Income *for the year ended 31 March 2018*

|                                                                |    | <b>2018</b><br><b>£'000</b> | <b>2017</b><br><b>£'000</b> |
|----------------------------------------------------------------|----|-----------------------------|-----------------------------|
| Profit for the financial year                                  |    | 28,485                      | 35,994                      |
| Unrealised net surplus on revaluation of operational buildings | 13 | 2,566                       | 1,370                       |
| Deferred tax relating to revaluation of operational buildings  | 20 | (64)                        | (2,752)                     |
| Foreign exchange (losses)/gains                                |    | (5,011)                     | 6,484                       |
| <b>Other comprehensive income</b>                              |    | <b>(2,509)</b>              | <b>5,102</b>                |
| <b>Total comprehensive income for the year</b>                 |    | <b>25,976</b>               | <b>41,096</b>               |
| Profit for the year attributable to:                           |    |                             |                             |
| Non-controlling interest                                       | 25 | -                           | 8                           |
| Equity shareholders of the company                             |    | 28,485                      | 35,986                      |
|                                                                |    | 28,485                      | 35,994                      |
| Total comprehensive income for the year attributable to:       |    |                             |                             |
| Non-controlling interest                                       | 25 | -                           | 8                           |
| Equity shareholders of the company                             |    | 25,976                      | 41,088                      |
|                                                                |    | 25,976                      | 41,096                      |

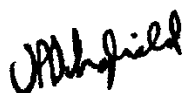
PEEL HOLDINGS LAND AND PROPERTY (UK) LIMITED

Group and Company Balance Sheets *as at 31 March 2018*

|                                                                 |       | Group         | Group         | Holding<br>Company | Holding<br>Company |
|-----------------------------------------------------------------|-------|---------------|---------------|--------------------|--------------------|
|                                                                 | Note  | 2018<br>£'000 | 2017<br>£'000 | 2018<br>£'000      | 2017<br>£'000      |
| <b>Fixed assets</b>                                             |       |               |               |                    |                    |
| Goodwill                                                        | 11    | 637           | 1,231         | -                  | -                  |
| Tangible assets                                                 |       |               |               |                    |                    |
| Investment properties                                           | 12    | 1,604,619     | 1,621,356     | -                  | -                  |
| Other fixed assets                                              | 13    | 63,248        | 60,796        | -                  | -                  |
| Joint ventures                                                  | 14(a) | 8,497         | 7,052         | 1,338              | 1,338              |
| Fixed asset investments                                         | 14(b) | -             | -             | 778,016            | 847,041            |
|                                                                 |       | 1,677,001     | 1,690,435     | 779,354            | 848,379            |
| <b>Current assets</b>                                           |       |               |               |                    |                    |
| Stocks                                                          | 15    | 13,721        | 13,730        | -                  | -                  |
| Debtors                                                         | 16    | 51,970        | 60,699        | 115,072            | 98,664             |
| Cash at bank and in hand                                        | 19(a) | 46,247        | 27,385        | 3                  | 565                |
|                                                                 |       | 111,938       | 101,814       | 115,075            | 99,229             |
| <b>Creditors (amounts falling due within one year)</b>          | 17    | (261,488)     | (256,286)     | (305,989)          | (285,804)          |
| <b>Net current liabilities</b>                                  |       | (149,550)     | (154,472)     | (190,914)          | (186,575)          |
| <b>Total assets less current liabilities</b>                    |       | 1,527,451     | 1,535,963     | 588,440            | 661,804            |
| <b>Creditors (amounts falling due after more than one year)</b> | 18    | (919,003)     | (954,492)     | (124)              | -                  |
| <b>Provisions for liabilities</b>                               | 20    | (83,479)      | (82,478)      | -                  | -                  |
| <b>Net assets</b>                                               |       | 524,969       | 498,993       | 588,316            | 661,804            |
| <b>Capital and reserves</b>                                     |       |               |               |                    |                    |
| Called-up share capital                                         | 24    | 406,260       | 406,260       | 406,260            | 406,260            |
| Share premium account                                           |       | 525,258       | 525,258       | 525,258            | 525,258            |
| Revaluation reserve                                             |       | 16,782        | 15,004        | -                  | -                  |
| Merger reserve                                                  |       | 25,939        | 25,939        | -                  | -                  |
| Negative goodwill reserve                                       |       | 88,394        | 89,177        | -                  | -                  |
| Other reserves                                                  |       | 2,550         | 2,550         | -                  | -                  |
| Profit and loss account                                         |       | (539,933)     | (564,914)     | (343,202)          | (269,714)          |
| <b>Shareholder's funds</b>                                      |       | 525,250       | 499,274       | 588,316            | 661,804            |
| Non-controlling interests                                       | 25    | (281)         | (281)         | -                  | -                  |
| <b>Total capital employed</b>                                   |       | 524,969       | 498,993       | 588,316            | 661,804            |

The loss for the financial year dealt with in the financial statements of the parent company was £73,488,000 (2017: £53,816,000).

The financial statements of Peel Holdings Land and Property (UK) Limited, company number 06497115, were approved by the directors and authorised for issue on 26 September 2018.



**John Schofield, A.C.A.**  
Director

The accompanying notes form an integral part of these financial statements.

Group Statement of Changes in Equity for the year ended 31 March 2018

|                                                      | Called up<br>share<br>capital<br>£'000 | Share<br>Premium<br>Account<br>£'000 | Revaluation<br>reserve<br>£'000 | Merger<br>reserve<br>£'000 | Negative<br>goodwill<br>reserve<br>£'000 | Other<br>reserves<br>£'000 | Profit<br>and loss<br>account<br>£'000 | Total<br>£'000 |
|------------------------------------------------------|----------------------------------------|--------------------------------------|---------------------------------|----------------------------|------------------------------------------|----------------------------|----------------------------------------|----------------|
| At 1 April 2016                                      | 406,260                                | 525,258                              | 17,052                          | 25,939                     | 90,214                                   | 2,550                      | (607,397)                              | 459,876        |
| Profit for the financial year                        | -                                      | -                                    | -                               | -                          | -                                        | -                          | 35,994                                 | 35,994         |
| Revaluation of Operational buildings                 | -                                      | -                                    | 1,370                           | -                          | -                                        | -                          | -                                      | 1,370          |
| Deferred tax on revaluation of operational buildings | -                                      | -                                    | (2,752)                         | -                          | -                                        | -                          | -                                      | (2,752)        |
| Foreign exchange gains                               | -                                      | -                                    | -                               | -                          | -                                        | -                          | 6,484                                  | 6,484          |
| Total comprehensive income                           | -                                      | -                                    | (1,382)                         | -                          | -                                        | -                          | 42,478                                 | 41,096         |
| Dividends paid (Note 10)                             | -                                      | -                                    | -                               | -                          | -                                        | -                          | (1,698)                                | (1,698)        |
| Transfer of excess depreciation charge               | -                                      | -                                    | (666)                           | -                          | -                                        | -                          | 666                                    | -              |
| Realisation of negative goodwill                     | -                                      | -                                    | -                               | -                          | (1,037)                                  | -                          | 1,037                                  | -              |
| At 31 March 2017                                     | 406,260                                | 525,258                              | 15,004                          | 25,939                     | 89,177                                   | 2,550                      | (564,914)                              | 499,274        |
| Profit for the financial year                        | -                                      | -                                    | -                               | -                          | -                                        | -                          | 28,485                                 | 28,485         |
| Revaluation of Operational buildings                 | -                                      | -                                    | 2,566                           | -                          | -                                        | -                          | -                                      | 2,566          |
| Deferred tax on revaluation of operational buildings | -                                      | -                                    | (64)                            | -                          | -                                        | -                          | -                                      | (64)           |
| Foreign exchange losses                              | -                                      | -                                    | -                               | -                          | -                                        | -                          | (5,011)                                | (5,011)        |
| Total comprehensive income                           | -                                      | -                                    | 2,502                           | -                          | -                                        | -                          | 23,474                                 | 25,976         |
| Transfer of excess depreciation charge               | -                                      | -                                    | (724)                           | -                          | -                                        | -                          | 724                                    | -              |
| Realisation of negative goodwill                     | -                                      | -                                    | -                               | -                          | (783)                                    | -                          | 783                                    | -              |
| At 31 March 2018                                     | 406,260                                | 525,258                              | 16,782                          | 25,939                     | 88,394                                   | 2,550                      | (539,933)                              | 525,250        |

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PEEL HOLDINGS LAND AND PROPERTY (UK) LIMITED

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Company Statement of Changes in Equity *for the year ended 31 March 2018*

|                                                             | Called-up<br>share capital<br>£'000 | Share<br>premium<br>account<br>£'000 | Profit<br>and loss<br>account<br>£'000 | Total<br>£'000 |
|-------------------------------------------------------------|-------------------------------------|--------------------------------------|----------------------------------------|----------------|
| At 1 April 2016                                             | 406,260                             | 525,258                              | (215,898)                              | 715,620        |
| Loss and other comprehensive expense for the financial year | -                                   | -                                    | (53,816)                               | (53,816)       |
| At 31 March 2017                                            | 406,260                             | 525,258                              | (269,714)                              | 661,804        |
| Loss and other comprehensive expense for the financial year | -                                   | -                                    | (73,488)                               | (73,488)       |
| At 31 March 2018                                            | 406,260                             | 525,258                              | (343,202)                              | 588,316        |

Group Cash Flow Statement *for the year ended 31 March 2018*

|                                                    | Note | 2018<br>£'000 | 2017<br>£'000 |
|----------------------------------------------------|------|---------------|---------------|
| <b>Net cash flows from operating activities</b>    | 27   | 42,742        | 47,919        |
| <b>Cash flows from investing activities</b>        |      |               |               |
| Payments to acquire investment properties          |      | (30,974)      | (26,265)      |
| Receipts from sales of investments properties      |      | 75,603        | 55,695        |
| Payments to acquire other fixed assets             |      | (3,060)       | (528)         |
| Fees on sale of subsidiary                         |      | (299)         | -             |
| Cash balance disposed with subsidiary              |      | (86)          | -             |
| Sale of joint venture                              |      | -             | 625           |
| Acquisition of subsidiaries                        |      | -             | (3,600)       |
| Interest received                                  |      | 405           | 864           |
| Dividends received                                 |      | -             | 408           |
| <b>Net cash flow from investing activities</b>     |      | 41,589        | 27,199        |
| <b>Cash flows from financing activities</b>        |      |               |               |
| Interest paid                                      |      | (64,478)      | (91,185)      |
| Finance lease interest paid                        |      | (150)         | (48)          |
| Grants repaid                                      |      | -             | (2,241)       |
| Loans to joint venture                             |      | (315)         | (226)         |
| Movements in restricted cash                       |      | (3,531)       | 1,873         |
| Loan drawn down                                    |      | 2,387         | 302,879       |
| Loans repaid                                       |      | (5,486)       | (291,335)     |
| Payments under finance leases                      |      | (821)         | (175)         |
| <b>Net cash flows from financing activities</b>    |      | (72,394)      | (80,458)      |
| <b>Increase/(decrease) in cash in the year</b>     |      | 11,937        | (5,340)       |
| Cash at beginning of year                          |      | 15,076        | 20,175        |
| Effect of foreign exchange rate changes            |      | (236)         | 241           |
| <b>Cash at end of year</b>                         |      | 26,777        | 15,076        |
| <b>Reconciliation to cash at bank and in hand:</b> |      |               |               |
| Cash at bank                                       |      | 34,427        | 19,096        |
| Overdrafts                                         |      | (7,650)       | (4,020)       |
|                                                    |      | 26,777        | 15,076        |
| Restricted cash                                    |      | 11,820        | 8,289         |
| <b>Total cash</b>                                  |      | 38,597        | 23,365        |

The accompanying notes form an integral part of these financial statements.

## Notes to the Financial Statements

### 1. Accounting policies

The principal accounting policies are summarised below. The policies have been applied consistently throughout the year and the preceding year. The principal activities and operations of the group and its subsidiaries are set out in the strategic report on pages 3 to 8.

