Frenchgate Interchange Limited

Directors' report and consolidated financial statements

Year ended 31 December 2018

Registered No: UK 05867230

Frenchgate Interchange Limited

Directors' report and consolidated financial statements

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Frenchgate Interchange Limited

Directors and other information

Directors	Padraig Drayne Patrick McKillen Shane McCrory
Registered office	c/o DMMS Ltd 3rd Floor 26/28 Great Portland Street London W1W 8QT
Auditor	KPMG Chartered Accountants 1 Stokes Place St. Stephen's Green Dublin 2
Bankers	Barclays Bank plc Doneygal House Doneygal Square North Belfast BT1 5GB Barclays Bank plc 5 High Road Willesden Green London NW10 2TE Col Reo Victoria B S.a r.l 2-3 Avenue Marie-Terese L-2132 Luxembourg
Registered number	UK 05867230

Frenchgate Interchange Limited

Strategic report

Principal activities

The principal activities of the business are the letting of investment property.

Review of business

The business continues to manage the investment property which includes challenged retail, office and industrial assets.

These risks are managed by the board by maintaining the property in good repair and intensive asset management.

Key performance indicators

The company has budgetary and financial reporting procedures, supported by appropriate key performance indicators.

Key performance indicators used by management include assessment of rents, monitoring occupancy rates, lease expires, renewals, arrears and mitigation of vacancy costs.

Principal risks and uncertainties

The directors consider that the principal risks and uncertainties faced by the group are events which could lead to a fall in demand for the shopping centre that the group own. Such events would include but are not limited to economic downturns and increased competition.

On behalf of the board

Shane McCrory
Director

24 May 2019

Frenchgate Interchange Limited

Directors' report

The directors present their annual report and the audited consolidated financial statements of the company and its subsidiaries for the year ended 31 December 2018.

Results and dividends

The loss for the year after taxation amounted to £17,825,725 *(2017: £15,027,223)*. The loss is after impairment of investment property of £11,490,000 *(2017: £12,200,000)* and impairment of amounts owed by related undertakings of €1,655,949 *(2017: £Nil)*.

The directors do not recommend the payment of a dividend.

Directors

The directors who held office at 31 December 2018 were:

Padraig Drayne
Patrick McKillen
Shane McCrory

Political contributions

There were no political contributions in the year.

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the group's auditor is unaware; and each director has taken all the steps that they ought to have taken as directors to make themselves aware of any relevant audit information and to establish that the group's auditor is aware of that information.

Going concern

As discussed in note 1 to the financial statements, the company breached certain bank loan facility covenants during the current and prior year. The directors have discussed the breach with the company bankers and as a result of these discussions, have no reason to believe that continued support from the company's bankers will not be forthcoming.

Auditor

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

On behalf of the board

S McCrory

Shane McCrory
Director

24 May 2019

Frenchgate Interchange Limited

Statement of directors' responsibilities in respect of the directors' report and the financial statements

The directors are responsible for preparing the strategic report, directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the group and parent company financial statements in accordance with FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* as applied in accordance with the provisions of Companies Act 2006.

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 group and parent company and of their profit or loss for that year. In preparing each of the group and parent company financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal controls as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

On behalf of the board

Shane McCrory
Director

KPMG
Audit
1 Stokes Place
St. Stephen's Green
Dublin 2
D02 DE03
Ireland

Independent auditor's report to the members of Frenchgate Interchange Limited

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Frenchgate Interchange Limited ('the company') for the year ended 31 December 2018 set out on pages 8 to 26, which comprise the consolidated statement of profit and loss account and other comprehensive income, the consolidated balance sheet, the company balance sheet, the consolidated statement of changes in equity, the company statement of changes in equity, the consolidated cash flow statement and related notes, including the summary of significant accounting policies set out in note 1. The financial reporting framework that has been applied in their preparation is UK Law and FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

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 December 2018 and of the group's loss for the year then ended;
- the financial statements have been properly prepared in accordance with FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- the financial statements have been properly prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

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

Material uncertainty related to going concern

We draw attention to note 1 to the financial statements which indicates that the directors are currently in discussions with the company's lenders about the continuance of an appropriate level of financial support. These events and conditions, along with the other matters explained in note 1, constitute a material uncertainty that may cast significant doubt on the group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other matter – The impact of uncertainties due to the UK exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. Some of the uncertainties arising from Brexit may impact certain of the financial statement captions in the financial statements. The preparation of the financial statements on a going concern basis and the financial statement caption containing estimates all depend on assessments of the future economic environment and the group's future prospects and performance.

