

Parent of SC 337879

Note on page 39

Company Registration No. 06497115

PEEL HOLDINGS LAND AND PROPERTY (UK)
LIMITED

ANNUAL REPORT AND FINANCIAL
STATEMENTS

YEAR ENDED 31 MARCH 2019

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Directors, Principal Professional Advisers and Registered Office

Directors: John Whittaker
Steven Underwood, A.C.A.
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
United Kingdom

Registered Number: 06497115

Auditor: Deloitte LLP
Statutory Auditor
Manchester
United Kingdom

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

Property Valuers: Jones Lang LaSalle
Carter Jonas
SLR Consulting

Strategic Report for the year ended 31 March 2019

The directors submit their strategic report of the group for the year ended 31 March 2019.

Principal activities

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

Review of business, future developments and prospects

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 monthly to review the performance of the business:

	2019	2018	Movement	Movement
	£'000	£'000	£'000	%
Annualised rent roll	68,534	65,587	2,947	4.5
Turnover	83,882	84,785	(903)	(1.1)
Surplus on revaluation of investment properties	13,514	38,754	(25,240)	(65.1)
Operating profit	49,719	80,823	(31,104)	(38.5)
Profit on disposal of fixed assets	18,111	11,605	6,506	56.1
Net interest expense	71,550	61,823	9,727	15.7
Net profit for the year	202	28,485	(28,283)	(99.3)
Cash receipts from investment property sales	83,813	75,603	35,407	46.8
Financial investment	60,635	47,493	13,142	27.7
Net debt	858,101	896,528	(38,427)	(4.3)
Overall loan to value	57.7%	56.2%	1.5%	
Shareholder's funds	530,158	525,250	4,908	0.9

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

Financial investment includes all capital investment in investment property, other fixed assets and stock.

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

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

Retail Parks

The group owns and manages a retail park portfolio comprising 1.94m sq. ft. across ten strategic UK locations. The portfolio benefits from 147 occupations and an occupancy rate of 94%. During the year ended 31 March 2019 there were nine new lettings within the portfolio, totalling 137,124 sq. ft. adding £1.87m of annual rent.

Following the identification of value accretive asset management and development opportunities there was a significant amount of pre-letting activity during the year ended 31 March 2019. There were a further eleven lettings agreed in principle, totalling 43,868 sq. ft., with a potential of £1.18m of annual rent.

Strategic Report *continued*

Retail Parks continued

Major projects completed during the year include, the merging of two units at Twibel Street, Barnsley which was let to JD Gyms comprising 27,363 sq. ft., now trading. Extension of a unit at Hyndburn Retail Park comprising 14,321 sq. ft. and let to Food Warehouse, also now trading. Construction was completed of a unit let to Next comprising a total of 45,371 sq. ft. which opened at the Peel Centre, Gloucester in March 2019. Construction was completed of a refurbished phase of Washington retail park comprising 42,272 sq. ft.. The new development will be anchored by Lidl with additional lettings to Food Warehouse and Greggs comprising 21,772 sq. ft., 12,500 sq. ft. and 1,500 sq. ft. respectively. The former Toys R Us unit at Stockport Retail Park comprising 43,865 sq. ft. was re-let to The Range, which opened during summer 2019.

Notable planning successes during the year ended 31 March 2019 include 25,500 sq. ft. consented floor space for a new development at Stratton Retail Park branded as The Terrace.

Acquisitions during the year comprised three parcels of land at Gloucester equating to £236,000. Two sales were completed during the year at Speke and Gloucester at £450,000 and £70,000 respectively.

The retail park portfolio was valued at £414.8m at 31 March 2019 (2018: £417.0m) and had a passing rent of £24.60m (2018: £24.27m).

Glasgow Harbour

Glasgow Harbour is a 52 hectare (138 acre) integrated development featuring a range of uses including residential, retail, student accommodation, leisure and food.

The group completed the road infrastructure including major bridge construction and the early phases included 1,110 residential units, the iconic Riverside Museum and a major new Whisky Distillery in the former pumphouse.