#### Company information

Peel Holdings Land and Property (UK) Limited is a private company limited by shares and incorporated in England & Wales with company registration number 06497115. The registered office is Peel Dome, Intu Trafford Centre, Traffordcity, Manchester M17 8PL.

#### Accounting convention

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of certain fixed assets and fair value of swaps, and in accordance with Financial Reporting Standard 102 (FRS102) issued by the Financial Reporting Council, other than in respect of group reconstruction accounting in the circumstances referred to below.

The functional currency of the company is considered to be pounds sterling, because that is the currency of the primary economic environment in which the company operates. The consolidated financial statements are also presented in pounds sterling. The financial statements are rounded to the nearest £'000.

The company meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements. Exemptions have been taken in these separate company financial statements in relation to disclosures surrounding financial instruments, presentation of a cash flow statement, related party transactions and remuneration of key management personnel.

#### Going concern

The directors have received confirmation that Peel Holdings Land and Property Group Limited ("Peel"), the group's holding company, will continue to provide the necessary level of support to enable it to continue to operate for the foreseeable future. In considering the ability of Peel to provide any necessary support in the context of the uncertainties it faces as a result of the current economic climate, the directors have obtained an understanding of Peel's forecasts, the continuing availability of its facilities and its strategic and contingent plans.

Taking all these factors into account, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future and therefore continue to adopt the going concern basis in preparing the annual report and financial statements.

#### Group financial statements

The group financial statements consolidate the financial statements of the company and its subsidiary undertakings made up to 31 March each year.

The financial statements have been prepared using merger accounting principles (applicable for group reconstructions) set out in FRS 102 Section 19, in order to meet the overriding requirement under applicable law for financial statements to present a true and fair view.

Certain previous transactions did not meet one of the conditions for merger accounting under applicable law, which was applicable to the relevant UK subsidiaries namely that the fair value of any non-equity consideration must not exceed 10% of the nominal value of equity shares issued. However, the directors consider that the alternative approach of acquisition accounting, with the restatement of separable assets and liabilities to fair values, and inclusion of post-reorganisation results only, would not give a true and fair view of the group's results and financial position. The substance of the transaction was not the acquisition of a business but a group reconstruction. Therefore the ordinary shareholders of Peel Holdings Land and Property (UK) Limited have the same proportionate interest in the group as they had previously held. The directors consider that it is not practicable to quantify the effect of this departure from the applicable law.

Under merger accounting the results of the subsidiaries are combined from the beginning of the comparative financial year before the merger occurred. Profit and loss account and balance sheet comparatives are restated on a combined basis and adjustments are made to achieve consistency of accounting policies.

The directors have adopted the basis of preparation set out above because they consider that it is necessary in order to give a true and fair view of the results of the Group for the year ended 31 March 2018.

Notes to the Financial Statements *continued***1. Accounting policies *continued*****Group financial statements *continued***

Subsidiaries and joint ventures which are held as part of an investment portfolio are not consolidated and are included within portfolio investments and accounted for at fair value through profit and loss. These investments are revalued on an annual basis.

All other subsidiaries are consolidated under acquisition accounting principles. Results of subsidiary undertakings acquired or disposed of during the year are included from the date of acquisition or to the date of disposal (to the extent of group ownership).

All other joint ventures are accounted for using the equity method. Investments in joint ventures are initially recognised at the transaction price (including transaction costs) and are subsequently adjusted to reflect the Group's share of the profit or loss and other comprehensive income of the joint venture.

The separable net assets of subsidiary undertakings and joint ventures acquired are included in the Group non-statutory financial statements at their fair value to the Group at the date of acquisition including provisions and liabilities taken into consideration in assessing the fair value of the business acquired.

Intra-group turnover and profits are eliminated on consolidation. As permitted, a separate profit and loss account for the holding company has not been prepared.

As permitted by section 408 of the Companies Act 2006, a separate profit and loss account for the holding company is not presented.

**Goodwill**

Goodwill represents the excess of cost of acquisition over the fair value of the separable net assets of subsidiary undertakings or businesses acquired. Goodwill is amortised through the profit and loss account in equal instalments over its useful economic life of five years. Provision is made for any impairment.

Negative goodwill represents the excess of the fair value of the separable net assets acquired over the consideration paid. The negative goodwill arose as a result of the acquisition of Peel Holdings group during the year ended 31 March 2005 and has been credited to a negative goodwill reserve. This is in line with previous UK GAAP and on transition to FRS 102 in 2016, previous business combinations were not revised in line with transition rules. However this treatment is not in accordance with FRS 102 Section 19 which requires that negative goodwill should be presented as a negative balance immediately below the Goodwill heading on the balance sheet. Since the negative goodwill relates to investment properties which are neither depreciated nor held for resale, the negative goodwill could remain on the balance sheet as a negative asset indefinitely. The directors consider that the treatment required by FRS 102 Section 19 would not show a true and fair view, as it would not properly reflect the particular transaction or correctly state the net assets of the group. The treatment adopted is not inconsistent with the requirements of the Companies Act 2006. In the event of the disposal of relevant assets, this negative goodwill is transferred to the profit and loss reserve in the period in which the related assets acquired are disposed of.

**Investment properties**

Investment properties are measured at fair value annually with any change recognised in the profit and loss account.

Properties in the course of development or practically completed but not substantially let are included in the balance sheet at cost subject to provisions if the directors consider it prudent having regard to the prevailing market conditions. Cost includes interest and directly attributable overheads whilst the property is in the course of development.

Investment property sales are recognised upon unconditional exchange.

**Other fixed assets**

Other fixed assets are stated at cost or valuation, net of depreciation and any provision for impairment. Depreciation is provided on all other fixed assets at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight line basis over its expected useful life, as follows:

- Operational buildings included in tangible fixed assets are depreciated at rates varying between 1% and 4% per annum.
- Plant and vehicles are depreciated by equal annual instalments over their expected useful lives at rates varying between 4% and 33% per annum.

Individual freehold and leasehold properties other than investment properties are revalued every year with the surplus or deficit on book value being transferred to the revaluation reserve, except that a deficit which is in excess of any previously recognised surplus over depreciated cost relating to the same property, or the reversal of such a deficit, is charged (or credited) to the profit and loss account. A deficit which represents a clear consumption of economic benefits is charged to the profit and loss account regardless of any such previous surplus.

## Notes to the Financial Statements *continued*

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

#### **Other fixed assets *continued***

Where depreciation charges are increased following a revaluation, an amount equal to the increase is transferred annually from the revaluation reserve to the profit and loss account as a movement on reserves. On the disposal or recognition of a provision for impairment of a revalued fixed asset, any related balance remaining in the revaluation reserve is also transferred to the profit and loss account as a movement on reserves.

#### **Fixed asset investments**

In the company financial statements fixed asset investments in subsidiary undertakings are stated at cost less provision for impairment. Cost represents the aggregate cash consideration, costs incurred and either the fair or the nominal value of shares issued.

In the group financial statements investments in joint ventures are accounted for using the equity method.

#### **Stocks**

Stocks are stated at the lower of cost, including attributable overheads and capitalised interest, to the group and net realisable value. Net realisable value represents the anticipated disposal proceeds less any associated costs.

#### **Cash and cash equivalents**

Cash at bank and in hand are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

#### **Taxation**

Corporation tax is provided at amounts expected to be paid using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. *Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.*

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of the timing difference. Deferred tax relating to property, plant and equipment measured using the revaluation model and investment property is measured using the tax rates and allowances that apply to sale of the asset.

Where items recognised in other comprehensive income or equity are chargeable to or deductible for tax purposes, the resulting current or deferred tax expense or income is presented in the same component of comprehensive income or equity as the transaction or other event that resulted in the tax expense or income.

Current tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts and the company intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax assets and liabilities are offset only if: a) the company has a legally enforceable right to set off current tax assets against current tax liabilities; and b) the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

## Notes to the Financial Statements *continued*

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

#### **Related party disclosures**

The company has taken advantage of the exemption in FRS 102 Section 33 and has not disclosed details of transactions with fellow wholly owned undertakings within the Peel Holdings Group Limited group of companies. The registered office of Peel Holdings Group Limited is Billown Mansion, Ballasalla, Malew, IM9 3DN, Isle of Man.

#### **Foreign currencies**

The results of overseas subsidiary undertakings are translated to sterling at the average rate of exchange ruling during the period. Assets and liabilities denominated in foreign currencies are translated to sterling at exchange rates ruling at the balance sheet date. Differences arising on the translation of the opening net assets and results of overseas subsidiary undertakings are accounted for in other comprehensive income and accumulated equity. All other exchange differences are accounted for through the profit and loss account.

#### **Turnover**

The turnover of the group has been derived from its principal activities and is stated net of VAT.

Property rental income from investment property, environment and resource and telecommunications assets and the appropriate allocation of rental premiums are accounted for on an accruals basis and are recognised as the services are provided.

Utility services income, environmental income and other income represent amounts receivable for services provided net of trade discounts.

Trading property sales are accounted for on a legal completion basis.

#### **Pension costs**

The cost of the group's money purchase pension arrangements are charged to the profit and loss account on the basis of contributions payable in respect of the accounting period.

#### **Leased assets - group as lessee**

Assets held under finance leases, hire purchase contracts and other similar arrangements, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets at the fair value of the leased asset (or, if lower, the present value of the minimum lease payments as determined at the inception of the lease) and are depreciated over the shorter of the lease terms and their useful lives. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the leases to produce a constant periodic rate of interest on the remaining balance of the liability.

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term.

#### **Leased assets – group as lessor**

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

#### **Government grants**

Government grants are recognised based on the accrual model and are measured at the fair value of the asset received or receivable. Grants are classified as relating either to revenue or to assets. Grants relating to revenue are recognised in income over the period in which the related costs are recognised. Grants relating to assets are recognised over the expected useful life of the asset. Where part of a grant relating to an asset is deferred, it is recognised as deferred income.

Grants receivable in respect of investment properties are credited directly to the cost of the asset. This treatment has been adopted in order to show a true and fair view as, in the opinion of the directors, it is not appropriate to treat grants on investment properties as deferred income. Investment properties are not depreciated and accordingly no basis exists on which to recognise the release of deferred income to the profit and loss account.

## Notes to the Financial Statements *continued*

### 1. Accounting policies *continued*

#### **Bank borrowings**

Interest bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in the profit and loss account using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

#### **Finance costs**

Interest directly attributable to both investment and trading properties in the course of development and other fixed assets is included in the cost thereof. Interest is capitalised on a simple interest basis without allowing for any tax relief thereon.

Issue costs associated with borrowings are charged to the profit and loss account over the term of the borrowings and represent a constant proportion of the balance of capital repayments outstanding. Accrued finance costs attributable to borrowing where the maturity date of issue is less than 12 months are included in accrued charges within current liabilities. For all borrowings accrued finance charges and issue costs are included in the carrying value of those borrowings.

#### **Provisions**

Provisions are recognised when the company has a legal or constructive present obligation as a result of a past event, it is probable that the company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation.

Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value. When a provision is measured at present value the unwinding of the discount is recognised as a finance cost in profit or loss in the period it arises.

#### **Financial instruments**

##### **(i) Derivative financial instruments**

The group uses derivative financial instruments to reduce exposure to interest rate risk. The group does not hold derivative financial instruments for speculative purposes. Derivatives are initially recognised at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in the profit and loss account immediately in the year in which they arise.

##### **(ii) Financial assets and financial liabilities**

Financial assets and financial liabilities are recognised when the group becomes a party to the contractual provisions of the instrument. Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit and loss, which are initially measured at fair value (which is normally the transaction price excluding the costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a finance transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the balance sheet when, and only when there exists a legally enforceable right to set off the recognised amounts and the group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

## Notes to the Financial Statements *continued*

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

#### **(ii) Financial assets and financial liabilities *continued***

Debt instruments which meet the following conditions are subsequently measured at amortised cost using the effective interest method:

- (a) Returns to the holder are (i) a fixed amount; or (ii) a fixed rate of return over the life of the instrument; or (iii) a variable return that, throughout the life of the instrument, is equal to a single referenced quoted or observable interest rate; or (iv) some combination of such fixed rate and variable rates, providing that both rates are positive.
- (b) There is no contractual provision that could, by its terms, result in the holder losing the principal amount or any interest attributable to the current period or prior periods.
- (c) Contractual provisions that permit the issuer to prepay a debt instrument or permit the holder to put it back to the issuer before maturity are not contingent on future events, other than to protect the holder against the credit deterioration of the issuer or a change in control of the issuer, or to protect the holder or issuer against changes in relevant taxation or law.
- (d) There are no conditional returns or repayment provisions except for the variable rate return described in (a) and prepayment provisions described in (c).

