

Company Registration No. 06497115

PEEL HOLDINGS LAND AND PROPERTY (UK)
LIMITED

ANNUAL REPORT AND FINANCIAL
STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017



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Directors, Principal Professional Advisers and Registered Office

Directors: John Whittaker
Steven Underwood, A.C.A.
Paul P. Wainscott, A.C.I.S.
Neil Lees, A.C.I.S.
Peter Hosker, LL.B
John Schofield, A.C.A.

Secretary: Neil Lees, A.C.I.S.

**Registered Office
and Head Office:** Peel Dome
Intu Trafford Centre
Traffordcity
Manchester
M17 8PL

Registered Number: 06497115

Auditor: Deloitte LLP
Statutory Auditor
Manchester
United Kingdom

Bankers: Lloyds TSB Bank plc
The Royal Bank of Scotland plc
Barclays Bank plc
HSBC plc
Aviva Commercial Finance Limited
Santander plc

Property Valuers: Jones Lang LaSalle
Bermuda Realty Company
SLR Consulting Limited
Cushman & Wakefield

Strategic Report for the year ended 31 March 2017

The directors submit their strategic report of the group for the year ended 31 March 2017.

Principal activities

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

Comparative figures

On 16 August 2016 the group acquired the entire share capital of Seaforth Windfarm Limited from a fellow subsidiary undertaking of Peel Holdings Land and Property Group Limited namely Peel Windfarms (Seaforth) Limited.

On 18 August 2016 the group acquired the entire share capital of Glasgow Harbour Limited from a fellow subsidiary undertaking of Peel Holdings Land and Property Group Limited namely Peel Holdings (Glasgow Harbour) Limited.

The combination of these entities has been accounted for as a merger in accordance with the group reconstruction provisions of FRS 102 Section 19. Consequently although Peel Holdings Land and Property (UK) Limited group did not acquire Seaforth Windfarm Limited and Glasgow Harbour Limited and its subsidiaries until August 2016, the group financial statements are presented as if the merged business had been part of the same group since 1 April 2015. Accordingly the results of Peel Holdings Land and Property (UK) Limited and its subsidiaries named on pages 33 to 37 for the years ended 31 March 2016 and 31 March 2017 are shown in the profit and loss account for those periods.

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:

	2017	2016
	£'000	£'000
Annualised rent roll	72,517	69,910
Operating profit	101,558	99,385
Cash receipts from land and property sales	55,850	93,893
Financial investment	31,466	26,464
Net debt	915,254	893,109
Overall loan to value	55.7%	57.2%
Shareholder's funds	499,274	459,876

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

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 2.04m sq. ft. across 10 strategic UK locations. The portfolio benefits from 145 occupations and an occupancy rate of 88%. During the year ended 31 March 2017 there were 12 new lettings within the portfolio, totalling 156,820 sq. ft. adding £2.42m of annual rent to the portfolio rent roll.

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 2017. There were a further 12 lettings agreed in principle, totalling 143,353sq ft., with a potential of £2.5m of annual rent.

During the financial year ended 31 March 2017 sale proceeds were received of over £7m from the sale of part of the former Wolverhampton Retail Park and a district shopping centre in Partington.

Strategic Report *continued*

Retail Parks (continued)

Major projects completed during the year included the reconfiguration of a former Homebase unit to create a purpose built 80,000 sq. ft. retail store at Straiton, which is now the largest Next store in Scotland, and the construction of a new 19,000 sq. ft. Aldi store at Hyndburn Retail Park.

Notable planning successes during the year ended 31 March 2017 include retail space at the following:

The Peel Centre, Gloucester - consent for a 22,000 sq. ft. Next store, and an additional 50,000 sq. ft. of open A1 planning consent.

The Peel Centre, Barnsley - relaxation of a former restricted bulky goods consent to open A1 consent on c.85,000 sq. ft. of existing space with open A1 consent for additional new build c.11,000 sq. ft. infill unit.

The Peel Centre, Corby - food store consents on existing units 5 and 1 to enable lettings to M&S (12,000 sq. ft.) and Iceland (10,000 sq. ft.).

The Peel Centre, Yeovil - consent for additional 12,000 sq. ft. unit with open A1 non-food consent.

The retail park portfolio was valued at £444.87m at 31 March 2017 (2016: £438.63m) and had a passing rent of £24.6m (2016: £24.9m).

Glasgow Harbour

Glasgow Harbour is a 52 Hectare (130 acre) integrated development featuring a range of uses including retail, residential, student accommodation, leisure and food. The group completed the road infrastructure including major bridge construction and early phases of housing led to 1,110 apartments being completed and sold. The development includes the Riverside Museum which opened in June 2011 and which attracts circa 1 million visitors per year and a major new Whisky Museum and Distillery which was completed in September 2017.

The existing retail consent is being extended to create a world class iconic waterfront development which will be focused on designer outlet and leisure. This is now in detailed design stage. The development will also involve 2 new pedestrian bridges one over the River Clyde opening up the site to the south side of the river and one over the Kelvin bringing together the Riverside Museum and the retail outlet development. The feasibility of a Property Redress Scheme on adjoining land is also being examined.

The site of the former Scotway House has been granted consent for a 407 bed student development with circa 9,900 sq. ft. of food and beverage space.

Within Beith Street the development of student accommodation has proved popular with a completed development opening 700 beds in September 2015 whilst Vita have 500 beds nearing completion with a Lidl store now open and operational. A developer is now on site with a further 300 bed development. The final phase has increasing interest for either a Property Redress Scheme or mainstream flatted accommodation.

The food store site at the west of the site was bought back from Tesco and plans for residential development plus a circa 60,000 sq. ft. convenience retail development are being assessed and to the west end of Glasgow Harbour Curle Street was sold to Sanctuary Housing Association for 48 social housing flats on a former railway embankment and the development completed in March 2017.

Strategic Report *continued*

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.

A planning application has recently been approved for a Marstons family restaurant and pub, which is currently being built and is expected to open in October 2017. Plans are currently being drawn up for two residential phases that include a 200 apartment institutional led Private Rental Scheme and approximately 185 unit Open Market Apartment development to be delivered by one of our residential developer partners.

Liverpool Waters

In September 2013, planning permission granted for approximately 20m sq.ft. of mixed use floor space over 150 acres most within the Mersey Waters Enterprise Zone and part within a World Heritage Site. The consent is for 32 years and is the largest project of its type in the UK to ever be given consent without a public inquiry. Liverpool Waters's consists of over 100 buildings to transform the derelict part of the docks into a world class, high quality, mixed-use waterfront quarter in central Liverpool. It is the largest port-city development in single ownership in Europe and will have an investment value exceeding £5 billion.

Negotiations are well progressed for the following:

- approximately 900 apartments over 5 buildings which are at either pre-application, in for planning, or permission granted stage and all expected to be contractually complete in the year to 31 March 2018 with starts on site anticipated early 2019;
- dilapidated timber jetty and adjoining land for replacement Cruise Liner Terminal;
- replacement Isle of Man Ferry Terminal; and
- Football Stadium at Bramley Moore Dock.