The existing retail consent was extended for 3 years in September 2017. The proposal is to create a world class iconic waterfront development which will be focussed on designer outlets and leisure. This is now in detailed design stage with a reserved application made in 2018. The development will also involve a new pedestrian bridge over the River Kelvin bringing together the Riverside Museum and the Outlet development. Adjoining the Outlet scheme there is a proposal for a Private Rented Sector development of 492 units within 4 blocks which would overlook the Clyde. The Planning "Proposal of Application Notice" in respect of this development has been submitted. A small adjoining site has been allocated for a hotel overlooking the River Kelvin.

The site of the former Scotway house was sold in December 2017 and opened in August 2019 as a 447 bed Student Development with circa 9,900 sq. ft. of food and beverage space. The group will lease the food and beverage element which forms part of the general food and beverage offering within the Outlets development. The former food store site at the west end of Glasgow Harbour is owned by the group and is allocated for residential development plus a circa 60,000 sq. ft. convenience retails development (which is currently being marketed).

On the group's adjacent land holding in Beith Street the development of student accommodation is complete with 1,500 beds across 3 developments. Phase 2 incorporated a food store which is trading exceptionally well. The final, remaining, phase 4 extends to 2.74 acres with conditional missives signed - subject to planning – for 4 blocks of private rented sector flatted accommodation.

Chatham Waters

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

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

In September 2017, a land sale for a family restaurant and pub was completed and it is now open and trading well.

Detailed planning permission has been secured for the first phase residential scheme, that includes 199 apartments for market sale. This is expected to be completed by early 2021.

The second phase residential scheme received planning approval in late 2018 for 193 residential units. The group are building this development on behalf of an institutional fund, being a Private Rental Scheme. Further residential schemes are also being worked up along with an Affordable Housing provision.

Strategic Report *continued*

Liverpool Waters

The scale of Liverpool Waters and its ambitious long-term vision make it one of the most prestigious waterfront investment and redevelopment opportunities in Europe. Some of the key milestones, consents and projects currently taking place at this site are listed below:

- Outline planning permission secured June 2013 with a 32-year lifespan
- Set over 60 hectares (150 acres) of vacant dockland and water
- Consent for 2 million square meters (20m sq. ft.) of mixed-use floor space including 9,000 homes.
- Total project value £5 billion

Progress within 2018/2019

- Rental Income £5.2m per annum from existing estate comprising 3 office buildings of 218,000 sq. ft. - 100% let and a 760 space Multi-storey car park , Industrial estate, ground rents from 5 residential blocks of 878 units, 2 Hotels.
- Commencement of two PRS schemes delivering 429 units, Regenda's Plaza 1821 and Moda's The Lexington, April 2018.
- New Cruise Liner Terminal secured Outline Planning Consent April 2018 with detailed design concluded and operating licenses awaited.
- Consent for Princes Dock Neighbourhood Masterplan secured June 2018
- Reserved Matters Application submitted for 100,00 sq. ft. office development at No 5 Princes Dock June 2018.
- Commencement of the Northern Link Road November 2018 with funding provided by Liverpool City Council/Combined Authority.
- Exchange of contracts with Isle of Man for new ferry terminal (September 2018) – subject to Planning Consent (secured April 2019) and various operating licenses – with start on site anticipated August 2019.
- Exchange of Contracts with ROMAL on C02 (November 2018) subject to Planning Consent with Application submitted December 2018 (decision anticipated September 2019)
- Balancing payment from ROMAL for C04/C06 secured (commencement of C04 - Park Central February 2019 and completion of C06 - Quay Central March 2019)
- Exclusivity Agreement exchanged with BCEGI (February 2019) ahead of potential contract to dispose of 5 acres of land (net developable).
- Completion of new opening for the Listed Princes Dock wall February 2019.
- Consent and commencement of the District Heat Network – February 2019.
- Consent, commencement and completion of the City of Liverpool College HUB December 2018 – March 2019.
- Planning Application submitted March 2019 for Hotel adjacent proposed Cruise Line Terminal.
- Agreement in place with Everton FC for land to accommodate new stadium subject to Planning Consent. Significant progress made within period included detailed design, funding and series of public consultation events held ahead of Planning submission October 2019.
- 2,000 people now working and living within the Liverpool Waters neighbourhoods.
- Multiple public, music and sporting events including visits from 67 cruise ships per year –attracting 300,000 people to Liverpool Waters.