KPMG

Independent auditor's report to the members of Frenchgate Interchange Limited
(continued)

Report on the audit of the financial statements *(continued)*

Other matter – The impact of uncertainties due to the UK exiting the European Union on our audit *(continued)*

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. No audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

Other information

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

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Based solely on our work on the other information;

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

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept 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 these respects.

KPMG

Independent auditor's report to the members of Frenchgate Interchange Limited
(continued)

Respective responsibilities and restrictions on use

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement set out on page 4, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group and 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 they either intend to liquidate the group and 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 fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

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

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

C Byrne

24 May 2019

C Byrne (Senior Statutory Auditor)
for and on behalf of
KPMG, Statutory Auditor
Chartered Accountants
1 Stokes Place
St. Stephen's Green
Dublin 2

Frenchgate Interchange Limited

Consolidated profit and loss account and other comprehensive income

for the year ended 31 December 2018

	Note	2018 £	2017 £
Turnover	2	**16,592,072**	17,878,021
Administration		**(9,813,132)**	(10,017,788)
Operating profit	5	**6,778,940**	7,860,233
Interest receivable	3	**50,118**	49,171
Interest payable	4	**(11,508,834)**	(10,736,627)
Loss before exceptional items		**(4,679,776)**	(2,827,223)
Exceptional items			
Provision for impairment of investment property	8	**(11,490,000)**	(12,200,000)
Provision for impairment of amounts owed by related party	10	**(1,655,949)**	-
Loss on ordinary activities before taxation		**(17,825,725)**	(15,027,223)
Tax on loss on ordinary activities	7	**-**	-
Loss for the year		**(17,825,725)**	(15,027,223)

The parent and group had no items of comprehensive income in the financial year or the preceding financial year other than those dealt with in the profit and loss account and no statement of other comprehensive income has therefore been presented.

Frenchgate Interchange Limited

Consolidated balance sheet

as at 31 December 2018
Company registered number: 05867230

	Note	2018 £	2017 £
Fixed assets			
Investment property	8	**131,610,000**	143,100,000
Financial assets	9	**244,401**	244,401
		131,854,401	143,344,401
Current assets			
Debtors	10	**5,022,538**	7,458,892
Cash at bank and in hand	11	**1,275,582**	6,485,085
		6,298,120	13,943,977
Creditors: amounts falling due within one year	12	**(177,291,384)**	(160,873,466)
Net current liabilities		**(170,993,264)**	(146,929,489)
Total assets less current liabilities		**(37,482,914)**	(3,585,088)
Creditors: amounts falling due after more than one year	13	**-**	(17,728,050)
Net liabilities		**(39,138,863)**	(21,313,138)
Capital and reserves			
Called up share capital	16	**200**	200
Share premium		**75,000,000**	75,000,000
Capital contribution		**2,690,842**	2,690,842
Revenue reserves		**(116,829,905)**	(99,004,180)
Shareholders' deficit		**(39,138,863)**	(21,313,138)