An agreement has also been secured with Liverpool City Council to construct two roads into Liverpool Waters which will significantly benefit the scheme.

The marketing strategy is to raise the profile of Liverpool Waters with focused branding drawn from live projects/sectors outlined above to attract investors, partners, purchasers and tenants nationally and internationally alongside securing public sector contributions for infrastructure and decontamination solutions.

The group has identified an "8 building plots phase" in the Central Docks South neighbourhood for development that has a consented total floor area of over 2m sq.ft.

Interest already expressed by external parties whilst launching at Marché International des Professionnels de L'immobilier and internally for Hotel(s) and a second residential building.

The group are masterplanning the 4 most northern docks to accommodate a football stadium and create a floating building colony in Nelson Dock and redistribute some of the former Bramley Moore Dock residential into the Central Docks North and South masterplans around the perimeter of the proposed public park boundary.

As part of the "legacy of events/profile raising strategy" we will have over 100,000 people attending various events in the Central Docks neighbourhood this year.

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 and has also secured Housing Zone status via The Department for Communities and Local Government. Wirral Waters is the only scheme with both designations.

Since receiving planning permission, the Wirral Waters strategy has been to:

- lever in public sector investment into the project;
- to prepare and remediate key sites (circa 60 acres remediated);
- to facilitate the investment in supporting infrastructure;
- to create 'oven ready' development parcels; and
- to bring forward a number of part publically funded building projects that catalyse the delivery of Wirral Waters.

The strategy has been successful in not only recalibrating Wirral Waters but also in leveraging in public investment of over £15m.

The Wirral Metropolitan Construction College (38,000 sq. ft.) was completed in September 2015 with 300 students benefitting from work experience 'building their own College'. On adjoining land The Tower Wharf office building (40,000 sq. ft.) for The Contact Company was completed in November 2015 and forms part of a deliverable pipeline of projects that has now emerged clustered at the West Float and at Four Bridges neighbourhood areas. These include: the 1m sq. ft. 'MEA Park' campus; the Maritime Knowledge Hub; a pop-up amenity 'village' at Egerton Square; a 30,000 sq. ft. office at Tower Road South; and 3 residential projects at Northbank.

Based on the 'live' projects a TIF-style (Tax Increment Fund) investment fund (the Wirral Waters Investment Fund) has now been set up utilising the Enterprise Zone designation. This fund addresses any viability gaps necessary to facilitate emerging projects including MEA Park phase 2, Egerton Square and remediation at Northbank.

The group is working collaboratively with stakeholders including The Department for Communities and Local Government, The Department for Business Innovations and Skills and the Local Enterprise Partnership to enable further activity in Wirral Waters.

The group's management team continues to drive down void rates within the existing built estate portfolio by maximising occupancy.

Properties at Wirral Waters were valued at £89.0m at 31 March 2017 (2016: £81.0m).

Trafford City

Trafford City 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 2017 of £245m (2016: £237.0m) and a rent roll of £12.7m (2016: £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 are being carried out.

A new 220 bed hotel on land adjoining Event City was completed in May 2017.

Manchester Waters

Detailed planning permission was secured for a 164 unit Property Redress Scheme that completed September 2017. 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 is currently being worked up. A regeneration framework of this area was approved by both Trafford and Manchester in 2015.

Contracts were exchanged with a residential developer to deliver 550 residential units for sale, subject to planning, for which a planning application has been recently submitted.

Strategic Report *continued*

Land and Planning

The Land and Planning department have had an extremely active and positive year, achieving completed land sales of £16m, exchanged land sales of £10.3m, with further committed pipeline sales of £13.5m which will make for a good start for the first quarter of the new financial year 2017/2018.

The Land and Planning Department delivered an increase of £24m in revaluation uplift to the land portfolio, gained planning permission for 1,300 residential plots and planning permission for 600,000 sq. ft. of employment space.

Relationships with house builders in a buoyant housebuilding industry remain very important. Successful transactions having taken place with our major partners; Persimmon, Bellway and Redrow, across the year and new relationships with Story Homes, Anwyll Homes and Roland Homes are being developed as the housebuilding industry continues to change and grow.

This financial year five hundred residential plots were traded, with an average price of £50,000 per plot achieved.

Land and Planning are spearheading a real legacy project for the Peel group by 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 fifth garden. This represents an investment of £50m for the Salford area, excellent news for the whole of Manchester and the North West. The project has achieved planning consent and we are pleased to note that Phase One of the garden should be open to the public in 2019.

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 Draft Greater Manchester Strategic Plan has been issued for consultation and hopefully will continue to be a vehicle for growth for Greater Manchester.

During the year the department has set up a ground rent umbrella company which incorporates the ground rent portfolio for the group. The portfolio has a £12m value. The group have issued a statement about its' ground rents, about retaining and managing its' portfolio in house and in a fair manner. The group will continue to create ground rents and will insist on high standards of behaviour, fair lease terms and excellent management practice.

Nationally we continue to influence and contribute to government policy on matters concerning planning and housing and the economy.

The positive economic conditions and outlook coupled with a more positive planning system indicate that Land and Planning will continue to have success over the next 12 months.

Environmental

In the year to 31 March 2017 the business generated a turnover of £2.6m (2016: £2.5m) and an operating profit before revaluations of £1.7m (2016: £1.3m). Protos, the 134 acre / 2m sq.ft consented energy park continued to make good progress with the phase 1 enabling works being completed and significant progress made on the construction of a 21.5MW biomass facility. Planning permission was also received for a 350,000 tonne / 35MW energy from waste facility and UKPR's 40MW Short Term Operating Reserve (STOR) facility. Protos was identified in the Northern Powerhouse Investment Opportunities portfolio and Andrew Percy MP, Minister for the Northern Powerhouse formally launched the development.

Two significant property disposals occurred with the sale of Hooton Park to Cogen and land at Partington Wharfside to SAICA. Three additional leases were entered into with UKPR for Short Term Operating Reserve projects.

Strategic Report *continued*

Results and financial performance and dividends

The group has adopted FRS 102 in the preparation of the financial statements for the year.

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 13 to 17.

Turnover on continuing activities for the year totalled £81.2m (2016: £83.8m).

Operating profit for the year from continuing activities was £101.6 m (2016: £99.4 m), driven mainly by surplus on revaluation of investment properties of £64.5m (2016: £53.7 m).

Profit on the disposal of fixed assets of £5.9m (2016: £7.8m) arose from continuing activities.

The net interest charge for the year was £73.8m (2016: £72.1m).

Net profit for the year was £36.0m (2016: £41.0m).

Net assets of the group were £499m at 31 March 2017 compared to £460m at 31 March 2016.

The directors paid a final dividend of £1.7m (2016: £nil).

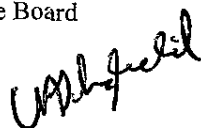
Risks and uncertainties

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;
- some variable rate debt is not fixed via interest rate swaps, leaving the group with exposure to interest rate fluctuations;
- 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.

Following the future departure of the UK from the EU the impact of the above is uncertain and will be monitored closely.

On behalf of the Board



John Schofield, A.C.A.
Director

26 September 2017

Report of the Directors *for the year ended 31 March 2017*

The directors submit their annual report together with the audited financial statements of the group for the year ended 31 March 2017.