Debt instruments that are classified as payable or receivable within one year and which meet the above conditions are measured at the undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.

Other debt instruments not meeting these conditions are measured at fair value through profit and loss.

Commitments to make and receive loans which meet the conditions mentioned above are measured at cost (which may be nil) less impairment.

Financial assets are derecognised when and only when (a) the contractual rights to the cash flows from the financial asset expire or are settled, (b) the Group transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or (c) the Group, despite having retained some significant risks and rewards of ownership, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer.

*Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.*

#### **Impairment of financial assets**

For financial assets carried at amortised cost, the amount of an impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

Where indicators exist for a decrease in impairment loss, and the decrease can be related objectively to an event occurring after the impairment was recognised, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired financial asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying amount value had no impairment been recognised.

#### **Fair value measurement**

The best evidence of fair value is a quoted price for an identical asset in an active market. When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If the market is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, an entity estimates the fair value by using a valuation technique.

## Notes to the Financial Statements *continued*

### **2. Critical accounting judgements and key sources of estimation uncertainty**

In the application of the group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

#### **Critical judgements in applying the group's accounting policies**

The directors do not consider there to be any critical accounting judgements that must be applied, apart from those involving estimates which are dealt with separately below.

#### **Key sources of estimation uncertainty**

The group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying value of assets and liabilities within the next financial year are addressed below:

##### **Investment properties**

A key source of estimation and uncertainty relates to the valuation of investment properties, where a valuation is obtained annually, as at 31 March, either by professionally qualified external valuers, or by the group's own internal qualified staff. The evidence to support these valuations is based primarily on recent, comparable market transactions on an arm's length basis. However, the assumptions applied are inherently subjective and so are subject to a degree of uncertainty. The carrying value of investment property is £1,604,619,000 (2017: £1,621,356,000) and the key assumptions applied can be found in note 12.

##### **Other fixed assets**

A key source of estimation and uncertainty relates to the valuation of other fixed assets, where a valuation is obtained annually, as at 31 March, either by professionally qualified external valuers, or by the company's own internal qualified staff. The evidence to support these valuations is primarily on recent, comparable market transactions at an arm's length basis. However, the assumptions applied are inherently subjective and so are subject to a degree of uncertainty. Valuations are one of the principal uncertainties of the company. The carrying value of other fixed assets is £63,248,000 (2017: £60,796,000) and the key assumptions applied can be found in note 13.

##### **Fair value of derivative financial instruments**

The fair value of derivative financial instruments is calculated using a discounted cash flow approach and using inputs based on observable market data. Where material, the credit risk associated with the derivatives is reflected in its calculation methodology. Judgement is used to determine whether the credit risk associated with the derivatives has changed materially over time based on market transactions and prices and, where this is the case, the credit factor is adjusted in the valuation calculation. The carrying value of derivative financial instruments is £8,802,000 (2017: £16,447,000).

Notes to the Financial Statements *continued*

**3. Analysis of turnover and operating profit**

|                                                                                       | <b>Group</b>    |                 |
|---------------------------------------------------------------------------------------|-----------------|-----------------|
|                                                                                       | <b>2018</b>     | <b>2017</b>     |
|                                                                                       | <b>£'000</b>    | <b>£'000</b>    |
| <b>Turnover</b>                                                                       |                 |                 |
| Gross rental income from investment property                                          | 72,388          | 72,558          |
| Trading property sales                                                                | 327             | 137             |
| Rent premium income                                                                   | 952             | 494             |
| Environment and resource development income                                           | 2,084           | 2,633           |
| Advertising income                                                                    | 3,122           | 2,437           |
| Waterways income                                                                      | 1,077           | 1,033           |
| Utility income                                                                        | 1,212           | 1,102           |
| Other                                                                                 | 3,623           | 796             |
|                                                                                       | <b>84,785</b>   | <b>81,190</b>   |
| <b>Direct costs</b>                                                                   | <b>(20,920)</b> | <b>(23,586)</b> |
| <b>Gross profit</b>                                                                   | <b>63,865</b>   | <b>57,604</b>   |
| Administrative expenses                                                               | (26,693)        | (23,026)        |
| Impairment of stock properties                                                        | (125)           | (3,344)         |
| Goodwill amortisation                                                                 | (594)           | -               |
| Surplus on revaluation of investment properties                                       | 38,754          | 64,450          |
| Other income                                                                          | 5,616           | 5,302           |
|                                                                                       | <b>16,958</b>   | <b>43,382</b>   |
| <b>Group operating profit</b>                                                         | <b>80,823</b>   | <b>100,986</b>  |
| Share of operating profit of joint venture companies                                  | 1,536           | 572             |
| <b>Operating profit (including group's share of joint ventures' operating profit)</b> | <b>82,359</b>   | <b>101,558</b>  |

With the exception of rental income of £4,226,000 (2017: £4,408,000) arising overseas (Bermuda and the Bahamas), all of the group's turnover during the financial year arose in the United Kingdom.

**4. Profit on disposal of fixed assets**

|                       | <b>Group</b>  | <b>Group</b> |
|-----------------------|---------------|--------------|
|                       | <b>2018</b>   | <b>2017</b>  |
|                       | <b>£'000</b>  | <b>£'000</b> |
| Investment properties | 10,184        | 5,628        |
| Other fixed assets    | -             | (97)         |
| Subsidiaries          | 1,421         | 417          |
|                       | <b>11,605</b> | <b>5,948</b> |

The effect of the profit on disposal of fixed assets on the amount charged to the profit and loss account for taxation was £10,359,000 (2017: £2,950,000). However, this is offset by trading losses.

Notes to the Financial Statements *continued*

**5. Profit before taxation**

|                                                                       | <b>Group<br/>2018<br/>£'000</b> | <b>Group<br/>2017<br/>£'000</b> |
|-----------------------------------------------------------------------|---------------------------------|---------------------------------|
| Profit before taxation is stated after charging/(crediting):          |                                 |                                 |
| Surplus on revaluation of investment properties                       | (38,754)                        | (64,450)                        |
| Depreciation of other fixed assets - owned assets                     | 2,241                           | 1,927                           |
| Depreciation of other fixed assets - assets held under finance leases | -                               | 143                             |
| Impairment of stock properties                                        | 125                             | 3,344                           |
| Operating leases for plant and machinery                              | 307                             | 420                             |
| Foreign exchange loss/(gains)                                         | 1,645                           | (1,620)                         |
| Goodwill amortisation                                                 | 594                             | -                               |
| Profit on disposal of fixed assets (note 4)                           | (11,605)                        | (5,948)                         |
| Cost of stock recognised as an expense                                | 6                               | -                               |

Auditor's remuneration was borne by Peel Group Management Limited and not recharged (2017: borne by Peel Holdings Land and Property (UK) Limited) as follows:

|                                                                                            | <b>2018<br/>£'000</b> | <b>2017<br/>£'000</b> |
|--------------------------------------------------------------------------------------------|-----------------------|-----------------------|
| <b>Fees payable to the company's auditor and it's associates for services to the group</b> |                       |                       |
| The audit of the company financial statements pursuant to legislation                      | 12                    | 12                    |
| The audit of the company's subsidiaries financial statements pursuant to legislation       | 358                   | 324                   |
| <b>Total audit fees</b>                                                                    | <b>370</b>            | <b>336</b>            |
| Tax compliance services                                                                    | 343                   | 249                   |
| Other taxation advisory services                                                           | 50                    | 86                    |
| Other services                                                                             | 22                    | 24                    |
| <b>Total non-audit fees</b>                                                                | <b>415</b>            | <b>359</b>            |
|                                                                                            | <b>785</b>            | <b>695</b>            |

Notes to the Financial Statements *continued***6. Net interest payable and similar expenses**

|                                                  | <b>Group<br/>2018<br/>£'000</b> | <b>Group<br/>2017<br/>£'000</b> |
|--------------------------------------------------|---------------------------------|---------------------------------|
| Interest payable and similar expenses:           |                                 |                                 |
| On bank loans and overdrafts                     | 29,986                          | 31,514                          |
| Amortisation of loan fees                        | 1,500                           | 3,795                           |
| On first mortgage debenture stock                | 32,008                          | 32,097                          |
| Other interest                                   | 2,280                           | 1,000                           |
| On amounts owed to group undertakings            | 3,663                           | 3,094                           |
| Joint venture interest                           | 285                             | -                               |
| Finance lease interest                           | 150                             | 48                              |
|                                                  | <b>69,872</b>                   | <b>71,548</b>                   |
| Interest receivable and similar income:          |                                 |                                 |
| On bank and other deposits                       | (6)                             | (7)                             |
| Other interest                                   | (399)                           | (499)                           |
|                                                  | <b>69,467</b>                   | <b>71,042</b>                   |
| Movement in fair value of interest rate swaps    | (7,644)                         | 2,780                           |
| <b>Net interest payable and similar expenses</b> | <b>61,823</b>                   | <b>73,822</b>                   |

Notes to the Financial Statements *continued***7. Tax on profit**

|                                                                          | <b>Group<br/>2018<br/>£'000</b> | <b>Group<br/>2017<br/>£'000</b> |
|--------------------------------------------------------------------------|---------------------------------|---------------------------------|
| Current tax:                                                             |                                 |                                 |
| Group relief                                                             | (88)                            | (1,432)                         |
| Adjustment in respect of prior years                                     | 2,885                           | (1,220)                         |
| Total current tax charge/(credit)                                        | 2,797                           | (2,652)                         |
| Deferred tax:                                                            |                                 |                                 |
| Rate change                                                              | -                               | (4,224)                         |
| Origination and reversal of timing differences                           | 738                             | 4,574                           |
| Total deferred tax (note 20)                                             | 738                             | 350                             |
| Share of joint ventures' tax                                             | 121                             | -                               |
| Total tax on profit                                                      | 3,656                           | (2,302)                         |
| Reconciliation of total tax charge/(credit):                             |                                 |                                 |
| Tax on profit at standard UK corporation tax rate of 19% (2017: 20%)     | 6,107                           | 6,737                           |
| Expenses not deductible for tax purposes                                 | 1,489                           | 701                             |
| Rate difference on overseas profits                                      | (6)                             | (1,229)                         |
| Adjustments in respect of prior years                                    | 3,208                           | (3,051)                         |
| Non-deductible write down of investments                                 | -                               | 298                             |
| Share of joint ventures                                                  | (117)                           | (104)                           |
| Difference in tax rate on current year deferred tax                      | 139                             | (1,295)                         |
| Unrecognised movement on deferred tax in relation to investment property | (8,762)                         | (135)                           |
| Deferred tax effect of changes in statutory tax rates                    | -                               | (4,224)                         |
| Unrecognised movement on deferred tax in relation to losses              | 1,598                           | -                               |
| Total tax charge/(credit)                                                | 3,656                           | (2,302)                         |

The standard rate of tax applied to the reported profits is 19% (2017: 20%).

**8. Particulars of staff**

The group and the company have no employees (2017: 10).

The following costs were borne by Peel Group Management Limited and were recharged.

|                                    | <b>Group<br/>2018<br/>£'000</b> | <b>Group<br/>2017<br/>£'000</b> |
|------------------------------------|---------------------------------|---------------------------------|
| Staff costs (including directors): |                                 |                                 |
| Wages and salaries                 | 7,602                           | 10,119                          |
| Social security costs              | 777                             | 1,204                           |
| Other pension costs                | 384                             | 504                             |
|                                    | 8,763                           | 11,827                          |

Notes to the Financial Statements *continued***9. Directors' remuneration**

The remuneration of directors of the company was as follows:

|                                                  | <b>2018</b><br><b>£'000</b> | <b>2017</b><br><b>£'000</b> |
|--------------------------------------------------|-----------------------------|-----------------------------|
| Emoluments                                       | 161                         | 1,984                       |
| Company contributions to personal pension scheme | 8                           | 48                          |
| <b>Total</b>                                     | <b>169</b>                  | <b>2,032</b>                |

The emoluments of the highest paid director, excluding pension contributions, amounted to £nil (2017: £914,000). The contributions to a personal pension scheme during the year were £nil (2017: £10,000).