On behalf of the board

Shane McCrory
Director

Frenchgate Interchange Limited

Company balance sheet

as at 31 December 2018
Company registered number: 05867230

	Note	2018 £	2017 £
Fixed assets			
Financial assets	9	**244,406**	244,406
Current assets			
Debtors	10	**36,313,727**	53,018,106
Cash at bank and in hand	11	**282,263**	282,527
		36,595,990	53,300,633
Creditors: amounts falling due within one year	12	**(78,738,294)**	(57,295,623)
Net current liabilities		**(42,142,304)**	(3,994,990)
Total assets less current liabilities		**(40,241,949)**	(3,750,584)
Creditors: amounts falling due after more than one year	13	**-**	(17,728,050)
Net liabilities		**(41,897,898)**	(21,478,634)
Capital and reserves			
Called up share capital	16	**200**	200
Share premium		**75,000,000**	75,000,000
Capital contribution		**2,690,842**	2,690,842
Profit and loss account		**(119,588,940)**	(99,169,676)
Shareholders' deficit		**(41,897,898)**	(21,478,634)

On behalf of the board

Shane McCrory
Director

Frenchgate Interchange Limited

Consolidated statement of changes in equity
for the year ended 31 December 2018

	Share capital £	Share premium £	Capital contribution £	Profit and loss account £	Total equity £
Balance at 1 January 2017	200	75,000,000	2,690,842	(83,976,957)	(6,285,915)
Total comprehensive income for the year					
Loss for year	-	-	-	(15,027,223)	(15,027,223)
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the year	-	-	-	(15,027,223)	(15,027,223)
Balance at 31 December 2017	200	75,000,000	2,690,842	(99,004,180)	(21,313,138)
Total comprehensive income for the year					
Loss for year	-	-	-	(17,825,725)	(17,825,725)
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the year	-	-	-	(17,825,725)	(17,825,725)
Balance at 31 December 2018	**200**	**75,000,000**	**2,690,842**	**(116,829,905)**	**(39,138,863)**

Frenchgate Interchange Limited

Company statement of changes in equity
for the year ended 31 December 2018

	Share capital £	Share premium £	Capital contribution £	Retained earnings £	Total £
Balance at 1 January 2017	200	75,000,000	2,690,842	(75,131,903)	2,559,139
Loss for the year	-	-	-	(24,037,773)	(24,037,773)
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the year	-	-	-	(24,037,773)	(24,037,773)
Balance at 31 December 2017	**200**	**75,000,000**	**2,690,842**	**(99,169,676)**	**(21,478,634)**
Total comprehensive income for the year					
Loss for the year	-	-	-	(20,419,264)	(20,419,264)
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the year	-	-	-	(20,419,264)	(20,419,264)
Balance at 31 December 2018	**200**	**75,000,000**	**2,690,842**	**(119,588,940)**	**(41,897,898)**

Frenchgate Interchange Limited

Consolidated cash flow statement

for the year ended 31 December 2018

	Note	**2018**	2017
		£	£
Cash flows from operating activities			
Loss for the year		**(17,825,725)**	(15,027,233)
Adjustments for:			
Non cash transaction – impairment of investment property		**11,490,000**	12,200,000
Non cash transaction – impairment of related party debt		**1,655,949**	-
Interest payable		**11,508,834**	10,736,627
Interest receivable		**(1,318)**	(371)
		6,827,740	7,909,023
Decrease in trade and other debtors		**780,405**	111,185
Increase/(decrease) in trade and other creditors		**2,031,347**	(279,493)
Net cash from operating activities		**9,639,492**	7,740,715
Cash flows from investing activities			
Interest paid		**(8,400,191)**	(4,392,000)
Interest received		**1,318**	371
Net cash from investing activities		**(8,398,873)**	(4,391,629)
Cash flows from financing activities			
Bank loan capital repayments		**(6,450,122)**	-
Net cash from financing activities		**(6,450,122)**	-
Net (decrease)/increase in cash and cash equivalents		**(5,209,503)**	3,349,086
Cash and cash equivalents at 1 January		**6,485,085**	3,135,999
Cash and cash equivalents at 31 December	*11*	**1,275,582**	6,485,085

Frenchgate Interchange Limited

Notes
forming part of the consolidated financial statements

1 Accounting policies

Frenchgate Interchange Limited (the "company") is a company limited by shares and incorporated, domiciled and registered in United Kingdom. The registered number is 05867230 and the registered address is 3rd Floor, 26/28 Great Portland Street, London W1W 8QT.