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.
Neil Lees, A.C.I.S.
Peter Hosker, LL.B
John Schofield, A.C.A.

Dividends

The directors paid a final dividend of £1.7m (2016: £nil). It is included due to the adoption of merger accounting. It is payment by its subsidiary to its former owner (see note 29).

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.

Report of the Directors *continued*

Political and charitable contributions

During the financial year, contributions by the group for charitable purposes totalled £13,025 (2016: £5,800). The group made no political contributions during the financial year (2016: 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.

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

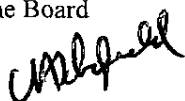
Each of the persons who is a director at the date of approval of this report confirms that:

- 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 is deemed to be reappointed under section 487(2) of the Companies Act 2006.

On behalf of the Board



John Schofield, A.C.A.

Director

26 September 2017

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

We have audited the financial statements of Peel Holdings Land and Property (UK) Limited for the year ended 31 March 2017 which comprise the Group Profit and Loss Account, the Group Statement of Comprehensive Income, the Group and Company Balance Sheets, the Group and Company Statements of Changes in Equity, the Group Cash Flow Statement and the related notes 1 to 29. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

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.

Respective responsibilities of directors and auditor

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. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

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 2017 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter 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.

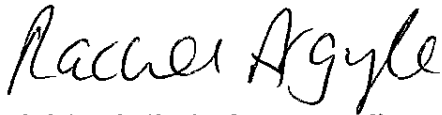
In the light of knowledge and understanding of the group and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report and the directors' report.

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us 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.



Rachel Argyle (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Manchester, United Kingdom
26 September 2017

PEEL HOLDINGS LAND AND PROPERTY (UK) LIMITED

Group Profit and Loss Account *for the year ended 31 March 2017*

	Note	2017 £'000	2016 £'000
Turnover	2	81,190	83,802
Group operating profit:			
Goodwill written off	2	-	(284)
Surplus on revaluation of investment properties	2	64,450	53,721
Impairment of stock properties	2	(3,344)	(686)
Other operating profit		39,880	46,536
Total operating profit		100,986	99,287
Share of joint venture operating profit		572	98
Operating profit – including group's share of joint venture operating profit		101,558	99,385
Profit on disposal of fixed assets	3	5,948	7,808
Profit on ordinary activities before interest and taxation	4	107,506	107,193
Net interest payable and similar charges	5	(73,822)	(72,110)
Profit on ordinary activities before taxation		33,684	35,083
Tax on profit on ordinary activities	6	2,302	5,936
Profit on ordinary activities after taxation		35,986	41,019
Non-controlling interests	22	8	32
Profit for the financial year		35,994	41,051

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

Group Statement of Comprehensive Income

for the year ended 31 March 2017

	2017	2016
	£'000	£'000
Profit for the financial year	35,994	41,051
Unrealised net surplus on revaluation of operational buildings	1,370	5,843
Tax relating to revaluation	(2,752)	(40)
Foreign exchange adjustments	6,484	1,403
Other comprehensive income	5,102	7,206
Total comprehensive income for the year	41,096	48,257
Profit for the year attributable to:		
Non-controlling interest	8	32
Equity shareholders of the company	35,986	41,019
	35,994	41,051
Total comprehensive income for the year attributable to:		
Non-controlling interest	8	32
Equity shareholders of the company	41,086	48,225
	41,094	48,257

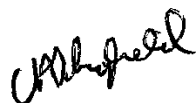
PEEL HOLDINGS LAND AND PROPERTY (UK) LIMITED

Balance Sheets as at 31 March 2017

		Group	Group	Holding	Holding
		2017	2016	Company	Company
		£'000	£'000	2017	2016
	Note			£'000	£'000
Fixed assets					
Goodwill	9	1,231	1,231	-	-
Tangible assets					
Investment properties	10	1,621,356	1,563,004	-	-
Other fixed assets	11	60,796	60,596	-	-
Joint ventures	12(a)	7,052	8,865	-	-
Investments	12(b)	-	-	848,379	899,198
		1,690,435	1,633,696	848,379	899,198
Current assets					
Stocks	13	13,730	16,696	-	-
Debtors	14	60,699	71,451	98,664	127,150
Cash at bank and in hand	17(a)	27,385	36,814	565	-
		101,814	124,961	99,229	127,150
Creditors (amounts falling due within one year)	15	(256,286)	(308,699)	(285,804)	(310,728)
Net current liabilities		(154,472)	(183,738)	(186,575)	(183,578)
Total assets less current liabilities		1,535,963	1,449,958	661,804	715,620
Creditors (amounts falling due after more than one year)	16	(954,492)	(912,492)	-	-
Provisions for liabilities	18	(82,478)	(77,863)	-	-
Net assets		498,993	459,603	661,804	715,620
Capital and reserves					
Called-up share capital	21	406,260	406,260	406,260	406,260
Share premium account		525,258	525,258	525,258	525,258
Revaluation reserve		15,004	17,052	-	-
Merger reserve		25,939	25,939	-	-
Negative goodwill reserve		89,177	90,214	-	-
Other reserves		2,550	2,550	-	-
Profit and loss account		(564,914)	(607,397)	(269,714)	(215,898)
Shareholder's funds		499,274	459,876	661,804	715,620
Minority interests	22	(281)	(273)	-	-
Total capital employed		498,993	459,603	661,804	715,260

The loss for the financial year dealt with in the financial statements of the parent company was £53,816,000 (2016: £3,623,000).

The financial statements for Peel Holdings Land and Property (UK) Limited, company number 06497115, were approved by the directors and authorised for issue on 26 September 2017.



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 2017*

	Called up share capital £'000	Share Premium Account £'000	Revaluation reserve £'000	Merger reserve £'000	Negative goodwill reserve £'000	Other reserves £'000	Profit and loss account £'000	Total £'000
Re-stated at 1 April 2015	406,260	525,258	11,759	25,939	90,984	2,550	(651,131)	411,619
Profit for the financial year	-	-	-	-	-	-	41,051	41,051
Revaluation of operational buildings	-	-	5,843	-	-	-	-	5,843
Tax on revaluation of operational buildings	-	-	(40)	-	-	-	-	(40)
Foreign exchange adjustments	-	-	-	-	-	-	1,403	1,403
Total comprehensive income	-	-	5,803	-	-	-	42,454	48,257
Transfers	-	-	(370)	-	-	-	370	-
Depreciation written back	-	-	(140)	-	-	-	140	-
Realisation of negative goodwill	-	-	-	-	(770)	-	770	-
At 31 March 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
Tax on revaluation of operational buildings	-	-	(2,752)	-	-	-	-	(2,752)
Foreign exchange adjustments	-	-	-	-	-	-	6,484	6,484
Other comprehensive income	-	-	(1,382)	-	-	-	6,484	5,102
Total comprehensive income	-	-	(1,382)	-	-	-	6,484	41,096
Dividends paid	-	-	-	-	-	-	(1,698)	(1,698)
Depreciation written back	-	-	(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