The number of directors participating in the company's money purchase pension scheme is nil (2017: 5).

Since 1 April 2017 the majority of directors of the company were remunerated by Peel Group Management Limited for their services to the group as a whole; it is not practicable to allocate their remuneration between their services to group companies.

**Share options**

None of the directors had options to acquire ordinary shares of the company (2017: same).

**Key management personnel**

Key management includes members of senior management but excludes the directors who are detailed above. The compensation paid or payable to key management for employee services is shown below:

|                                                            | <b>2018</b><br><b>£'000</b> | <b>2017</b><br><b>£'000</b> |
|------------------------------------------------------------|-----------------------------|-----------------------------|
| Salaries and other short-term benefits                     | 1,257                       | 1,854                       |
| Group contribution to defined contribution pension schemes | 23                          | 24                          |
| <b>Total</b>                                               | <b>1,280</b>                | <b>1,878</b>                |

**10. Dividends**

No dividend were declared in the current year. In the prior year, a dividend of £1,698,000 was paid to Peel Wind Farms (Seaforth) Limited by Seaforth Windfarm Limited before the company was acquired by the group. Given the adoption of merger accounting for the group reorganisation this dividend is included within these financial statements.

**11. Goodwill**

|                                   | <b>Goodwill</b><br><b>£'000</b> |
|-----------------------------------|---------------------------------|
| <b>Cost:</b>                      |                                 |
| At 1 April 2017 and 31 March 2018 | 2,741                           |
| <b>Amortisation:</b>              |                                 |
| At 1 April 2017                   | 1,510                           |
| Amortised in the year             | 594                             |
| At 31 March 2018                  | 2,104                           |
| <b>Net Book Value:</b>            |                                 |
| At 31 March 2018                  | 637                             |
| At 31 March 2017                  | 1,231                           |

Notes to the Financial Statements *continued***12. Investment properties**

|                                | Freehold<br>£'000 | Group<br>Long<br>leasehold<br>£'000 | Total<br>£'000 |
|--------------------------------|-------------------|-------------------------------------|----------------|
| <b>Valuation:</b>              |                   |                                     |                |
| At 1 April 2017                | 1,587,231         | 34,125                              | 1,621,356      |
| Additions                      | 30,965            | 9                                   | 30,974         |
| Disposals                      | (57,617)          | (14,300)                            | (71,917)       |
| Lease incentives               | 1,924             | -                                   | 1,924          |
| Intercompany transfer          | (10,363)          | -                                   | (10,363)       |
| Revaluations                   | 34,519            | 4,235                               | 38,754         |
| Exchange adjustments           | (5,893)           | (216)                               | (6,109)        |
| At 31 March 2018               | 1,580,766         | 23,853                              | 1,604,619      |
| <b>Professional Valuation:</b> |                   |                                     |                |
| March 2018 – External          | 851,161           | 10,366                              | 861,527        |
| March 2018 – Directors         | 729,605           | 13,487                              | 743,092        |
|                                | 1,580,766         | 23,853                              | 1,604,619      |

The historical cost to the group of all investment properties is £1,095,539,000 (2017: £1,099,901,000).

**Capitalised interest**

Investment properties include capitalised interest in aggregate amounting to £2,989,000 (2017: £10,500,000).

**Valuations**

54% (2017: 79%) of the investment property portfolio was professionally valued by external Royal Institution of Chartered Surveyors valuers and the remainder was professionally valued by the company's own Royal Institution of Chartered Surveyors qualified staff.

The valuations were undertaken in accordance with "Red Book Principles" and were conducted on the basis of Market Value. The investment properties are valued by adopting the 'investment method' of valuation. This approach involves applying capitalisation yields to current and, if any, reversionary income streams. The capitalisation yields and future rental values are based on comparable property and leasing transactions in the market using the valuers' professional judgement and market observation. All of the valuers hold professional qualifications and have many years of relevant experience in valuing these types of assets.

51% of the investment property portfolio was professionally valued by Jones Lang LaSalle, RICS qualified property consultants, using the investment approach.

3% of the investment property portfolio was professionally valued by SLR Consulting Limited, RICS qualified property consultants, also using the investment approach. The methodology involves calculating the present value of the future rent and royalty income using a discount rate which reflects current economic and market indicators and any specific factors relevant to each site. The assets are classified as specialist property with minimal evidence of comparable transactions therefore the valuers have discounted the valuation to reflect this. The valuers are qualified chartered surveyors who have considerable specialist expertise in valuing this type of asset.

Notes to the Financial Statements *continued*

**12. Investment properties *continued***

Professional Royal Institution of Chartered Surveyors valuers carried out total valuations as follows:

|                        | 2018           | 2017             |
|------------------------|----------------|------------------|
|                        | £'000          | £'000            |
| Jones Lang LaSalle     | 806,545        | 1,177,210        |
| SLR Consulting Limited | 54,982         | 39,821           |
| Bermuda Realty Company | -              | 57,463           |
|                        | <u>861,527</u> | <u>1,274,494</u> |

Property rental income earned in the year is set out in note 3 and no contingent rents have been recognised as income in the current or prior year.

There are no contractual obligations for repairs and maintenance or health and safety.

**Restrictions**

Included in the portfolio are investment properties valued at £1,589,544,000 for which proceeds of disposal are subject to restrictions under the banking facilities. The cash is only released when there is sufficient loan to value headroom.

Notes to the Financial Statements *continued***13. Other fixed assets**

|                               | Operational<br>buildings<br>£'000 | Plant and<br>vehicles<br>£'000 | Total<br>£'000 |
|-------------------------------|-----------------------------------|--------------------------------|----------------|
| <b>Cost or valuation:</b>     |                                   |                                |                |
| At 1 April 2017               | 61,709                            | 6,650                          | 68,359         |
| Additions                     | 743                               | 4,822                          | 5,565          |
| Disposals                     | -                                 | (747)                          | (747)          |
| Inter-company transfer        | -                                 | (543)                          | (543)          |
| Disposal of subsidiary        | -                                 | (3,843)                        | (3,843)        |
| Revaluations                  | 1,455                             | -                              | 1,455          |
| Foreign exchange adjustments  | -                                 | (479)                          | (479)          |
| At 31 March 2018              | 63,907                            | 5,860                          | 69,767         |
| <b>Depreciation:</b>          |                                   |                                |                |
| At 1 April 2017               | 3,156                             | 4,407                          | 7,563          |
| Charge for the financial year | 1,631                             | 610                            | 2,241          |
| Disposals                     | -                                 | (746)                          | (746)          |
| Inter-company transfer        | -                                 | (166)                          | (166)          |
| Disposal of subsidiary        | -                                 | (995)                          | (995)          |
| Revaluations                  | (1,111)                           | -                              | (1,111)        |
| Foreign exchange adjustments  | -                                 | (267)                          | (267)          |
| At 31 March 2018              | 3,676                             | 2,843                          | 6,519          |
| <b>Net Book Value:</b>        |                                   |                                |                |
| At 31 March 2018              | 60,231                            | 3,017                          | 63,248         |
| At 31 March 2017              | 58,553                            | 2,243                          | 60,796         |

The historical cost to the group of operational buildings is £45,064,000 (2017: £44,632,000).

All other fixed assets other than operational buildings at 31 March 2018 are held at depreciated historical cost to the group.

At 31 March 2018 operational buildings are all freehold.

At 31 March 2018 the value of assets held under finance lease was £nil (2017: £656,000).

**Valuations**

Some of the group's operational buildings were externally valued at 31 March 2018 comprising 51% of the portfolio (2017: 64%) and remainder were professionally valued using the group's own Royal Institution of Chartered Surveyors qualified staff.

The valuations were undertaken in accordance with "Red Book Principles" and were conducted on the basis of Market Value. The operational buildings are valued by adopting the 'investment method' of valuation. This approach involves applying capitalisation yields to current and, if any, reversionary income streams. The capitalisation yields and future rental values are based on comparable property and leasing transactions in the market using the valuers' professional judgement and market observation. All of the valuers hold professional qualifications and have many years of relevant experience in valuing these types of assets.

Notes to the Financial Statements *continued***13. Other fixed assets** *continued***Valuations** *continued*

44% of the operational buildings portfolio was professionally valued by Jones Lang LaSalle, RICS qualified property consultants, using the investment approach. The methodology involves calculating the present value of the future rent and royalty income using a discount rate which reflects current economic and market indicators and any specific factors relevant to each site. The assets are classified as specialist property with minimal evidence of comparable transactions therefore the valuers have discounted the valuation to reflect this. The valuers are qualified chartered surveyors who have considerable specialist expertise in valuing this type of asset.

An operational wind farm forming 7% of the operational buildings portfolio has been professionally valued by SLR Consulting, RICS qualified property consultants and wind surveyors, at 31 March 2018 on the basis of the open market value. The value has been calculated using the Discounted Cash Flow method as per Section 4.6 of the RICS guidance note on the valuation of renewable energy schemes. The valuation has been based on the remaining 14 years and 9 month term of the leasehold interest and takes into account a forecast of the annual energy generation yield and the current and forecast selling price for renewable energy registered for Renewable Obligation Certificates.

Professional Royal Institution of Chartered Surveyors valuers carried out total valuations as follows:

|                        | 2018<br>£'000 | 2017<br>£'000 |
|------------------------|---------------|---------------|
| Jones Lang LaSalle     | 26,600        | 33,800        |
| SLR Consulting Limited | 4,080         | 3,500         |
|                        | 30,680        | 37,300        |

**14. Investments****(a) Joint ventures**

|                                         | Group<br>£'000 |
|-----------------------------------------|----------------|
| <b>Carrying value before impairment</b> |                |
| At 1 April 2017                         | 8,619          |
| New loans                               | 315            |
| Share of operating result for the year  | 1,536          |
| Share of interest for the year          | (285)          |
| Share of tax for the year               | (121)          |
| At 31 March 2018                        | 10,064         |
| <b>Impairment:</b>                      |                |
| At 1 April 2017 and at 31 March 2018    | 1,567          |
| <b>Net carrying value:</b>              |                |
| At 31 March 2018                        | 8,497          |
| At 31 March 2017                        | 7,052          |

Investment in joint ventures represents:

|                                | Group<br>2018<br>£'000 | Group<br>2017<br>£'000 |
|--------------------------------|------------------------|------------------------|
| Group share of net assets      | 3,138                  | 2,008                  |
| Amounts owed by joint ventures | 5,359                  | 5,044                  |
|                                | 8,497                  | 7,052                  |

A detailed analysis of the group's share of the results of joint ventures is not provided as they are not material to the group.

Notes to the Financial Statements *continued*

**(b) Fixed asset investments**

**Holding company**

|                                      | Shares in<br>subsidiary<br>undertakings<br>£'000 | Loans to<br>Joint ventures<br>£'000 | Total<br>£'000 |
|--------------------------------------|--------------------------------------------------|-------------------------------------|----------------|
| <b>Cost:</b>                         |                                                  |                                     |                |
| At 1 April 2017 and at 31 March 2018 | 1,135,624                                        | 1,338                               | 1,136,962      |
| <b>Impairment:</b>                   |                                                  |                                     |                |
| At 1 April 2017                      | 288,583                                          | -                                   | 288,583        |
| Impairment in the year               | 69,025                                           | -                                   | 69,025         |
| At 31 March 2018                     | 357,6089                                         | -                                   | 357,608        |
| <b>Net Book Value:</b>               |                                                  |                                     |                |
| At 31 March 2018                     | 778,016                                          | 1,338                               | 779,354        |
| At 31 March 2017                     | 847,241                                          | 1,338                               | 848,379        |

Impairment arises as investments in subsidiaries are written down to the net book value of the underlying company.