These group and parent company financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* ("FRS 102"). The presentation currency of these financial statements is sterling.

The parent company is included in the consolidated financial statements, and is considered to be a qualifying entity under FRS 102 paragraphs 1.8 to 1.12. The following exemptions available under FRS 102 in respect of certain disclosures for the parent company financial statements have been applied:

- The reconciliation of the number of shares outstanding from the beginning to the end of the year has not been included a second time;
- No separate parent company Cash Flow Statement with related notes is included; and
- Key Management Personnel compensation has not been included a second time.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 20.

Measurement convention

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: investment property measured at fair value.

Going concern

The consolidated and parent company financial statements have been prepared on the going concern basis of preparation, notwithstanding that at 31 December 2018 the group has net liabilities of £39.1m which have been funded by bank loans and loans from connected parties. The group breached bank loan facility covenants during the current and prior year as a result of an impairment of investment property as detailed in note 8. The bank facilities are also due for renewal in September 2019. The directors are in negotiations with the group's bankers to refinance the bank loans and re-set the covenants and facilities. As a result of these discussions the directors have no reason to believe that continued support from the group's bankers will not be forthcoming. The directors have a reasonable expectation that amounts owed to related undertakings and directors will not be called upon within 12 months of date of approval of these financial statements.

These factors indicate the existence of material uncertainties that may cast significant doubt on the group and company's ability to continue as a going concern. The group may, therefore, be unable to continue to realising its assets and discharging its liabilities in the normal course of business. The financial statements do not include any adjustments that could result from a withdrawal of the financial support by the group's lender.

Frenchgate Interchange Limited

Notes *(continued)*

1 Accounting policies *(continued)*

Basis of consolidation

The consolidated financial statements include the financial statements of the company and its subsidiary undertakings made up to 31 December 2018. A subsidiary is an entity that is controlled by the parent. The results of subsidiary undertakings are included in the consolidated profit and loss account from the date that control commences until the date that control ceases. Control is established when the company has the power to govern the operating and financial policies of an entity so as to obtain benefits from its activities. In assessing control, the group takes into consideration potential voting rights that are currently exercisable.

Under Section 408 of the Companies Act 2006 the company is exempt from the requirement to present its own profit and loss account.

Basic financial instruments

Trade and other debtors/creditors
Trade and other debtors are recognised initially at transaction price plus attributable transaction costs. Trade and other creditors are recognised initially at transaction less plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Interest-bearing borrowings classified as basic financial instruments
Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Investments in ordinary shares
Investments in equity instruments are measured initially at fair value, which is normally the transaction price. Transaction costs are excluded if the investments are subsequently measured at fair value through profit and loss. Subsequent to initial recognition investments that can be measured reliably are measured at fair value with changes recognition in profit or loss. Other investments are measured at cost less impairment in profit or loss.

Cash and cash equivalents
Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the group's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

Investment property

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Investment properties are recognised initially at cost.

Subsequent to initial recognition:

i. investment properties whose fair value can be measured reliably without undue cost or effort are held at fair value. Any gains or losses arising from changes in the fair value are recognised in profit or loss in the period that they arise; and

ii. no depreciation is provided in respect of investment properties applying the fair value model.

Frenchgate Interchange Limited

Notes *(continued)*

1 Accounting policies *(continued)*

Investment property *(continued)*

The accounting policy adopted is therefore necessary for the financial statements to give a true and fair view. If depreciation were to be provided it would be provided at a rate of 2% per annum on the revalued amount. If a reliable measure is not available without undue cost or effort for an item of investment property, this item is thereafter accounted for as tangible fixed assets in accordance with Section 17 of FRS 102 until a reliable measure of fair value becomes available.

Investment property has been valued by an external, independent property valuer, having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued. The property has been valued on an open market basis reflecting existing use and is supported by market evidence.