PEEL HOLDINGS LAND AND PROPERTY (UK) LIMITED

Company Statement of Changes in Equity *for the year ended 31 March 2017*

	Called-up share capital £'000	Share premium account £'000	Profit and loss account £'000	Total £'000
At 31 March 2015	406,260	525,258	(212,275)	719,243
Loss and other comprehensive expense for the financial year	-	-	(3,623)	(3,623)
At 31 March 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

Group Cash Flow Statement *for the year ended 31 March 2017*

	Note	2017 £'000	2016 £'000
Net cash inflow from operating activities	24	47,919	19,088
Cash flows from investing activities			
Payments to acquire investment properties		(26,265)	(26,222)
Receipts from sales of investments properties		55,695	91,652
Payments to acquire other fixed assets		(528)	(1,001)
Receipts from sales of other fixed assets		-	1,012
Acquisition of joint venture		-	(1,568)
Sale of joint venture		625	-
Acquisition of subsidiaries		(3,600)	-
Interest received		864	820
Dividends received		408	-
Net cash flow from investing activities		27,199	64,693
Cash flows from financing activities			
Interest paid (including capitalised)		(91,185)	(71,559)
Finance lease interest paid		(48)	(39)
Grants repaid		(2,241)	-
Loans to joint venture		(226)	(1,351)
Movements in restricted cash		1,873	20,379
New loans raised		302,879	8,538
Loans repaid		(291,335)	(42,151)
Net new obligations under finance leases		(175)	(203)
Net cash flows from financing activities		(80,458)	(86,386)
Decrease in cash in the year		(5,340)	(2,605)
Cash at beginning of year		20,175	22,741
Effect of foreign exchange rate changes		241	39
Cash at end of year		15,076	20,175
Reconciliation to cash at bank and in hand:			
Cash at bank		19,096	26,652
Overdrafts		(4,020)	(6,477)
		15,076	20,175
Restricted cash		8,289	10,162
Total cash		23,365	30,337

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, fair value of swaps and investments, 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 group and company is considered to be pound sterling, because that is the currency of the primary economic environment in which the group and company operates. 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. The company is consolidated in the financial statements of its parent, Peel Holdings Land and Property (UK) Limited, which may be obtained at Peel Dome, Intu Trafford Centre, Traffordcity, Manchester, M17 8PL. 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 section 404 of the Companies Act 2006 for financial statements to present a true and fair view following the merger in August 2016 of Peel Holdings Land and Property (UK) Limited group, Seaforth Windfarm Limited and Glasgow Harbour Limited and its subsidiaries. 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.

Where a relevant transaction does not meet one of the conditions for merger accounting under the Companies Act 2006, namely that the fair value of any non-equity consideration must not exceed 10% of the nominal value of equity shares issued the directors consider that the alternative approach of acquisition accounting would not give a true and fair view of the group's results and financial position. 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. The directors consider that it is not practicable to quantify the effect of this departure from the Companies Act 2006 requirements.

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 2017.

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.

Notes to the Financial Statements *continued*

1. Accounting policies *continued*

Group financial statements *continued*

In the group financial statements investments in joint ventures are accounted for using the equity method. Investments in associates are initially recognised at the transaction price (including transaction costs) are subsequently adjusted to reflect the group's share of the profit and loss and other comprehensive income of the associate.

The separable net assets of subsidiary undertakings and joint ventures acquired are included in the group 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 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. 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 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 for which fair value can be measured reliably without undue cost or effort on an ongoing basis 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.

Reclassifications between investment properties, other fixed assets and stocks are made at the lower of net book value and net realisable value.

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.

Barter transactions

Turnover and costs in respect of barter transactions are recognised only where there is persuasive evidence of the value at which, if it had not been exchanged, the asset would have been sold for cash in a similar transaction.

Fixed asset investments

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.

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 estimated selling price less costs to complete and sell. Net realisable value represents the anticipated disposal proceeds less any associated costs.

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.

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 received in respect of operational fixed assets are credited to a deferred income account and released to the profit and loss account over the useful economic life of the asset to which they relate.

Grants receivable in respect of investment properties are credited directly to the cost of the asset. This treatment is not in accordance with the Statutory Accounting Rules which requires fixed assets to be shown at cost and grants as deferred income. The treatment has been adopted in accordance with section 404 of the Companies Act 2006 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. Where grants received in respect of investment properties may be repayable, they are accounted for in a manner consistent with that adopted for operational fixed assets.

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 as included in the cost thereof. Interest is capitalised on a sample 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 added to the carrying value of those borrowings.

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.

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.

Notes to the Financial Statements *continued*

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.

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 can be found in note 10.

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 can be found in note 11.

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.

Notes to the Financial Statements *continued***2. Analysis of turnover, operating profit/(loss) and net assets****Turnover and operating profit/(loss)**

	Group	
	2017	2016
	£'000	£'000
Turnover		
Gross rental income from investment property	72,558	66,705
Trading property sales	137	6,402
Premium income	494	634
Environment and resource development income	2,633	2,278
Other	5,368	7,783
	81,190	83,802
Direct costs	(23,586)	(17,067)
Gross profit	57,604	66,735
Administrative expenses	(23,026)	(23,232)
Amounts written off stock	(3,344)	(686)
Goodwill written off	-	(284)
Surplus on revaluation of investment properties	64,450	53,271
Other income	5,302	3,033
	43,382	32,552
Group operating profit	100,986	99,287
Share of operating profit of joint venture companies	572	98
Operating profit (including group's share of joint ventures' operating profit)	101,558	99,385

With the exception of rental income of £4,408,000 (2016: £3,461,000) arising overseas (Spain, Bermuda and the Bahamas), all of the group's turnover during the financial year arose in the United Kingdom.

Notes to the Financial Statements *continued*

3. Profit on disposal of fixed assets

	Group	Group
	2017	2016
	£'000	£'000
Investment properties	5,628	7,205
Other fixed assets	(97)	603
Investments	417	-
	5,948	7,808

The effect of the profit on disposal of fixed assets on the amount charged to the profit and loss account for taxation was £2,950,000 (2016: £6,635,000). However, this is offset by trading losses.