Work is ongoing to update the approved masterplan, responding and accommodating current and future market needs and requirements. Negotiations progressing positively with numerous potential occupiers, investors and developers wishing to participate and build on the success to date.

The site was valued at £136.1m as at March 2019 (2018: £131.6m) and has a passing rent of £5.2m (2018: £4.6m).

Wirral Waters

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

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

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

Strategic Report *continued*

Wirral Waters continued

The Wirral Metropolitan Construction College (38,000 sq. ft.) was the first building to be delivered within Wirral Waters and within the Mersey Waters Enterprise Zone. On adjoining land The Tower Wharf office building (40,000 sq. ft.) has also been completed.

We now have a pipeline of mixed use, place-led deliverable projects to be clustered in 3 main areas in Wirral Waters: Northbank, which is a new residentially led neighbourhood, Four Bridges, a commercial, educational and cultural neighbourhood and MEA Park, a waterside manufacturing campus.

At Northbank, 3 housing projects are now 'live' including the £100m transformational Legacy Foundation project – a 500 unit PRS housing scheme. Planning permission has now been received and exchange of the Agreement for Lease with Wirral Council has taken place for the £17m Belong Extra Care facility, which is a residential project for residents living with dementia, and the Peel Land and Property/Urban Splash 50/50 Joint Venture. This £60m project comprises 350 new homes. These projects are underpinned by a £6m Housing Infrastructure Fund grant from Homes England.

At Four Bridges planning permission and a £3m SIF grant from the Combined Authority has been approved for a 30,000 sq. ft. BREEAM Excellent office building at Tower Road South. This adjoins the Maritime Knowledge Hub project, a cluster project between maritime industry and academia, and Egerton Square, an amenity and arts centre project.

At MEA Park, we have secured £1.5m of Wirral Waters Investment Fund money for a 70,000 sq. ft. B1/B2/B8 scheme which will sit alongside the Module Development Centre and Skills Factory.

The objective over the last 12 months has been to continue to address those hurdles to delivery through collaboration with the public sector.

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

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

Properties at Wirral Waters were valued at £92.6m at 31 March 2019 (2017: £92.1m).

Traffordcity/City Gateway

Traffordcity estate extends to approximately 550 acres and adjoins into Trafford Centre, home to a number of retail and leisure destinations. The investment portfolio has a value as at 31 March 2019 of £272m (2018: £254m) and a rent roll of £12.78m (2018: £12.17m). The destination includes substantial development and redevelopment opportunities. Outline planning permission was recently secured for the Trafford Waters Scheme in 2018, which will include 3,000 residential units and 1m sq. ft. of commercial space and a marina. Approximately £40m of road infrastructure improvement works to support the development have been carried out and the new road crossing the Manchester Ship Canal was opened in 2017.

In September Williams car dealership are expected to be opening their brand-new BMW, Mini and Jaguar Land Rover Car showrooms. It is also anticipated that the Metrolink will be operational by May 2020.

During the year a new Greene King family restaurant and pub has opened adjoining the Holiday Inn Express hotel that is managed by the group.

Significant asset management transactions during the year included the letting of 12,000 sq. ft. of grade A office space to Capgemini.

Manchester Waters

The landholding surrounding Cornbrook Metrolink station fronting onto Chester Road was acquired by the group over the last ten years. A mixed-use scheme including an hotel, retail and residential uses was submitted for planning. A regeneration framework of this area was approved by both Trafford and Manchester in 2015.

Strategic Report *continued*

Manchester Waters continued

Planning permission was secured for 280 residential apartments that is currently being constructed as a Private Rental Scheme for an institutional fund. The last remaining plot has the benefit of planning permission for an hotel to include 266 keys. Vacant possession of this plot is expected to be granted in early 2020. On Pomona Island a residential developer is currently constructing 216 dwellings for open market sale that are expected to be completed by the second quarter of 2020.