Impairment excluding investment properties and deferred tax assets

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

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the group would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Provisions

A provision is recognised in the balance sheet when the entity has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

Where the parent company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the company treats the guarantee contract as a contingent liability in its individual financial statements until such time as it becomes probable that the company will be required to make a payment under the guarantee.

Turnover

Turnover, which excludes VAT, represents rental income, car park income and income due from insurance. Rental income which has been invoiced in the year but relates to the subsequent year has been recorded as deferred income in the balance sheet.

Lease incentives provided are recognised in aggregate as a debtor in the balance sheet and as a reduction to the income recognised over the lease term on a straight line basis.

Frenchgate Interchange Limited

Notes *(continued)*

1 Accounting policies *(continued)*

Expenses

Operating lease
Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

Interest receivable and Interest payable
Interest payable and similar charges include interest payable, finance charges and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions. Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest rate method.

Exceptional items
Exceptional items are transactions that fall within the ordinary activities of the group but are presented separately due to their size or incidence.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income. Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; and differences relating to investments in subsidiaries, to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is provided in respect of the additional tax that will be paid or avoided on differences between the amount at which an asset (other than goodwill) or liability is recognised in a business combination and the corresponding amount that can be deducted or assessed for tax. Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. For investment property that is measured at fair value, deferred tax is provided at the rates and allowances applicable to the sale of the asset/property, except when the investment property has a limited useful life and the objective of the entity's business model is to consume substantially all of the value through use. In the latter case the tax rate that is expected to apply to the reversal of the related difference is used. Deferred tax balances are not discounted.

Frenchgate Interchange Limited

Notes *(continued)*

1 Accounting policies *(continued)*

Taxation *(continued)*

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

2 Turnover

Turnover consist of rental income, car park income and service charge income. All income arises from activities undertaken wholly within the UK.

3 Interest receivable

	2018 £	2017 £
Deposit interest	**1,318**	371
Interest on other loans wholly repayable within five years	**48,800**	48,800
	50,118	49,171

4 Interest payable and similar charges

	2018 £	2017 £
On bank loans and overdrafts wholly repayable within five years	**10,970,666**	10,198,459
On other loans wholly repayable within five years	**538,168**	538,168
	11,508,834	10,736,627

5 Statutory and other information

	2018 £	2017 £
Loss on ordinary activities before interest is stated after charging:		
Directors' emoluments		
- Other remuneration	**-**	-
Auditor's remuneration		
- Audit of the group financial statements	**22,050**	20,000

6 Employees

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

Frenchgate Interchange Limited

Notes *(continued)*

7 Tax on loss on ordinary activities

	2018	2017
	£	£
Current tax		
Corporation tax on the loss for the year on ordinary activities	**-**	-
Deferred tax		
Other deferred tax adjustments	**-**	-
Tax on profit on ordinary activities	**-**	-
Current tax reconciliation		
Loss on ordinary activities before tax	**(17,825,725)**	(15,027,223)
Current tax at 19% *(2017: 19.5%)*	**(3,386,888)**	(2,892,264)
Effects of:		
Deferred tax not recognised	**913,543**	426,651
Expenses not deductible	**2,473,345**	2,465,613
Total current tax charge	**-**	-

8 Investment properties

	2018	2017
	£	£
Group		
Cost		
At beginning of year	**143,100,000**	155,300,000
Impairment	**(11,490,000)**	(12,200,000)
At end of year	**131,610,000**	143,100,000

The group holds an investment property in Doncaster, South Yorkshire. This property has been valued by an external, independent property valuer, having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued. Based on these valuations an impairment charge was recorded of £11,490,000 *(2017: £12,200,000)* in the year. The property has been valued on an open market basis reflecting existing use and is supported by market evidence. In the opinion of the directors, the value of the investment property is not less than the carrying value shown above.

	2018	2017
	£	£
Historical cost net book value	**236,765,597**	236,765,597

Frenchgate Interchange Limited

Notes *(continued)*

9 Financial fixed assets

	2018	2017
	£	£
Group		
Capital contribution to related undertaking	**244,401**	244,401

Capital contributions relate to the difference between the present value and carrying value of amounts due from related parties greater than one year and have been accounted for in accordance with FRS102.