4. Profit on ordinary activities before interest and taxation

	Group	Group
	2017	2016
	£'000	£'000
Profit on ordinary activities before interest and taxation is stated after charging/(crediting):		
Surplus on revaluation of investment properties	(64,450)	(53,721)
Depreciation of other fixed assets - owned assets	1,927	1,703
Depreciation of other fixed assets - assets held under finance leases	143	95
Impairment of stock properties	3,344	686
Operating leases	420	401
Foreign exchange gains	(1,620)	(181)
Goodwill written off	-	284
Grant releases	-	(982)

The analysis of auditor's remuneration is as follows:

	2017	2016
	£'000	£'000
Fees payable to the company's auditor and it's associates for services to the group		
The audit of the company financial statements pursuant to legislation	12	12
The audit of the company's subsidiaries financial statements pursuant to legislation	348	203
Total audit fees	360	215
Tax compliance services	249	236
VAT services	86	50
Total non-audit fees	335	286
	695	501

Notes to the Financial Statements *continued***5. Net interest payable and similar charges**

	Group 2017 £'000	Group 2016 £'000
Interest payable and similar charges:		
On bank loans and overdrafts	35,309	38,279
On other loans	32,097	32,291
Other interest	1,000	564
On amounts owed to group undertakings	3,094	2,739
Finance lease interest	48	39
	71,548	73,912
Interest receivable and similar income:		
On bank and other deposits	(7)	(40)
Other interest	(499)	(780)
	71,042	73,092
Movement in fair value of interest rate swaps	2,780	(982)
Net interest payable and similar charges	73,822	72,110

Notes to the Financial Statements *continued***6. Tax on profit**

	Group 2017 £'000	Group 2016 £'000
Current tax:		
UK corporation tax	-	25
Receipts in respect of group relief	(1,432)	16
	(1,432)	41
Adjustment in respect of prior years	(1,220)	1,369
Total current tax (credit)/charge	(2,652)	1,410
Deferred tax:		
Adjustment in respect of prior years	(1,831)	(165)
Rate change	(4,224)	(8,448)
Origination and reversal of timing differences	6,405	1,267
Total deferred tax (note 18)	350	(7,346)
Total tax credit on ordinary activities	(2,302)	(5,936)
Reconciliation of current tax charge/(credit):		
Tax on profit/(loss) on ordinary activities at standard UK corporation tax rate of 20% (2016: 20%)	6,737	7,017
Net disallowable expenditure	701	315
Overseas tax rate differences	(1,229)	-
Adjustments in respect of prior years	(3,051)	1,204
Non-deductible write down of investments	298	-
Share of tax of joint ventures	(104)	(32)
Transfer pricing adjustment	-	4
Difference in tax rate on current year deferred tax	(1,295)	(187)
Changes in recognition of deferred tax in relation to investment property	(135)	(5,748)
Deferred tax effect of changes in statutory tax rates	(4,224)	(8,448)
Other	-	(61)
Total tax credit	(2,302)	(5,936)

Notes to the Financial Statements *continued***7. Particulars of staff**

	Group 2017 £'000	Group 2016 £'000
Staff costs (including directors):		
Wages and salaries	10,119	9,284
Social security costs	1,204	1,142
Other pension costs	504	481
	11,827	10,907

The average monthly number of persons employed by the group during the year, inclusive of executive directors, was as follows:

	2017 Number	2016 Number
Property and administration	148	138

The company only has no employees (2016: same).

8. Directors' remuneration

The remuneration of directors of the company was as follows:

	2017 £'000	2016 £'000
Emoluments	1,984	2,083
Company contributions to personal pension scheme	48	103
Total	2,032	2,186

The emoluments of the highest paid director, excluding pension contributions, amounted to £914,000 (2016: £819,337). The contributions to a personal pension scheme during the year were £10,000 (2016: £40,000).

The number of directors participating in the company's money purchase scheme is 5 (2016: 6).

Share options

None of the directors had options to acquire ordinary shares of the company (2016: same).

Key management personnel

Key management includes the directors and members of senior management. The compensation paid or payable to key management for employee services is shown below:

	2017 £'000	2016 £'000
Salaries and other short-term benefits	3,838	3,757
Group contribution to defined contribution pension schemes	72	225
Total	3,910	3,982

Notes to the Financial Statements *continued*

9. Goodwill

	Goodwill £'000
Cost or valuation:	
At 1 April 2016 and 31 March 2017	2,741
Amortisation:	
At 1 April 2016 and 31 March 2017	1,510
Net Book Value:	
At 1 April 2016 and 31 March 2017	1,231

10. Investment properties

	Group		
	Freehold £'000	Long leasehold £'000	Total £'000
Cost or Valuation:			
At 1 April 2016	1,535,909	27,095	1,563,004
Reclassification	(340)	340	-
Additions	25,826	439	26,265
Disposals	(44,416)	(3,635)	(48,051)
Lease incentives	4,062	-	4,062
Intercompany transfer	4,000	-	4,000
Revaluations	53,054	11,396	64,450
Exchange adjustments	9,136	(1,510)	7,626
At 31 March 2017	1,587,231	34,125	1,621,356
Professional Valuation:			
March 2017 – External	1,247,794	26,700	1,274,494
March 2017 – Directors	339,437	7,425	346,862
	1,587,231	34,125	1,621,356

The historical cost to the group of all investment properties is £1,428,974,000 (2016: £1,446,698,000).

Capitalised interest

Investment properties include capitalised interest in aggregate amounting to £10,500,000 (2016: £11,073,000).

Notes to the Financial Statements *continued*

10. Investment properties *continued*

Valuations

Certain of the group's investment properties were professionally valued on a red book basis on the basis of open market value as at 31 March 2017 comprising 79% of the portfolio (2016: 88%).

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

	2017	2016
	£'000	£'000
Jones Lang LaSalle	1,177,210	1,298,158
SLR Consulting Limited	39,821	30,715
Cushman & Wakefield	-	53,500
Bermuda Realty Company	57,463	-
	<hr/> 1,274,494	<hr/> 1,382,373

The remaining investment properties were professionally valued on a red book basis using the group's own Royal Institution of Chartered Surveyors qualified staff on the basis of open market value as at 31 March 2017. Included in these valuations are £231,632,000 which were last valued at 31 October 2016 by Jones Lang LaSalle.

Notes to the Financial Statements *continued*

11. Other fixed assets

	Operational buildings £'000	Plant and vehicles £'000	Total £'000
Cost or valuation:			
At 1 April 2016	61,559	9,252	70,811
Additions	25	635	660
Disposals	-	(3,649)	(3,649)
Lease incentives	218	-	218
Revaluations	(93)	-	(93)
Foreign exchange adjustments	-	412	412
At 31 March 2017	61,709	6,650	68,359
Depreciation:			
At 1 April 2016	3,055	7,160	10,215
Charge for the financial year	1,564	506	2,070
Disposals	-	(3,552)	(3,552)
Revaluations	(1,463)	-	(1,463)
Foreign exchange adjustments	-	293	293
At 31 March 2017	3,156	4,407	7,563
Net Book Value:			
At 31 March 2017	58,553	2,243	60,796
At 31 March 2016	58,504	2,092	60,596

The historical cost to the group of operating buildings is £44,632,000 (2016: £47,621,000).

All other fixed assets other than operational buildings at 31 March 2017 are held at depreciated historical cost to the group.

At 31 March 2017, operational buildings are all freehold.

At 31 March 2017 the value of assets held under finance lease was £656,000 (2016: £667,000).

Valuations

Some of the group's operational buildings were professionally valued on a red book basis on the basis of open market value as at 31 March 2017 comprising 64% of the portfolio (2016: 98%).

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

	2017 £'000	2016 £'000
Jones Lang LaSalle	33,800	53,806
Woodford Consulting	-	3,600
SLR Consulting Limited	3,500	-
	37,300	57,406

The remaining operating buildings were professionally valued on a red book basis using the group's own Royal Institution of Chartered Surveyors qualified staff on the basis of open market value as at 31 March 2017. Included in these valuations are £21,200,000 which were last valued at 31 October 2016 by Jones Lang LaSalle.