**Sale of subsidiary undertaking**

On 23 March 2018 the group sold its 100% interest in the ordinary share capital of Peel Advertising Limited to Peel Holdings (Advertising) Limited. The loss recognised in the year to date of disposal of Peel Advertising Limited was £614,000 (2017: £426,000).

The net liabilities on disposal were:

|                                          | £'000   |
|------------------------------------------|---------|
| Fixed assets                             | 2,849   |
| Current assets                           | 1,255   |
| Creditors                                | (5,824) |
| Net liabilities                          | (1,720) |
| Sale proceeds                            | -       |
| Profit on sale                           | 1,720   |
| Cash flows in respect of sale consisted: |         |
| Cash balance disposed                    | 86      |

# Notes to the Financial Statements *continued*

## (b) Fixed asset investments *continued*

### Subsidiary undertakings and joint ventures

Details of investments of the group and all its subsidiary undertakings and joint ventures are given below.

### Subsidiary undertakings

The subsidiary undertakings consolidated as at 31 March 2018, all of which were wholly owned ordinary shares unless otherwise stated were as follows:

| Incorporated    | Company                                            | Principal Activities                    |
|-----------------|----------------------------------------------------|-----------------------------------------|
| Bahamas         | Beaumont (Bahamas) Limited                         | Property investment                     |
| Bermuda         | New Windsor Hotel Company Limited *                | Holding company                         |
| Spain           | Peel Developments Espana S.L.                      | Property development and investment     |
| England & Wales | Peel Overseas Limited                              | Holding company                         |
| England & Wales | Peel Holdings (Land and Property) Limited          | Holding company                         |
| England & Wales | Peel Land and Property Investments plc             | Property investment                     |
| England & Wales | Peel Land (Intermediate) Limited                   | Property investment                     |
| England & Wales | Peel Investments (North) Limited                   | Property investment                     |
| England & Wales | Ship Canal Properties Limited                      | Property investment                     |
| England & Wales | Peel Land and Property (Ports) Limited             | Property investment                     |
| England & Wales | Princes Dock Development Company Limited           | Property investment                     |
| Scotland        | Clydeport Properties Limited                       | Property development and investment     |
| England & Wales | Peel Investments (Intermediate) Limited            | Property investment                     |
| England & Wales | Peel South East Limited                            | Property investment                     |
| England & Wales | Manchester Ship Canal Developments Limited         | Property development                    |
| England & Wales | Manchester Ship Canal Developments Advent Limited  | Property development                    |
| England & Wales | Protos Developments Limited                        | Property development                    |
| England & Wales | The Bridgewater Canal Company Limited              | Operation and management of canals      |
| England & Wales | Peel Environmental Limited                         | Waste and mineral asset management      |
| England & Wales | Peel Investments (Land and Property) No.1 Limited  | Holding company                         |
| England & Wales | Peel Property (Investments) Limited                | Property investment                     |
| England & Wales | Peel Investment Properties Limited                 | Operation of an outlet mall             |
| England & Wales | Port Salford Holdings Limited                      | Property development                    |
| England & Wales | Peel Land and Property Holdings Limited            | Holding company                         |
| England & Wales | Peel Land and Property Limited                     | Holding company                         |
| England & Wales | Peel Investments (U.K.) Limited                    | Holding company                         |
| England & Wales | Peel Investments Holdings Limited                  | Holding company                         |
| Scotland        | Peel Assets Limited                                | Dormant company                         |
| England & Wales | Peel Property Holdings Limited                     | Holding company                         |
| England & Wales | Peel Property Limited                              | Holding company                         |
| England & Wales | Peel Mineral Resources Limited                     | Dormant                                 |
| England & Wales | Bridgewater Remediation Limited                    | Dormant                                 |
| England & Wales | Peel Investments (Land and Property) No. 2 Limited | Holding company                         |
| England & Wales | Peel Investment Properties Holdings Limited        | Property investment and development     |
| England & Wales | Peel Land Holdings Limited                         | Holding company                         |
| England & Wales | Peel Property Intermediate Limited                 | Property investment and holding company |
| England & Wales | Astermill Limited                                  | Dormant company                         |
| England & Wales | Barwent Developments Limited                       | Dormant company                         |
| England & Wales | Beaumont Properties Limited                        | Dormant company                         |

Notes to the Financial Statements *continued*
**14. Investments *continued***
**(b) Fixed asset investments *continued***
**Subsidiary undertaking *continued***

|                 |                                                                      |                 |
|-----------------|----------------------------------------------------------------------|-----------------|
| England & Wales | Haxden Properties Limited                                            | Dormant company |
| England & Wales | The Beaumont Property Trust Limited                                  | Dormant company |
| England & Wales | Harmont Investment Company Limited                                   | Dormant company |
| England & Wales | London Shop (Bishops Stortford) Limited                              | Dormant company |
| England & Wales | London Shop (Stockport) Limited                                      | Dormant company |
| England & Wales | Cannorth Property Investments Limited                                | Dormant company |
| Scotland        | Clydeport Terminal Limited                                           | Dormant company |
| England & Wales | Corinium Properties Limited                                          | Dormant company |
| England & Wales | Flaskranch Limited                                                   | Dormant company |
| England & Wales | Knight & (Co Services) Limited                                       | Dormant company |
| England & Wales | London Shop (Crosby) Limited                                         | Dormant company |
| England & Wales | Londrock Finance Company Limited                                     | Dormant company |
| England & Wales | MSC (Waste) Limited                                                  | Dormant company |
| England & Wales | Peel (Anglia) Limited                                                | Dormant company |
| England & Wales | Peel Investments (Anglia) Limited                                    | Dormant company |
| England & Wales | Peel Housing (Anglia) Limited                                        | Dormant company |
| England & Wales | Peel Homes (Anglia) Limited                                          | Dormant company |
| England & Wales | Peel Commercial (S.E.) Limited                                       | Dormant company |
| England & Wales | Peel Farms Limited                                                   | Dormant company |
| England & Wales | Peel Homes Limited                                                   | Dormant company |
| England & Wales | Peel Land and Property (No.2) Limited                                | Dormant company |
| England & Wales | Peel Developments (N.E.) Limited                                     | Dormant company |
| England & Wales | Sheffield Heliport Limited                                           | Dormant company |
| England & Wales | South Yorkshire Emergency Services Centre Limited                    | Dormant company |
| England & Wales | Peel North West Limited                                              | Dormant company |
| England & Wales | Peel Commercial (N.W.) Limited                                       | Dormant company |
| England & Wales | Peel Developments (N.W.) Limited                                     | Dormant company |
| England & Wales | Toll House Motors Limited                                            | Dormant company |
| England & Wales | Peel Securities (N.W.) Limited                                       | Dormant company |
| England & Wales | Peel Properties (S.E.) Limited                                       | Dormant company |
| England & Wales | Peel Securities (S.E.) Limited                                       | Dormant company |
| England & Wales | Peel South West Limited                                              | Dormant company |
| England & Wales | Peel Commercial (S.W.) Limited                                       | Dormant company |
| England & Wales | Peel Developments (S.W.) Limited                                     | Dormant company |
| England & Wales | Peel Investments (S.W.) Limited                                      | Dormant company |
| England & Wales | Peel Properties (S.W.) Limited                                       | Dormant company |
| England & Wales | Earlbroom Limited                                                    | Dormant company |
| England & Wales | Hartlebury Trading Estate Limited                                    | Dormant company |
| England & Wales | MediaCity Studios Limited                                            | Dormant company |
| England & Wales | Sudbrook Trading Estate Limited                                      | Dormant company |
| England & Wales | Princes Dock Development Company No.5 Limited                        | Dormant company |
| England & Wales | Rio De Janeiro Land, Mortgage and Investments Agency Company Limited | Dormant company |
| England & Wales | The Quay (Flexible Office Space) Limited                             | Dormant company |
| England & Wales | Peel Land Limited                                                    | Dormant company |
| England & Wales | Peel North East Limited                                              | Dormant company |

Notes to the Financial Statements *continued*

14. Investments *continued*

(b) Fixed asset investments *continued*

Subsidiary undertaking *continued*

| Incorporated    | Company                                             | Principal Activities                |
|-----------------|-----------------------------------------------------|-------------------------------------|
| England & Wales | Peel Holdings (Overseas) Limited                    | Holding company                     |
| Bermuda         | Washington Properties (Bermuda) Limited             | Property investment                 |
| England & Wales | Blundell's Wood Management Company Limited          | Management of service charges       |
| England & Wales | Hilton Lane Management Company Limited              | Management of service charges       |
| England & Wales | Imagine Park Management Company Limited             | Management of service charges       |
| England & Wales | Peel Airports (Liverpool) Limited                   | Property investment                 |
| England & Wales | Principal Management Company Limited                | Dormant                             |
| England & Wales | Rosfield Park Management Company Limited            | Management of service charges       |
| England & Wales | The Bridgewater Centre Management Company Limited   | Management of service charges       |
| England & Wales | Port Salford Land Limited                           | Property development                |
| England & Wales | Wirral Waters Land No. 1 Limited                    | Property development                |
| England & Wales | Halton Development Partnership Limited              | Dormant                             |
| Scotland        | Peel Land and Property (Greenock Harbours) Limited  | Property trading and rental         |
| England & Wales | Mediacity:UK Limited                                | Dormant                             |
| England & Wales | Peel Investments and Property Limited               | Property investment                 |
| England & Wales | Port Salford Developments No 1 Limited              | Property development                |
| England & Wales | Wirral Waters Holdings No.1 Limited                 | Holding company                     |
| England & Wales | Peel Investments (South) Limited                    | Dormant                             |
| England & Wales | Peel Investments (N.W.) Limited                     | Dormant                             |
| England & Wales | Peel Properties (N.W.) Limited                      | Dormant                             |
| England & Wales | Peel Securities (S.W.) Limited                      | Dormant                             |
| England & Wales | Port Salford Developments (Rhenus) Limited          | Dormant                             |
| England & Wales | Peel Investments (Leisure) Limited                  | Dormant                             |
| Scotland        | Glasgow Harbour Limited                             | Property investment and development |
| Scotland        | Glasgow Harbour Management Limited                  | Property investment and development |
| Scotland        | Glasgow Harbour (Byron Street) Limited              | Property investment and development |
| Scotland        | Glasgow Harbour Developments Limited                | Property investment and development |
| England & Wales | Seaforth Wind Farm Limited                          | Operation of wind farm              |
| England & Wales | Middle Warehouse Residential Limited                | Dormant                             |
| England & Wales | East Float Quay Management Limited                  | Dormant                             |
| England & Wales | Garrett Lane Management Company Limited             | Dormant                             |
| England & Wales | Vicars Hall Management Company Limited              | Dormant                             |
| England & Wales | Worsley Meadow Management Company Limited           | Dormant                             |
| England & Wales | Worsley Woodland Grange Management Company Limited  | Dormant                             |
| England & Wales | Peel Pet Products Limited                           | Dormant                             |
| England & Wales | Peel Holdings Energy (No.2) Limited                 | Dormant                             |
| England & Wales | Peel Energy (No.2) Limited                          | Dormant                             |
| England & Wales | Peel Land and Property (Ports No.3) Limited         | Property investment                 |
| Scotland        | Clydemore Properties Limited                        | Property development and investment |
| England & Wales | Peel Properties (MSC) Limited                       | Dormant                             |
| England & Wales | Peel Red City Holdings Limited                      | Dormant                             |
| England & Wales | Peel Legacy (Wirral Waters) Limited                 | Dormant                             |
| England & Wales | Simpson Grove Boothstown Management Company Limited | Dormant                             |

\* 80% owned.