Company	**Capital contribution £**	**Shares in subsidiaries £**	**Total £**
At beginning and end of year	**244,401**	**5**	**244,406**

Name	**Country of incorporation**	**Details of investment**	**Proportion held**	**Principal activity**
Subsidiary undertaking				
Caféfirst Limited	United Kingdom	1 ordinary share of £1	100%	Investment Holding
Europa Frenchgate LP Limited	United Kingdom	1 ordinary share of £1	100%	Investment Holding
Foodearth Limited	United Kingdom	1 ordinary share of £1	100%	Investment Holding
Frenchgate LP Limited	United Kingdom	1 ordinary share of £1	100%	Investment Holding
Frenchgate General Partner Limited	United Kingdom	1 ordinary share of £1	100%	Investment Holding

Notes *(continued)*

10 Debtors

	2018 Group £	2018 Company £	2017 Group £	2017 Company £
Amounts falling due within one year				
Trade debtors	**2,102,266**	**-**	2,403,377	-
Prepayments and accrued income	**463,372**	**200**	473,677	200
Lease incentives	**2,456,900**	**-**	2,974,689	-
Amounts owed by group undertakings	**-**	**36,313,527**	-	-
Amounts owed by related undertakings	**-**	**-**	-	-
	5,022,538	**36,313,727**	5,851,743	200
Amounts falling due after one year				
Amounts owed by group undertakings	**-**	**-**	-	51,410,757
Amounts owed by related undertakings	**-**	**-**	1,607,149	1,607,149
	-	**-**	1,607,149	53,017,906
Total debtors	**5,022,538**	**36,313,727**	7,458,892	53,018,106

Trade debtors are stated net of a provision for bad debts of £144,053 *(2017: £62,507)*. Amounts owed by group undertakings is stated net of provision for impairment of £116,286,449 *(2017: £98,012,502)*.

During the year the directors performed an impairment review of amounts owed by related undertakings and as a result of this review recognised a provision for impairment of £1,655,949 *(2017: £Nil)*. The total provision for impairment recognised at year end is £1,655,949 *(2017: £Nil)*.

Amounts owed by related undertakings are subordinated behind bank borrowings and charged interest at the aggregate of EURIBOR finance asset costs and a margin of 1.95%.

11 Cash and cash equivalents

	2018 Group £	2018 Company £	2017 Group £	2017 Company £
Cash at bank and in hand	**1,275,582**	**282,263**	6,485,085	282,527
Cash and cash equivalents per cash flow statements	**1,275,582**	**282,263**	6,485,085	282,527

Frenchgate Interchange Limited

Notes *(continued)*

12 **Creditors**: amounts falling due within one year	**2018 Group £**	**2018 Company £**	2017 Group £	2017 Company £
Trade creditors	**1,748,460**	-	1,604,099	-
Amounts owed to group undertakings	-	**214,669**	-	214,669
Amounts owed to related undertakings	**9,153,642**	**9,133,109**	20,533	-
Amounts owed to director	**9,133,109**	**9,133,109**	-	-
Other creditors including tax and social welfare	**829,879**	**177,853**	582,200	177,853
Accruals	**13,997,246**	**10,130,296**	9,787,464	7,021,651
Bank loans	**142,429,048**	**49,949,258**	148,879,170	49,881,450
	177,291,384	**78,738,294**	160,873,466	57,295,623

Amounts owed to director and related undertakings are subordinated behind bank debt.

Tax and social welfare included in other creditors:				
Corporation tax	-	-	-	-
VAT	**550,147**	-	404,347	-
	550,147	-	404,347	-

13 **Creditors**: amounts falling due after one year	**2018 Group £**	**2018 Company £**	2017 Group £	2017 Company £
Amounts owed to director	-	-	8,864,025	8,864,025
Amounts owed to related undertaking	-	-	8,864,025	8,864,025
Bank loans	-	-	-	-
	-	-	17,728,050	17,728,050

Frenchgate Interchange Limited

Notes *(continued)*

14 Interest-bearing loans and borrowings

This note provides information about the contractual terms of the group's and parent company's interest-bearing loans and borrowings, which are measured at amortised cost.