Notes to the Financial Statements *continued*

12. Investments

(a) Joint ventures

	Group £'000
At 1 April 2016	8,865
Disposals	(2,611)
Loan account movement	226
Share of results for the year	572
At 31 March 2017	7,052

Investment in joint ventures represents:

	Group 2017 £'000	Group 2016 £'000
Group share of net assets	2,008	4,047
Amounts owed by joint ventures	5,044	4,818
	7,052	8,865

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.

(b) Fixed asset investments

	Holding Company £'000
Shares in subsidiary undertakings:	
At 1 April 2016	899,198
Impairment in the year	(50,819)
At 31 March 2017	848,379

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 2017, 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

Notes to the Financial Statements *continued*

12. Investments *continued*

(b) Fixed asset investments *continued*

Subsidiary undertaking *continued*

Incorporated	Company	Principal Activities
England & Wales	Princes Dock Development Company Limited	Property investment
England & Wales	Peel Land and Property (Ports No.3) Limited	Property investment
Scotland	Clydeport Properties Limited	Property development and investment
England & Wales	Mersey Docks Property Holdings Limited	Property investment
England & Wales	Mersey Docks Property Investments Limited	Property investment
Northern Ireland	Princes Dock Development Company No.4 Limited	Property investment
England & Wales	Princes Dock Office Company No.8 Limited	Property investment
England & Wales	Princes Dock Office Company No. 9 Limited	Property investment
England & Wales	Princes Dock Office Company No.12 Limited	Property investment
England & Wales	Princes Dock Hotel Limited	Property investment
England & Wales	Woodside Business Park Limited	Property 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	Peel Advertising Limited	Rental of advertising space
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 Environmental Protos Limited	Property development and investment
England & Wales	Peel Telecommunications Limited	Communication services
England & Wales	Peel Investments (Land and Property) No.1 Limited	Holding company
England & Wales	Peel Land and Property Holdings (CL) Limited	Holding company
England & Wales	Peel Land and Property Investments (CL) Limited	Holding company
England & Wales	Reddington Developments Limited	Property investment and development
England & Wales	Reddington Finance Limited	Property investment and development
England & Wales	Peel Property (Investments) Limited	Property investment
England & Wales	Peel Investment Properties Limited	Operation of an outlet mall
England & Wales	North Clyde Recycling Centre Limited	Operation of recycling centre
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
England & Wales	Mersey Dock Property Developments Limited	Property investment and development
England & Wales	Reddington 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 Environmental Holdings Limited	Holding company
England & Wales	Peel Mineral Resources Limited	Dormant
England & Wales	Bridgewater Remediation Limited	Dormant
England & Wales	Peel Holdings (Telecommunications) Limited	Holding company
England & Wales	Peel Telecommunications (Holdings) Limited	Holding company
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 Investments Environmental UK Limited	Holding company
England & Wales	Peel Land Holdings Limited	Holding company
Scotland	Clydeport Longhaugh A Limited	Property development
Scotland	Clydeport Longhaugh B Limited	Property development
Scotland	Clydeport Longhaugh C Limited	Property development
England & Wales	Peel Property Intermediate Limited	Property investment and holding company
England & Wales	Astermill Limited	Dormant company
England & Wales	Barwent Developments Limited	Dormant company

Notes to the Financial Statements *continued*

12. Investments *continued*

(b) Fixed asset investments *continued*

Subsidiary undertaking *continued*

Incorporated	Company	Principal Activities
England & Wales	Beaumont Properties Limited	Dormant company
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	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 Land Limited	Dormant company
England & Wales	Peel North East 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	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	Media City 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 Trafford Centre PFS Limited	Dormant company
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

Notes to the Financial Statements *continued*

12. Investments *continued*

(b) Fixed asset investments *continued*

Subsidiary undertaking *continued*

Incorporated	Company	Principal Activities
England & Wales	Principal Management Company Limited	Dormant
England & Wales	Rossfield 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	Peel Holdings (Environmental) Limited	Holding company
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
Isle of Man	Largs Limited	Dormant
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

* 80% owned.

Joint Ventures

The joint ventures as at 31 March 2017 were as follows:

Incorporated	Company	Group Shareholding	Type of Shareholding	Principal activities
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 31 March.

Notes to the Financial Statements *continued*
12. Investments Continued
(b) Fixed asset investments continued
Audit exemption

The subsidiary undertakings also consolidated at 31 March 2017, 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	Clydemore Properties Limited	SC170524	Property development and investment
Scotland	Clydeside Investment Properties Limited	SC203231	Property development and investment
England & Wales	Peel Pet Products Limited	05334437	Dormant
England & Wales	Peel Properties (MSC) Limited	04560429	Dormant
England & Wales	Peel Red City Holdings Limited	06497174	Dormant
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

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 Royston House, 34 Upper Queen Street, Belfast, BT1 6FD.

All the subsidiaries above incorporated in Bermuda have the registered office Cedar House, 41 Cedar Avenue, Hamilton, HM12 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.

Notes to the Financial Statements *continued***13. Stocks**

	Group	Group
	2017	2016
	£'000	£'000
Land held for development	13,730	16,696

There was no material difference between the balance sheet value of stock and their replacement costs.

14. Debtors

	Group	Group	Holding Company	Holding Company
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Trade debtors	12,173	11,963	14	32
Amounts owed by group undertakings	23,127	12,513	98,027	121,928
Development deposits and prepaid costs	1,349	3,337	-	-
Other debtors	14,858	38,853	181	5,070
Prepayments and accrued income	9,192	4,785	442	120
	60,699	71,451	98,664	127,150

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

	Group	Group	Holding Company	Holding Company
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Other debtors	540	720	-	-

Amounts due from group undertakings are repayable on demand.

15. Creditors (amounts falling due within one year)

	Group	Group	Holding Company	Holding Company
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Unsecured bank loans and overdrafts	4,020	6,477	25	12
Secured bank loans	2,724	54,966	-	-
Secured other loans	3,500	7,346	-	-
Unsecured other loans	1,550	-	-	-
Finance leases	197	240	-	-
Debt falling due within one year	11,991	69,029	25	12
Trade creditors	5,611	6,097	230	243
Development costs to site completion	9,084	14,475	-	-
UK corporation tax	1	47	-	-
Amounts owed to group undertakings	161,235	135,587	284,514	304,705
Other taxes and social security	134	125	-	-
Government grants	86	777	-	-
Other creditors	14,886	26,446	6	5,052
Accruals and deferred income	53,258	56,116	1,029	716
	256,286	308,699	285,804	310,728

Details of security interest rates and repayment dates on the above borrowings are disclosed in note 17.

PEEL HOLDINGS LAND AND PROPERTY (UK) LIMITED

Notes to the Financial Statements *continued*

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

		Group	Group	Holding Company	Holding Company
		2017	2016	2017	2016
		£'000	£'000	£'000	£'000
First Mortgage Debenture Stocks:					
Interest Rate	Maturing				
11.625%	2018	12,559	12,541	-	-
10.0%	2026	127,045	128,280	-	-
8.375%	2040	257,411	257,317	-	-
		397,015	398,138	-	-
Secured bank loans		508,740	442,863	-	-
Secured other loans		9,899	8,570	-	-
Unsecured other loans		14,672	11,000	-	-
Finance leases		322	323	-	-
Debt falling due after more than one year		930,648	860,894	-	-
Derivative financial instruments (note 20)		16,447	38,668	-	-
Government grants		7,397	12,619	-	-
Accruals		-	311	-	-
		954,492	912,492	-	-

Details of security interest rates and repayment dates on the above borrowings are disclosed in note 17.