Notes to the Financial Statements *continued*
**14. Investments *continued***
**(b) Fixed asset investments *continued***
**Joint Ventures**

The joint ventures as at 31 March 2018 were as follows:

| <b>Incorporated</b> | <b>Company</b>                                    | <b>Group<br/>Shareholding</b> | <b>Type of<br/>Shareholding</b> | <b>Principal activities</b>         |
|---------------------|---------------------------------------------------|-------------------------------|---------------------------------|-------------------------------------|
| England & Wales     | Peel Lamp Properties Limited                      | 50%                           | Ordinary B                      | Dormant company                     |
| England & Wales     | Shinenet Limited                                  | 50%                           | Ordinary A                      | Dormant company                     |
| Scotland            | James Watt Dock LLP                               | 50%                           |                                 | Property development and investment |
| Scotland            | Ardrossan North Shore LLP                         | 50%                           |                                 | Property development and investment |
| England & Wales     | Liverpool Airport Property Holdings Limited       | 50%                           | Ordinary A                      | Holding company                     |
| England & Wales     | Liverpool Airport Property (Intermediate) Limited | 50%                           | Ordinary                        | Holding company                     |
| England & Wales     | Liverpool Airport Property Limited                | 50%                           | Ordinary                        | Holding company                     |
| England & Wales     | Liverpool Airport Hotel Limited                   | 50%                           | Ordinary                        | Property management                 |

All subsidiaries and joint ventures have a year end of 31 March.

Notes to the Financial Statements *continued*

**14. Investments *continued***

**(b) Fixed asset investments *continued***

**Audit exemption**

The subsidiary undertakings also consolidated at 31 March 2018, all of which were wholly owned and claimed exemption from audit under section 479A Companies Act 2006, were as follows:

| Incorporated     | Company                                          | Company Number | Principal Activities                |
|------------------|--------------------------------------------------|----------------|-------------------------------------|
| England & Wales  | Peel Developments (U.K.) Limited                 | 00325193       | Holding company                     |
| England & Wales  | Peel Property (Partnerships) Limited             | 06474584       | Property investment                 |
| England & Wales  | Peel Property (No.2) Limited                     | 05060256       | Holding company                     |
| Scotland         | Clydeside Investment Properties Limited          | SC203231       | Property development and investment |
| England & Wales  | Ship Canal Enterprises Limited                   | 02486891       | Dormant                             |
| England & Wales  | The Saddlery Investments Limited                 | 04478959       | Property development                |
| England & Wales  | Peel Land and Property (I Topco) Limited         | 05860415       | Holding company                     |
| England & Wales  | Ionica Limited                                   | 02561924       | Dormant                             |
| England & Wales  | MSCD Advent Management Limited                   | 06916662       | Property development and management |
| Scotland         | Peel Land and Property (Ardrossan) Limited       | SC371334       | Holding company                     |
| Scotland         | Peel Land and Property (James Watt Dock) Limited | SC337879       | Holding company                     |
| England & Wales  | Peel Land and Property (Liverpool) Limited       | 07257212       | Holding company                     |
| England & Wales  | Peel Airports Property Limited                   | 07257201       | Holding company                     |
| Isle of Man      | Largs Limited                                    | FC017057       | Dormant                             |
| England & Wales  | Mersey Docks Property Holdings Limited           | 02184084       | Dormant                             |
| England & Wales  | Mersey Docks Property Investments Limited        | 02414231       | Dormant                             |
| Northern Ireland | Princes Dock Development Company No.4 Limited    | NI012849       | Dormant                             |
| England & Wales  | Princes Dock Office Company No.8 Limited         | 03313898       | Dormant                             |
| England & Wales  | Princes Dock Office Company No. 9 Limited        | 03591254       | Dormant                             |
| England & Wales  | Princes Dock Office Company No.12 Limited        | 04261315       | Dormant                             |
| England & Wales  | Princes Dock Hotel Limited                       | 03313877       | Dormant                             |
| England & Wales  | Woodside Business Park Limited                   | 02182612       | Dormant                             |
| England & Wales  | Mersey Docks Property Developments Limited       | 02463199       | Dormant                             |
| England & Wales  | Peel Land and Property Holdings (CL) Limited     | 05766760       | Dormant                             |
| England & Wales  | Peel Land and Property Investments (CL) Limited  | 05799371       | Dormant                             |
| England & Wales  | Reddington Developments Limited                  | 04748064       | Dormant                             |
| England & Wales  | Reddington Finance Limited                       | 04748064       | Dormant                             |
| England & Wales  | Reddington Holdings Limited                      | 05289055       | Dormant                             |
| Scotland         | Clydeport Longhaugh A Limited                    | SC276234       | Dormant                             |
| Scotland         | Clydeport Longhaugh B Limited                    | SC276236       | Dormant                             |
| Scotland         | Clydeport Longhaugh C Limited                    | SC276233       | Dormant                             |
| England & Wales  | North Clyde Recycling Centre Limited             | 08063323       | Operation of recycling centre       |
| England & Wales  | Peel Investments Environmental UK Limited        | 07089653       | Holding company                     |
| England & Wales  | Ayrshire Power Holdings Limited                  | 06516547       | Dormant                             |
| England & Wales  | Ayrshire Power Limited                           | 06540673       | Dormant                             |
| England & Wales  | Peel Scout Moor Services Limited                 | 08813076       | Dormant                             |
| England & Wales  | Peel Wind Farms (Asfordby) Limited               | 07551041       | Dormant                             |
| England & Wales  | Peel Wind Farms (Plenmeller) Limited             | 07551054       | Dormant                             |
| England & Wales  | Peel Wind Farms (Projects) Limited               | 07075316       | Dormant                             |
| England & Wales  | Peel Wind Farms (Seaforth) Limited               | 07075239       | Dormant                             |
| England & Wales  | South Clyde Energy Centre Limited                | 08063497       | Dormant                             |
| England & Wales  | Peel Holdings (Telecommunications) Limited       | 06374293       | Holding company                     |
| England & Wales  | Peel Telecommunications (Holdings) Limited       | 05785837       | Holding company                     |
| England & Wales  | Peel Telecommunications Limited                  | 04713209       | Communication services              |
| Scotland         | Arma Developments Limited                        | SC116213       | Dormant                             |

Notes to the Financial Statements *continued*

**14. Investments *continued***

**(b) Fixed asset investments *continued***

**Audit exempt companies *continued***

| <b>Incorporated</b> | <b>Company</b>                             | <b>Company<br/>Number</b> | <b>Principal Activities</b>         |
|---------------------|--------------------------------------------|---------------------------|-------------------------------------|
| England & Wales     | Peel Environmental Protos Limited          | 05683333                  | Property development and investment |
| England & Wales     | Peel Environmental Holdings Limited        | 05683935                  | Holding company                     |
| England & Wales     | Peel Holdings (Environmental) Limited      | 05892782                  | Holding company                     |
| Scotland            | Glasgow Harbour Investments Limited        | SC222103                  | Dormant                             |
| England & Wales     | Glasgow Harbour Properties Limited         | 02506002                  | Dormant                             |
| England & Wales     | Peel Holdings (Living Investments) Limited | 07145269                  | Dormant                             |
| England & Wales     | Peel Living Investments Holdings Limited   | 07145120                  | Dormant                             |
| England & Wales     | Peel Living Investments (No.2) Limited     | 07268016                  | Dormant                             |
| England & Wales     | Peel Living Investments No.1 Limited       | 07369967                  | Dormant                             |
| England & Wales     | Peel Environmental Management (UK) Limited | 07580930                  | Dormant                             |
| England & Wales     | Peel Holdings (Glasgow Harbour) Limited    | 6497128                   | Dormant                             |

All the subsidiaries above incorporated in England and Wales have the registered office Peel Dome, Intu Trafford Centre, Traffordcity, Manchester, M17 8PL.

All the subsidiaries above incorporated in Scotland have the registered office 16 Robertson Street, Glasgow, G2 8DS.

All the subsidiaries above incorporated in Northern Ireland have the registered office 40 Linenhall Street, Belfast, BT2 8BA.

All the subsidiaries above incorporated in Bermuda have the registered office Victoria Place, 31 Victoria Street, Hamilton, HM10, Bermuda.

All the subsidiaries above incorporated in Bahamas have the registered office 4 George Street, Mareva House, Nassau, New Providence, Bahamas.

All the subsidiaries above incorporated in Spain have the registered office Calle Serrano 1, Planta 4, 28008, Madrid, Spain.

All the subsidiaries above incorporated in the Isle of Man have the registered office Billown Mansion, Ballasalla, Malew, IM9 3DN, Isle of Man.

**15. Stocks**

|                           | <b>Group<br/>2018<br/>£'000</b> | <b>Group<br/>2017<br/>£'000</b> |
|---------------------------|---------------------------------|---------------------------------|
| Land held for development | 13,721                          | 13,730                          |

The replacement cost of the above stock is estimated to be £16,552,000 (2017: 15,758,000)

Notes to the Financial Statements *continued***16. Debtors**

|                                        | <b>Group</b>  | <b>Group</b>  | <b>Holding</b> | <b>Holding</b> |
|----------------------------------------|---------------|---------------|----------------|----------------|
|                                        | <b>2018</b>   | <b>2017</b>   | <b>Company</b> | <b>Company</b> |
|                                        | <b>£'000</b>  | <b>£'000</b>  | <b>2018</b>    | <b>2017</b>    |
|                                        |               |               | <b>£'000</b>   | <b>£'000</b>   |
| Trade debtors                          | 11,465        | 12,173        | 98             | 14             |
| Amounts owed by group undertakings     | 761           | 23,127        | 114,634        | 98,027         |
| Development deposits and prepaid costs | 1,702         | 1,349         | -              | -              |
| Other debtors                          | 28,001        | 14,858        | 311            | 181            |
| Prepayments and accrued income         | 10,041        | 9,192         | 29             | 442            |
|                                        | <b>51,970</b> | <b>60,699</b> | <b>115,072</b> | <b>98,664</b>  |

Included above the following amounts were due after more than one year:

|               | <b>Group</b> | <b>Group</b> | <b>Holding</b> | <b>Holding</b> |
|---------------|--------------|--------------|----------------|----------------|
|               | <b>2018</b>  | <b>2017</b>  | <b>Company</b> | <b>Company</b> |
|               | <b>£'000</b> | <b>£'000</b> | <b>2018</b>    | <b>2017</b>    |
|               |              |              | <b>£'000</b>   | <b>£'000</b>   |
| Other debtors | 3,360        | 540          | -              | -              |

Included above the following amounts carry interest at 1.5% above the base rate:

|                                    | <b>Group</b> | <b>Group</b> | <b>Holding</b> | <b>Holding</b> |
|------------------------------------|--------------|--------------|----------------|----------------|
|                                    | <b>2018</b>  | <b>2017</b>  | <b>Company</b> | <b>Company</b> |
|                                    | <b>£'000</b> | <b>£'000</b> | <b>2018</b>    | <b>2017</b>    |
|                                    |              |              | <b>£'000</b>   | <b>£'000</b>   |
| Amounts owed by group undertakings | -            | 102          | 99,377         | 88,666         |

The remainder of amounts owed by group undertakings carry no interest and the whole amount is repayable on demand.

Other debtors includes £14,431,000 restricted cash which relates to proceeds of property sales and is restricted under the terms of security arrangements under the group's banking facilities.

**17. Creditors (amounts falling due within one year)**

|                                      | <b>Group</b>   | <b>Group</b>   | <b>Holding</b> | <b>Holding</b> |
|--------------------------------------|----------------|----------------|----------------|----------------|
|                                      | <b>2018</b>    | <b>2017</b>    | <b>Company</b> | <b>Company</b> |
|                                      | <b>£'000</b>   | <b>£'000</b>   | <b>2018</b>    | <b>2017</b>    |
|                                      |                |                | <b>£'000</b>   | <b>£'000</b>   |
| Unsecured bank loans and overdrafts  | 7,650          | 4,020          | 2,325          | 25             |
| First Mortgage Debenture Stocks      | 12,579         | -              | -              | -              |
| Secured bank loans                   | 2,896          | 2,724          | -              | -              |
| Secured other loans                  | 7,899          | 3,500          | -              | -              |
| Unsecured other loans                | 1,550          | 1,550          | -              | -              |
| Finance leases                       | -              | 197            | -              | -              |
| Debt falling due within one year     | 32,574         | 11,991         | 2,325          | 25             |
| Trade creditors                      | 8,170          | 5,611          | 980            | 230            |
| Development costs to site completion | 5,545          | 9,084          | -              | -              |
| UK corporation tax                   | -              | 1              | -              | -              |
| Amounts owed to group undertakings   | 154,350        | 161,235        | 302,311        | 284,514        |
| Other taxes and social security      | 7              | 134            | -              | -              |
| Government grants                    | 86             | 86             | -              | -              |
| Other creditors                      | 15,888         | 14,886         | 10             | 6              |
| Accruals and deferred income         | 44,868         | 53,258         | 363            | 1,029          |
|                                      | <b>261,488</b> | <b>256,286</b> | <b>305,989</b> | <b>285,804</b> |

Details of security interest rates and repayment dates on the above borrowings are disclosed in note 19.