Creditors: amounts falling due within one year:	**2018 Group £**	**2018 Company £**	2017 Group £	2017 Company £
Amounts owed to related undertakings	**9,133,109**	**9,133,109**	-	-
Amounts owed to director	**9,133,109**	**9,133,109**	-	-
Bank loans	**142,429,048**	**49,949,258**	148,879,170	49,881,450
	160,695,266	**68,215,476**	148,879,170	49,881,450

Creditors: amounts falling due after one year	**2018 Group £**	**2018 Company £**	2017 Group £	2017 Company £
Amounts owed to director	-	-	8,864,025	8,864,025
Amounts owed to related undertaking	-	-	8,864,025	8,864,025
	-	-	17,728,050	17,728,050

The bank loans have covenants in place relating to the financial performance and financial position of the company.

Terms and debt repayment schedule

Group	**Currency**	**Nominal interest rate**	**Year of maturity**	**Repayment schedule**	**2018 £**	2017 £
PBB Deutsche Pfandbriefbank	STG	EURIBOR[1]	2019	At maturity	**92,479,790**	98,997,720
Col Reo Victoria	STG	10%	2019	At maturity	**49,949,258**	49,881,450
Amounts owed to related undertakings	STG	Notional[2]	2019	At maturity	**9,133,109**	8,864,025
Amounts owed to directors	STG	Notional[2]	2019	At maturity	**9,133,109**	8,864,025
					160,695,266	166,607,220

[1] Nominal interest rates are the aggregate of EURIBOR finance costs and a margin of 1.95%.

[2] Notional interest charged in line with FRS 102 at the aggregate of EURIBOR finance costs and a margin of 1.95%.

Frenchgate Interchange Limited

Notes *(continued)*

14 Interest-bearing loans and borrowings *(continued)*

Terms and debt repayment schedule

Company	Currency	Nominal interest rate	Year of maturity	Repayment schedule	2018 £	2017 £
Col Reo Victoria	STG	10%	2019	At maturity	**49,949,258**	49,881,450
Amounts owed to related undertakings	STG	EURIBOR[1]	2019	At maturity	**9,133,109**	8,864,025
Amounts owed to directors	STG	EURIBOR[1]	2019	At maturity	**9,133,109**	8,864,025
					68,215,476	67,609,500

[1] Nominal interest rates are the aggregate of EURIBOR finance costs and a margin of 1.95%.

15 Bank security

Deutsche Pfandbriefbank AG

Debenture given by The Frenchgate Limited Partnership, acting by its general partner, Frenchgate General Partner Limited, Frenchgate General Partner Limited, Frenchgate (Nominee 1) Limited, Frenchgate (Nominee 2) Limited, Frenchgate LP Limited, Cafefirst Limited, Europa Frenchgate LP Limited, and Foodearth Limited in favour of Deutsche Pfandbriefbank AG (as Security Agent) dated 8 September 2014, together with the relevant certificates of registration.

Shareholder's Security Agreement given by Frenchgate Interchange Limited in favour of Deutsche Pfandbriefbank AG (as Security Agent) dated 8 September 2014, together with the relevant certificates of registration.

Col Reo Victoria B S.a r. l.

Debenture (Common Asset) given by The Frenchgate Limited Partnership, acting by its general partner, Frenchgate General Partner Limited, Frenchgate General Partner Limited, Frenchgate (Nominee 1) Limited, Frenchgate (Nominee 2) Limited, Frenchgate LP Limited, Cafefirst Limited, Europa Frenchgate LP Limited, and Foodearth Limited in favour of Deutsche Pfandbriefbank AG (as Common Asset Security Agent) dated 8 September 2014.