17. Group debt

(a) Cash at bank and in hand

	Group	Group	Holding Company	Holding Company
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Unrestricted cash	19,096	26,652	565	-
Restricted cash	8,289	10,162	-	-
	27,385	36,814	565	-

£3,527,000 restricted cash is used to pay the next quarterly interest payment and capital repayment on £222m secured loans and in the event there is excess cash it is released from any restriction.

£144,000 restricted cash is used to pay the next monthly interest payment on the £300m term loan and revolving facility and in the event there is excess cash following this payment and subject to certain loan to value covenants it is released from any restriction.

£4,232,000 restricted cash arises under the terms of security under the company's banking facilities. Proceeds of property disposals are restricted cash and in the event there is sufficient loan to value headroom it is released from any restriction.

£30,000 restricted cash arises under the terms of security arrangements under the company's banking facilities. Proceeds of property disposals are restricted cash and form part of the security for the £250m 8.375% First Mortgage Debenture Stock.

£356,000 restricted cash arises under the terms of security arrangements under the company's banking facilities. Proceeds of property disposals are restricted cash and form part of the security for the £225m secured loan.

Notes to the Financial Statements *continued***17. Group debt (continued)****(b) Analysis of group net debt**

	Group 2017 £'000	Group 2016 £'000
Creditors (amounts falling due within one year)	11,991	69,029
Creditors (amounts falling due after more than one year)	930,648	860,894
Gross debt	942,639	929,923
Cash at bank and in hand	(27,385)	(36,814)
Group net debt	915,254	893,109

(c) Finance leases

	Group 2017 £'000	Group 2016 £'000
Finance leases:		
Within 1 year	197	240
1–2 years	157	178
2–5 years	165	84
	519	502
After five years – by instalments	-	61
	519	563

(d) Other debt

	Group 2017 £'000	Group 2016 £'000
Overdrafts, bank and other loans:		
Within 1 year	11,794	68,789
1–2 years	18,508	221,006
2–5 years	297,838	25,401
	328,140	315,196
After five years – by instalments	167,923	167,718
After five years – not by instalments	446,057	446,446
	942,120	929,360
Total gross debt	942,639	929,923

The First Mortgage Debenture Stocks are secured by fixed legal charges on certain freehold and leasehold investment properties of certain subsidiary undertakings.

Secured bank loans include a £300m (2016: £266m) facility. On 18 August 2016 the facility was repaid and refinanced with a new £300m facility which comprises a £225m term loan and a £75m revolving credit facility. The balance on the facility at 31 March 2017 was £286m. The facility is secured by a fixed legal charge on certain freehold and leasehold investment properties of certain subsidiaries of the group and runs until August 2021. The loan bears interest at LIBOR plus margin

Secured bank loans also include a £185m (2016: £187m) bilateral loan which is secured by a fixed legal charge on certain freehold and leasehold investment properties of certain subsidiaries of the group. £45m of the facility is repayable in quarterly instalments to 2031, with the balance of £140m maturing in 2031. The loan bears interest at 6.4%.

Secured bank loans also include a £37m (2016: £38m) loan which is secured by a fixed legal charge on a certain freehold investment property. £8m of the facility is repayable in quarterly instalments to 2031, with the balance of £29m maturing in 2031. The loan bears interest at 4.66%.

Secured bank loans also included in 2016 a £27m loan which was secured by a fixed legal charge on a certain freehold investment property. The facility matured in December 2016 and bore interest at a fixed rate of 4.8%.

Notes to the Financial Statements *continued***17. Group debt (continued)****(e) Repayment of total gross debt (continued)**

Other loans include £10.9m (2016: £9.6m) secured on certain freehold property of the group and bear interest at 3.02%. The capital is repayable in 2018.

Other loans include £13.5m (2016: £8.6m) which bear interest at EC Reference rate plus margin. The capital is repayable in 2021.

Remaining other loans are free of interest and are repayable in 2020.

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 2017 of £915 m (2016: £893m) produced a gearing ratio of net debt to shareholders' funds at 183% (2016: 195%).

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 2017 the group had unused bank facilities of £12.5m (2016: £10.8m).

The present market value of the group's debenture stocks as at 31 March 2017 shows a post-tax "mark to market" value of £95.584m of excess over book value (2016: £87.844m).

Amounts payable to group undertakings carry interest of 1.5 per cent above base rate (2016: same) per annum charged on the outstanding loan balance and are repayable on demand.

(f) Analysis of movement in group net debt

	1 April 2016 £'000	Cash flow £'000	Non-cash adjustments £'000	Reclassification £'000	31 March 2017 £'000
Cash at bank	26,652	(7,797)	241	-	19,096
Restricted cash	10,162	(1,873)	-	-	8,289
	36,814	(9,670)	241	-	27,385
Overdrafts	(6,477)	2,457	-	-	(4,020)
Total cash	30,337	(7,213)	241	-	23,365
Debt due within one year (excluding overdrafts)	(62,552)	30,117	-	24,464	(7,971)
Debt due after more than one year	(860,894)	(41,617)	-	(28,137)	(930,648)
Net debt	(893,109)	(18,713)	241	(3,673)	(915,254)

Non-cash adjustments represent exchange differences.

Notes to the Financial Statements *continued***18. Provisions for liabilities**

			Group
	Deferred Taxation	Legal Claim	Total
	£'000	£'000	£'000
At 1 April 2016	77,863	-	77,863
Profit and loss account (note 6)	350	1,513	1,863
Revaluation reserve	2,752	-	2,752
At 31 March 2017	80,965	1,513	82,478

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

Provision is made for deferred taxation at a rate of 17% (2016: 18%), the amount provided being:

	Group 2017 £'000	Group 2016 £'000
Capitalised land remediation relief	968	904
Capitalised interest	2,876	3,046
Interest rate swaps	(2,796)	(7,131)
Deferred tax on revaluation of investment properties and operational assets	96,140	93,560
Fixed asset timing differences	5,595	6,008
Short term timing differences	(2)	(10)
Losses	(21,816)	(18,514)
	80,965	77,863

There are unrecognised losses of £6,850,000 (2016: £769,000).

The standard rate of tax applied to the reported profits is 20% (2016: 20%).

The Government has announced that it intends to reduce the rate of corporation tax to 19% with effect from 1 April 2017 and 18% from 1 April 2020. The 18% main rate of corporation tax was set by the Finance Act (No.2) 2016 which received Royal Assent on 18 November 2016.