Notes to the Financial Statements *continued*

**17. Creditors** (amounts falling due within one year) *continued*

Included above the following amounts carry interest at 1.5% above the base rate:

|                                    | Group   | Group   | Holding<br>Company | Holding<br>Company |
|------------------------------------|---------|---------|--------------------|--------------------|
|                                    | 2018    | 2017    | 2018               | 2017               |
|                                    | £'000   | £'000   | £'000              | £'000              |
| Amounts owed to group undertakings | 150,062 | 134,748 | 301,740            | 282,872            |

The remainder of amounts owed to group undertakings carry no interest and the whole amount is repayable on demand.

**18. Creditors** (amounts falling due after more than one year)

|                                            | Group   | Group   | Holding<br>Company | Holding<br>Company |
|--------------------------------------------|---------|---------|--------------------|--------------------|
|                                            | 2018    | 2017    | 2018               | 2017               |
|                                            | £'000   | £'000   | £'000              | £'000              |
| First Mortgage Debenture Stocks            | 383,223 | 397,015 | -                  | -                  |
| Secured bank loans                         | 508,232 | 508,740 | -                  | -                  |
| Secured other loans                        | 5,500   | 9,899   | -                  | -                  |
| Unsecured other loans                      | 13,122  | 14,672  | -                  | -                  |
| Finance leases                             | 124     | 322     | 124                | -                  |
| Debt falling due after more than one year  | 910,201 | 930,648 | 124                | -                  |
| Derivative financial instruments (note 20) | 8,802   | 16,447  | -                  | -                  |
| Government grants                          | -       | 7,397   | -                  | -                  |
|                                            | 919,003 | 954,492 | 124                | -                  |

Details of security interest rates and repayment dates on the above borrowings are disclosed in note 19.

Government grants represent amounts received towards infrastructure in an investment property construction.

Notes to the Financial Statements *continued*

**19. Group debt**

**(a) Cash at bank and in hand**

|                   | <b>Group</b>  | <b>Group</b>  | <b>Holding</b> | <b>Holding</b> |
|-------------------|---------------|---------------|----------------|----------------|
|                   | <b>2018</b>   | <b>2017</b>   | <b>Company</b> | <b>Company</b> |
|                   | <b>£'000</b>  | <b>£'000</b>  | <b>2018</b>    | <b>2017</b>    |
|                   |               |               | <b>£'000</b>   | <b>£'000</b>   |
| Unrestricted cash | 34,427        | 19,096        | 3              | 565            |
| Restricted cash   | 11,820        | 8,289         | -              | -              |
|                   | <b>46,247</b> | <b>27,385</b> | <b>3</b>       | <b>565</b>     |

**Restricted cash**

£6,978,000 of restricted cash arises due to interest or capital payment guarantees under the group's banking facilities.

£4,842,000 relates to proceeds of property sales and is restricted under the terms of security arrangements under the group's banking facilities.

**(b) Analysis of group net debt**

|                                                          | <b>Group</b>   | <b>Group</b>   |
|----------------------------------------------------------|----------------|----------------|
|                                                          | <b>2018</b>    | <b>2017</b>    |
|                                                          | <b>£'000</b>   | <b>£'000</b>   |
| Creditors (amounts falling due within one year)          | 32,574         | 11,991         |
| Creditors (amounts falling due after more than one year) | 910,201        | 930,648        |
| Gross debt                                               | 942,775        | 942,639        |
| Cash at bank and in hand                                 | (46,247)       | (27,385)       |
| <b>Group net debt</b>                                    | <b>896,528</b> | <b>915,254</b> |

**(c) Analysis of gross debt**

**Finance leases**

|                        | <b>Group</b> | <b>Group</b> |
|------------------------|--------------|--------------|
|                        | <b>2018</b>  | <b>2017</b>  |
|                        | <b>£'000</b> | <b>£'000</b> |
| <b>Finance leases:</b> |              |              |
| Within 1 year          | -            | 197          |
| 1-2 years              | 24           | 157          |
| 2-5 years              | 100          | 165          |
|                        | <b>124</b>   | <b>519</b>   |

**Other debt**

|                                          | <b>Group</b>   | <b>Group</b>   |
|------------------------------------------|----------------|----------------|
|                                          | <b>2018</b>    | <b>2017</b>    |
|                                          | <b>£'000</b>   | <b>£'000</b>   |
| <b>Overdrafts, bank and other loans:</b> |                |                |
| Within 1 year                            | 32,574         | 11,794         |
| 1-2 years                                | 2,812          | 18,508         |
| 2-5 years                                | 316,503        | 297,838        |
|                                          | <b>351,889</b> | <b>328,140</b> |
| After five years – by instalments        | 163,290        | 167,923        |
| After five years – not by instalments    | 427,472        | 446,057        |
|                                          | <b>942,651</b> | <b>942,120</b> |
| <b>Total gross debt</b>                  | <b>942,775</b> | <b>942,639</b> |

Notes to the Financial Statements *continued***19. Group debt *continued*****(c) Analysis of gross debt *continued*****Analysis of group other debt**

|                                    | Interest rate                    | Maturing | Secured/<br>unsecured | Carrying<br>value<br>2018<br>£'000 | Carrying<br>value<br>2017<br>£'000 |
|------------------------------------|----------------------------------|----------|-----------------------|------------------------------------|------------------------------------|
| First Mortgage Debenture Stock     | 11.625%                          | 2018     | Secured               | 12,579                             | 12,559                             |
| First Mortgage Debenture Stock     | 10.0%                            | 2026     | Secured               | 125,720                            | 127,045                            |
| First Mortgage Debenture Stock     | 8.375%                           | 2040     | Secured               | 257,503                            | 257,411                            |
| Revolving credit facility of £300m | LIBOR plus margin                | 2021     | Secured               | 288,312                            | 286,233                            |
| Bilateral loan                     | 6.40%                            | 2031     | Secured               | 185,378                            | 187,403                            |
| Bilateral loan                     | 4.66%                            | 2031     | Secured               | 37,438                             | 37,829                             |
| Non-bank loan                      | EC Reference rate plus<br>margin | 2021     | Unsecured             | 11,000                             | 11,000                             |
| Non-bank loan                      | EC Reference rate plus<br>margin | 2021     | Secured               | 2,500                              | 2,500                              |
| Non-bank loan                      | Interest- free                   | 2020     | Unsecured             | 3,672                              | 5,221                              |
| Non-bank loan                      | 3.02%                            | 2018     | Secured               | 4,399                              | 4,399                              |
| Non-bank loan                      | 3.02%                            | 2021     | Secured               | 6,500                              | 6,500                              |
|                                    |                                  |          |                       | 935,001                            | 938,100                            |

The above secured debt is secured by fixed legal charges on certain freehold and leasehold investment properties of certain subsidiary undertakings.

With regard to the role of financial instruments, the group's objective continues to be to maintain sufficient facilities to meet its financial requirements at the lowest achievable cost and at minimum risk. The Treasury function within the group is controlled centrally in accordance with prudent procedures approved by the Board.

The group's net borrowings at 31 March 2018 of £897m (2017: £915m) produced a gearing ratio of net debt to shareholders' funds at 171% (2017: 183%).

During the year, the group continued to comply with all of its borrowing covenants. The principal covenants relate to net worth, loan to value, income cover and interest cover, all of which were satisfied at the financial year end. At 31 March 2018 the group had unused bank facilities of £14m (2017: £12m).

The present market value of the group's debenture stocks as at 31 March 2018 shows a post-tax "mark to market" value of £105.988m of excess over book value (2017: £95.584m).

**(d) Analysis of movement in group net debt**

|                                                    | 1 April<br>2017<br>£'000 | Cash<br>flow<br>£'000 | Non-cash<br>adjustments<br>£'000 | Acquisition<br>/disposals<br>£'000 | Reclass<br>£'000 | 31 March<br>2018<br>£'000 |
|----------------------------------------------------|--------------------------|-----------------------|----------------------------------|------------------------------------|------------------|---------------------------|
| Cash at bank                                       | 19,096                   | 15,653                | (236)                            | (86)                               | -                | 34,427                    |
| Restricted cash                                    | 8,289                    | 3,531                 | -                                | -                                  | -                | 11,820                    |
| Overdrafts                                         | 27,385                   | 19,184                | (236)                            | (86)                               | -                | 46,247                    |
|                                                    | (4,020)                  | (3,630)               | -                                | -                                  | -                | (7,650)                   |
| Total cash                                         | 23,365                   | 15,554                | (236)                            | (86)                               | -                | 38,597                    |
| Debt due within one year (excluding<br>overdrafts) | (7,971)                  | 2,724                 | -                                | 197                                | (19,874)         | (24,924)                  |
| Debt due after more than one year                  | (930,648)                | 377                   | (2,631)                          | 2,827                              | 19,874           | (910,201)                 |
| Net debt                                           | (915,254)                | 18,655                | (2,867)                          | 2,938                              | -                | (896,528)                 |

Notes to the Financial Statements *continued*

**20. Provisions for liabilities**

|                                  | <b>Deferred<br/>Taxation<br/>£'000</b> | <b>Legal<br/>Claim<br/>£'000</b> | <b>Group<br/>Total<br/>£'000</b> |
|----------------------------------|----------------------------------------|----------------------------------|----------------------------------|
| At 1 April 2017                  | 80,965                                 | 1,513                            | 82,478                           |
| Profit and loss account (note 7) | 738                                    | -                                | 738                              |
| Revaluation reserve              | 64                                     | -                                | 64                               |
| Intra group transfer             | 199                                    | -                                | 199                              |
| <b>At 31 March 2018</b>          | <b>81,966</b>                          | <b>1,513</b>                     | <b>83,479</b>                    |

The provision for legal claim represents an amount which is expected to be paid in respect of utilities costs.

Provision is made for deferred taxation at a rate of 17% (2017: 17%), the amount provided being:

|                                     | <b>Group<br/>2018<br/>£'000</b> | <b>Group<br/>2017<br/>£'000</b> |
|-------------------------------------|---------------------------------|---------------------------------|
| Capitalised land remediation relief | 968                             | 968                             |
| Capitalised interest                | 1,910                           | 2,876                           |
| Interest rate swaps                 | (1,496)                         | (2,796)                         |
| Revalued investment properties      | 91,149                          | 93,358                          |
| Revalued operational assets         | 2,846                           | 2,782                           |
| Fixed asset timing differences      | 5,920                           | 5,595                           |
| Short term timing differences       | (1)                             | (2)                             |
| Losses                              | (19,330)                        | (21,816)                        |
|                                     | <b>81,966</b>                   | <b>80,965</b>                   |

There are unrecognised losses of £2,283,000 (2017: £6,850,000). Deferred tax has not been recognised because future profits against which it would reverse cannot be forecast with sufficient certainty.

The Finance Act 2016, which was substantively enacted on 6 September 2016, included provisions to reduce the rate of corporation tax to 17% from 1 April 2020. Accordingly, deferred tax balances have been valued at the lower rate of 17% in these accounts. To the extent that the deferred tax reverses before 1 April 2020 then the impact on the net deferred tax will be reduced.

During the year commencing 1 April 2018, the net reversal of deferred tax liabilities is expected to increase the corporation tax charge for the year by £7,095,000. This is due to the realisation of contingent gains provided on investment properties. There is no expiry date on timing differences, unused tax losses or tax credits.