Debenture (Mezzanine Only) given by Frenchgate Interchange Limited in favour of Col Reo Victoria B S.a. r.l. (as Mezzanine Only Security Agent) dated 8 September 2016. Share Charge Agreement (Common Asset) given by Frenchgate Interchange Limited in favour of Deutsche Pfandbriefbank AG (as Common Asset Security Agent) dated 8 September 2014.

Share Charge Agreement (Mezzanine Only) given by Patrick McKillen, Padraig Drayne (then Garvagh Investments Ltd) and Colfrenchgate Holding S.a r.l. in favour of Col Reo Victoria B S.a r. l. (as Mezzanine Security Agent) dated 8 September 2014.

16 Called up share capital

	2018	2017
	£	£
Authorised		
999 "A" ordinary shares of £1 each	**999**	999
100 "B" ordinary shares of £0.01 each	**1**	1
	1,000	1,000
Allotted, called up and fully paid		
200 "A" ordinary shares of £1 each	**200**	200
1 "B" ordinary shares of £0.01 each	**-**	-
	200	200

The rights of the "A" and "B" shares are set out in the Memorandum and Articles of Association.

17 Related party transactions

Transactions with directors

During the year notional interest was charged to the company by the director of £269,084 *(2017: £269,084)*. At the year end £9,133,109 *(2017: £8,864,025)* remained outstanding to the director.

Garvagh Investments Limited

During the year notional interest was charged to the company by Garvagh Investments Limited of £269,084 *(2017: £269,084)*. At the year-end £9,133,109 *(2017: £8,864,025)* remained outstanding to Garvagh Investments Limited. Garvagh Investments Limited is a shareholder in Frenchgate Interchange Limited.

Belfast Office Properties Limited

During the year Belfast Office Properties Limited was charged notional interest of £48,800 *(2017: £48,800)*. At the year end, the company was owed £1,655,949 *(2017: £1,607,149)* by Belfast Office Properties Limited, which was fully impaired by the directors in the year (see note 10). The companies are related by virtue of common directors.

Apamore Properties Limited

During the year Apamore Services Limited invoiced £2,278,462 *(2017: £2,182,881)* and charged a management fee of Stg£250,000 *(2017: Stg£250,000)* to the group. At the year end, £900,457 *(2017: £320)* was due to Apamore Services Limited which is included in trade creditors at year end.

Forge Limited Partnership

At the year end, £20,533 *(2017: £20,533)* was due to the Forge Limited Partnership. The Forge Limited Partnership is related by virtue of common ownership.

Notes *(continued)*

18 Operating leases

Leases as lessor
The investment properties are let under operating leases. The future minimum lease payments receivable under non-cancellable leases are as follows:

	2018	2017
	£000	£000
Less than one year	**3,041**	8,615
Between one and five years	**42,307**	39,500
More than five years	**34,420**	44,306
	79,768	92,421

19 Ultimate parent undertaking/controlling party

The group is controlled by Patrick McKillen, Padraig Drayne and Colfrenchgate Holding S.a r.l.

20 Accounting estimates and judgements

In the application of the group's accounting policies, which are described in note 1, 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.

Key source of estimation uncertainty

Valuation of investment property

The investment properties are reviewed annually by the directors and periodically by independent property valuers to ensure properties are reflected at fair value in accordance with the accounting policies.

Recoverability of trade debtors

Trade debtors are reviewed for their recoverability on a periodic basis by the directors. If any specific debtors are identified as having some doubt as to their recoverability they are fully provided for and in addition to this the risk of bad debts is stratified across the types of debtors to calculate the total bad debt provision. The directors consider the provision against trade debtors of £144,053 *(2017: £62,507)* to be appropriate.

Recoverability of amounts owed by related undertakings

Amounts owed by related undertakings are reviewed for their recoverability on a periodic basis by the directors. If any specific debtors are identified as having some doubt as to their recoverability they are provided for. The directors consider the provision for impairment against amounts owed by related undertakings of £1,655,949 *(2017: £Nil)* to be appropriate.