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 revalued to 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 2017, the net reversal of deferred tax liabilities is expected to increase the corporation tax charge for the year by £8,783,000. 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***19. Financial instruments and operating leases**

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

	Group		Holding Company	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Financial assets				
Measured at amortised cost				
- Trade and other debtors (see note 14)	27,031	50,816	195	5,102
- Amount due from group undertakings (see note 14)	23,127	12,513	98,027	121,928
	Group		Holding Company	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Financial liabilities				
Measured at fair value				
- Derivative financial liabilities (see note 20)	(16,447)	(38,668)	-	-
Measured at amortised cost				
- Loans payable (see notes 15 and 16)	(938,100)	(922,883)	-	(26,311)
- Obligations under finance leases (see notes 15 and 16)	(519)	(563)	-	-
- Bank overdraft (see note 17 (f))	(4,020)	(6,477)	(25)	(12)
- Trade and other creditors (see note 15)	(20,497)	(32,543)	(236)	(5,295)
- Amounts due to group undertakings (see note 15)	(161,235)	(135,587)	(284,514)	(304,705)
			Group	Group
			2017	2016
			£'000	£'000
Interest income and expense				
- Total interest income from financial assets at amortised cost (see note 5)			-	-
- Total interest expense for financial liabilities at amortised cost (see note 5)			(70,548)	(73,348)

(b) Operating lease commitments

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

	2017	2016
	£'000	£'000
Within:		
1 year	54	70
1-2 years	141	375
2-5 years	224	710
	419	1,155

(c) Operating lease receivables

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

	2017	2016
	£'000	£'000
Within:		
1 year	60,377	59,856
1 - 2 years	53,330	54,823
2 - 5 years	128,472	144,936
Over 5 years	1,824,542	1,972,152
	2,066,721	2,231,767

Included in the above amounts are £27,600,000 relating to properties disposed after the year end.

Notes to the Financial Statements *continued***20. Derivative financial instruments**

	Current		Non-current	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Derivatives that are designed and effective as hedging instruments carried at fair value				
Liabilities				
Interest rate swaps	-	-	16,447	38,668

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 Fixed contracts	Average contract fixed Interest rate		Notional principal value		Fair value	
	2017 %	2016 %	2017 £'000	2016 £'000	2017 £'000	2016 £'000
1 to 2 years	-	1.49	-	100,000	-	(1,131)
2 to 5 years	2.29	-	225,000	-	(16,447)	-
5 years +	-	5.10	-	120,000	-	(37,537)
			225,000	220,000	(16,447)	(38,668)

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 £2.8m (2016: loss £0.98m) was recognised in the profit and loss account on movements in the value of swaps in the year.

In August 2016 swap contracts totalling £225m were entered into to replace the existing ones.

21. Called-up share capital and reserves

	Group and Holding Company	
Allotted and fully paid		
Equity share capital	Number	£'000
Ordinary shares of £1 each:		
At 1 April 2016 and at 31 March 2017	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 operating 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***22. Non-controlling interests**

	Equity	Group Non-equity	Total
	£'000	£'000	£'000
At 1 April 2016	(269)	(4)	(273)
Operational proportion of loss on ordinary activities after taxation	(8)	-	(8)
At 31 March 2017	(277)	(4)	(281)

23. 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 £504,000 (2016: £481,000) were paid during the year and no amounts were unpaid at the end of the year (2016: £nil).

24. Note to the group cash flow statement

	2017 £'000	2016 £'000
Reconciliation of operating profit to cash generated by operations		
Group operating profit	101,558	99,385
Non-cash adjustments:		
Revaluation surplus on investment properties	(64,450)	(53,721)
Creation less amortisation of lease incentives	(4,280)	(4,496)
Depreciation of other fixed assets	2,015	1,808
Loss of joint ventures	(572)	(98)
Amounts written (back to)/off stock	(3,344)	673
Goodwill amortisation and impairment	-	284
Grant release	-	(982)
Provision for liabilities provided in the year	1,513	-
Operating cash flow before movement in working capital	32,440	42,853
Movement in stocks	6,310	962
Movement in debtors	21,296	(4,492)
Movement in creditors	(12,283)	(20,062)
Taxation	156	(173)
	47,919	19,088

Notes to the Financial Statements *continued***25. Capital commitments**

	Group	Group
	2017	2016
	£'000	£'000
Capital expenditure contracted for but not provided for in these financial statements	39,323	48,318

26. Contingent liabilities

- (a) As at 31 March 2017, the group's banks had provided road bonds and guarantees amounting to £2.9m (2016: £5.9m).
- (b) As at 31 March 2017 Peel Holdings Land and Property (UK) Limited had guaranteed a £ 5m (2016: £5m) loan made available to 50% owned associated company James Watt Dock LLP.
- (c) As at 31 March 2017 Peel Holdings Land and Property (UK) Limited had guaranteed £7m (2016: £12m) hire purchase agreements made available to fellow subsidiary Peel Media Studios Limited.
- (d) As at 31 March 2017 Peel Land and Property (Ports) Limited had guaranteed a £2 m (2016: £2m) loan made available to 50% owned associated company Ardrossan North Shore LLP. The loan balance at 31 March 2017 was £554,000 (2016: £528,000).
- (e) As at 31 March 2016 Peel Holdings Land and Property (UK) Limited had guaranteed a £1,780,000 loan made available to 50% owned associated company Sheffield Business Park Phase 2 Limited (which was repaid 18 September 2016).
- (f) As at 31 March 2017 Peel Holdings (Land and Property) Limited had guaranteed annual rents payable of £nil (2016: £2.78m) by fellow subsidiaries in Peel Media Services (Holdings) Limited group.
- (g) As at 31 March 2017 Peel Holdings Land and Property (UK) Limited had guaranteed a £324,000 (2016: £438,000) lease agreements made available to fellow subsidiary Event City Limited.
- (h) As at 31 March 2017 Peel Holdings Land and Property (UK) Limited had guaranteed a £5m (2016: £5m) loan made available to fellow subsidiary Protos LLP.

27. Related party transactions

- (a) During the year to 31 March 2017 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 25.024% shareholding, a total of £312,000 (2016: £444,000) for their share of advertising profits. As at 31 March 2017 the group owed £nil (2016: £nil).
- (b) During the year the group made loans to joint ventures of £26,000 (2016: £1,351,000). At 31 March 2017 loan balances (included in investments) amounted to £5,044,000 (2016: £4,818,000).
- (c) During the year to 31 March 2017, 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 £3,246,000 (2016: £3,049,000) and the amount outstanding as at 31 March 2017 was £nil (2016: £nil).
- (d) During the year investment property valued at £3,290,000 (2016: £nil) was transferred to Tokenhouse Retirement Benefit's Fund for £3,390,000 (2016: £nil).
- (e) During the year the group recharged costs of £1,314,000 to PS50 Unit Trust and the balance owing at 31 March 2017 was £461,000 included in other debtors. Fellow subsidiary Peel Logistics Limited Partnership (Jersey) 2017 owns 50% of PS50 Unit Trust, a special purpose vehicle.

Notes to the Financial Statements *continued*

28. Ultimate holding company

The ultimate holding company in the period to 31 March 2017 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 (Land and Property) Group Limited, a company incorporated in the 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.

29. Dividends

During the year a dividend of £1,698,000 (2016: £nil) 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.