Notes to the Financial Statements *continued*

**21. Financial instruments**

The carrying values of the group and company's financial assets and liabilities are summarised by category below:

|                                                                                   | <b>Group</b> |              | <b>Holding Company</b> |              |
|-----------------------------------------------------------------------------------|--------------|--------------|------------------------|--------------|
|                                                                                   | <b>2018</b>  | <b>2017</b>  | <b>2018</b>            | <b>2017</b>  |
|                                                                                   | <b>£'000</b> | <b>£'000</b> | <b>£'000</b>           | <b>£'000</b> |
| <b>Financial assets</b>                                                           |              |              |                        |              |
| Measured at amortised cost                                                        |              |              |                        |              |
| - Trade and other debtors (see note 16)                                           | 39,466       | 27,031       | 409                    | 195          |
| - Amount due from group undertakings (see note 16)                                | 761          | 23,127       | 114,634                | 98,027       |
| <b>Financial liabilities</b>                                                      |              |              |                        |              |
| Measured at fair value                                                            |              |              |                        |              |
| - Derivative financial liabilities (see note 23)                                  | (8,802)      | (16,447)     | -                      | -            |
| Measured at amortised cost                                                        |              |              |                        |              |
| - Loans payable (see note 19c)                                                    | (935,001)    | (938,100)    | -                      | -            |
| - Obligations under finance leases (see note 19c)                                 | (124)        | (519)        | (124)                  | -            |
| - Bank overdraft (see note 17)                                                    | (7,650)      | (4,020)      | (2,325)                | (25)         |
| - Trade and other creditors (see note 17)                                         | (24,058)     | (20,497)     | (990)                  | (236)        |
| - Amounts due to group undertakings (see note 17)                                 | (154,350)    | (161,235)    | (302,311)              | (284,514)    |
|                                                                                   |              |              | <b>Group</b>           | <b>Group</b> |
|                                                                                   |              |              | <b>2018</b>            | <b>2017</b>  |
|                                                                                   |              |              | <b>£'000</b>           | <b>£'000</b> |
| <b>Interest income and expense</b>                                                |              |              |                        |              |
| - Total interest income from financial assets at amortised cost (see note 6)      |              |              | -                      | -            |
| - Total interest expense for financial liabilities at amortised cost (see note 6) |              |              | (67,307)               | (70,548)     |

**22. Operating leases**

**(a) Operating lease commitments**

The group is committed to the following future payments under non-cancellable operating leases on plant and machinery as follows:

|           | <b>2018</b>  | <b>2017</b>  |
|-----------|--------------|--------------|
|           | <b>£'000</b> | <b>£'000</b> |
| 1 year    | 212          | 54           |
| 1-2 years | 129          | 141          |
| 2-5 years | 84           | 224          |
|           | 425          | 419          |

**(b) Operating lease receivables**

The future amounts receivable by the group under non-cancellable operating leases are as follows:

|              | <b>2018</b>  | <b>2017</b>  |
|--------------|--------------|--------------|
|              | <b>£'000</b> | <b>£'000</b> |
| Within:      |              |              |
| 1 year       | 58,844       | 60,725       |
| 1 - 2 years  | 50,594       | 53,286       |
| 2 - 5 years  | 122,581      | 125,042      |
| Over 5 years | 2,055,324    | 2,074,648    |
|              | 2,287,343    | 2,313,701    |

The prior year amounts have been re-stated.

Notes to the Financial Statements *continued*

**23. Derivative financial instruments**

|                                                                                                 | Current |       | Non-current |        |
|-------------------------------------------------------------------------------------------------|---------|-------|-------------|--------|
|                                                                                                 | 2018    | 2017  | 2018        | 2017   |
|                                                                                                 | £'000   | £'000 | £'000       | £'000  |
| <b>Derivatives that are designed and effective as hedging instruments carried at fair value</b> |         |       |             |        |
| <b>Liabilities</b>                                                                              |         |       |             |        |
| Interest rate swaps                                                                             | -       | -     | 8,802       | 16,447 |

Interest rate swaps are valued at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

**Interest rate swap contracts designated as hedges of variable interest rate risk of recognised financial liabilities**

| Outstanding receive floating pay<br>Fixed contracts | Average contract fixed<br>Interest rate |      | Notional principal<br>value |         | Fair value |          |
|-----------------------------------------------------|-----------------------------------------|------|-----------------------------|---------|------------|----------|
|                                                     | 2018                                    | 2017 | 2018                        | 2017    | 2018       | 2017     |
|                                                     | %                                       | %    | £'000                       | £'000   | £'000      | £'000    |
| 2 to 5 years                                        | 2.29                                    | 2.29 | 225,000                     | 225,000 | (8,802)    | (16,447) |

The interest rate swaps settle on a quarterly basis. The floating rate on the interest rate swaps is three months' LIBOR. The group will settle the difference between the fixed and floating interest rate on a net basis.

All interest rate swap contracts are effective hedges of variable interest rate risk of the group's floating rate borrowings. The cash flows are expected to occur and to affect profit or loss over the period to maturity of the interest rate swaps.

A gain of £7.6m (2017: loss £2.8m) was recognised in the profit and loss account on movements in the value of swaps in the year.

**24. Called-up share capital and reserves**

|                                      | Group and Holding Company |         |
|--------------------------------------|---------------------------|---------|
|                                      | Number                    | £'000   |
| <b>Allotted and fully paid</b>       |                           |         |
| <b>Equity share capital</b>          |                           |         |
| Ordinary shares of £1 each:          |                           |         |
| At 1 April 2017 and at 31 March 2018 | 406,259,707               | 406,260 |

The group and company's reserves are as follows:

The share premium reserve contains the premium arising on issue of equity shares.

The profit and loss reserve represents cumulative profits or losses, including unrealised profit on the remeasurement of investment properties, other fixed assets and investments.

The negative goodwill reserve represents the difference between the acquisition cost and net the book value of assets acquired.

The revaluation reserve represents accumulative gains or losses including unrealised gains, on remeasurement of operational buildings.

The merger reserve represents the difference between cost of investment and net assets of subsidiaries acquired and accounted for under merger accounting principles.

The other reserves are a capital redemption reserve.

Notes to the Financial Statements *continued*

**25. Non-controlling interests**

|                                      | Equity | Group<br>Non-<br>equity | Total |
|--------------------------------------|--------|-------------------------|-------|
|                                      | £'000  | £'000                   | £'000 |
| At 1 April 2017 and at 31 March 2018 | (277)  | (4)                     | (281) |

**26. Pension fund**

The group operates a number of money purchase pension schemes providing benefits based on actual contributions paid. The schemes are managed independently from the group. Contributions totalling £384,000 (2017: £504,000) were paid during the year and no amounts were unpaid at the end of the year (2017: £nil).

**27. Note to the group cash flow statement**

|                                                                           | 2018<br>£'000 | 2017<br>£'000 |
|---------------------------------------------------------------------------|---------------|---------------|
| <b>Reconciliation of operating profit to cash generated by operations</b> |               |               |
| Group operating profit                                                    | 80,823        | 100,986       |
| Non-cash adjustments:                                                     |               |               |
| Revaluation surplus on investment properties                              | (38,754)      | (64,450)      |
| Creation less amortisation of lease incentives                            | (1,924)       | (4,280)       |
| Depreciation of other fixed assets                                        | 2,241         | 2,070         |
| Amounts written off stock                                                 | 125           | 3,344         |
| Goodwill amortisation                                                     | 594           | -             |
| Provision for liabilities provided in the year                            | -             | 1,513         |
| Operating cash flow before movement in working capital                    | 43,105        | 39,183        |
| Movement in stocks                                                        | (116)         | (378)         |
| Movement in debtors                                                       | (10,835)      | 21,296        |
| Movement in creditors                                                     | 9,986         | (12,338)      |
| Income taxes refunded                                                     | 602           | 156           |
| Net cash flows from operating activities                                  | 42,742        | 47,919        |

**28. Capital commitments**

|                                                                                       | Group<br>2018<br>£'000 | Group<br>2017<br>£'000 |
|---------------------------------------------------------------------------------------|------------------------|------------------------|
| Capital expenditure contracted for but not provided for in these financial statements | 51,942                 | 39,323                 |

## Notes to the Financial Statements *continued*

### 29. Contingent liabilities

- (a) As at 31 March 2018, the group's banks had provided road bonds and guarantees amounting to £3.0m (2017: £2.9m).
- (b) As at 31 March 2018 subsidiary company Peel Holdings (Land and Property) Limited had guaranteed a £5m (2017: £5m) loan made available to 50% owned associated company James Watt Dock LLP.
- (c) As at 31 March 2018 Peel Holdings Land and Property (UK) Limited had guaranteed £nil (2017: £7m) hire purchase agreements made available to fellow subsidiary Peel Media Studios Limited.
- (d) As at 31 March 2018 subsidiary company Peel Land and Property (Ports) Limited had guaranteed a £2m (2017: £2m) loan made available to 50% owned associated company Ardrossan North Shore LLP. The loan balance at 31 March 2018 was £554,000 (2017: £554,000).
- (e) As at 31 March 2018 Peel Holdings Land and Property (UK) Limited had guaranteed a £140,000 (2017: £324,000) lease agreements made available to fellow subsidiary Event City Limited.
- (f) As at 31 March 2018 Peel Holdings Land and Property (UK) Limited had guaranteed a £5m (2017: £5m) loan made available to fellow subsidiary Protos LLP.

### 30. Related party transactions

- (a) During the year to 31 March 2018 companies within Peel Holdings Land and Property (UK) Limited group have distributed to companies within Intu Properties plc, with whom Peel Holdings Group Limited group holds a 26.6% shareholding (2017: 25.0%), a total of £226,000 (2017: £312,000) for their share of advertising profits. As at 31 March 2018 the group owed £nil (2017: £nil).

In addition, Intu Properties plc recharged costs of £1,218,000 (2017: £nil) to companies in the Peel Holdings Land and Property (UK) group.

- (b) During the year the group made loans to joint ventures of £315,000 (2017: £26,000). At 31 March 2018 loan balances (included in investments) amounted to £5,359,000 (2017: £5,044,000).
- (c) During the year to 31 March 2018, companies within Peel Holdings Land and Property (UK) Limited group have leased land to fellow subsidiary Cammell Laird Shiprepairers and Shipbuilders Limited. The rent in the year totalled £2,983,000 (2017: £3,246,000) and the amount outstanding as at 31 March 2018 was £nil (2017: £nil).
- (d) During the year investment property valued at £nil (2017: £3,290,000) was transferred to Tokenhouse Investments Limited Retirement Benefits plan for £nil (2017: £3,390,000).
- (e) During the year the group recharged costs of £3,085,000 (2017: £1,314,000) to PS50 Unit Trust and the balance owing at 31 March 2018 was £nil (2017: £461,000) included in other debtors. Fellow associated company Peel Logistics Limited Partnership (Jersey) 2018 owns 50% of PS50 Unit Trust, a special purpose vehicle. In addition, the group charged PS50 Unit Trust £25,000 for the guarantee of completing a build (2017: £nil) and the balance owing at 31 March 2018 was £nil (2017: nil).
- (f) During the year the group disposed a subsidiary Peel Advertising Limited to fellow subsidiary Peel Holdings (Advertising) Limited. Details of the transaction are shown in note 14(b) to the accounts.

### 31. Ultimate holding company

The ultimate holding company in the period to 31 March 2018 was Tokenhouse Limited, a company incorporated in the Isle of Man. Tokenhouse Limited is controlled by The Billown 1997 settlement.

The immediate parent company is Peel Holdings Land and Property Group Limited, a company incorporated in the Isle of Man.

The largest group of companies of which the company is a member, that produces consolidated accounts, is Peel Holdings Group Limited, a company incorporated in the Isle of Man. Its registered office is Billown Mansion, Ballasalla, Malew, IM9 3DN, Isle of Man.

The smallest group of companies of which the company is a member, that produces consolidated accounts, is Peel Holdings Land and Property Group Limited, a company incorporated in the Isle of Man. Its registered office is Billown Mansion, Ballasalla, Malew, IM9 3DN, Isle of Man.