Planning permission has also been secured for another three towers. Comprising 526 apartments that will be built by a residential developer over the next 3.5 years.

A masterplan architect has been instructed to propose an updated masterplan for the remainder of the Pomona Island site.

Land and Planning

The Land and Planning department of the group manage an estate of 15,000 acres with a value in excess of £200m and has had another extremely active and positive year, achieving completed land sales of approximately £30m and delivering an increase of £11m in profit and revaluation uplift to the land portfolio.

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

The group completed a legacy project during the year successfully joining a partnership with the Royal Horticultural Society (RHS) and Salford City Council. The RHS have chosen the historic Estate of the Duke of Bridgewater at Worsley, Salford as the location for their new 5th garden. This represents a significant investment for the Salford area, which is excellent news for the whole of Greater Manchester and the North West. The project achieved planning consent and massive infrastructure works have taken place on site and we are pleased to note that Phase One of the garden should be open to the public in 2020.

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

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

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

Despite the Brexit uncertainty positive economic conditions for housebuilding remain steady although political uncertainty is making the planning arena more difficult and less positive. However, our current planning permissions and our applications portfolio, those that are under preparation, and our allocated development sites in local plans give us a very positive outlook and indicates that Land and Planning will continue to have further success over the next 12 to 24 months.

Environmental

In the year to 31 March 2019 the business generated a turnover of £3.7m (2018: £3.4m) and an operating profit before revaluations of £2.5m (2018: £1.5m). The gross book value for the business is £74.8m (2018: £71.8m).

Protos, the 134 acre / 2m sq. ft. energy park continued to make progress as part of the wider Cheshire Energy Innovation District. Construction commenced on the 124MWe additional grid connection in advance of the anticipated commencement of construction of Covanta's 49MWe Energy from Waste facility. Agreements to Lease were entered into with Progressive Energy and Waste2Tricity for environmental technology/energy projects.

Two additional leases were entered in to with UKPR for Short Term Operating Reserve (STOR) facilities on Peel L&P Property, together with the acquisition of a 236MW CCGT power station site at Derby and property at Cowsteads both with a back to back leases with UKPR. The total number of sites contracted with UKPR is now thirteen.

Strategic Report *continued*

Environmental continued

Disposals completed on three projects: South Clyde Energy Centre, Wardley Anaerobic Digestion facility and land at Barton Bridge. An option to lease was entered into for the Houghton Main Energy Centre project and the funding process for the delivery of the 35MWe Southmoor Energy Centre project commenced.

Results and financial performance and dividends

The group's results and financial position are set out in the profit and loss account, statement of comprehensive income, balance sheets and statements of changes in equity on pages 14 to 17.

Turnover on continuing activities for the year totalled £83.9m (2018: £84.8m).

Operating profit for the year from continuing activities was £49.7m (2018: £80.8m), driven mainly by surplus on revaluation of investment properties of £13.5m (2018: £38.8m) and other operating profit of £36.8m (2018: £42.8m).

Profit on the disposal of fixed assets was £18.1m (2018: £11.6m).

The net interest expense for the year was £71.6m (2018: £61.8m).

Net profit for the year was £0.2m (2018: £28.5m).

Shareholder's funds of the group were £530.2m at 31 March 2019 compared to £525.3m at 31 March 2018 due to profit achieved for the financial year.

Further details can be found on page 3, in the strategic report.

Principal risks and uncertainties

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

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

The main risk associated with the future departure of the UK from the EU is the potential negative impact on the macroeconomic environment. This is as a result of the uncertainty surrounding transitional and post-Brexit arrangement and broader consumer confidence. More specifically the group is affected by changes in sentiment in the investment and occupier market in which it operates. The group continues to monitor the situation closely.

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



John Schofield, A.C.A.

Director

27 September 2019

Report of the Directors *for the year ended 31 March 2019*

The directors submit their annual report together with the audited financial statements of the group for the year ended 31 March 2019.

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 principal 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

At 31 March 2019 the group is in a net current liability position. However, after making enquiries, along with the confirmation from Peel Holdings Land and Property Group Limited that they will continue to provide the necessary level of support to enable it to continue to operate for the foreseeable future, 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.
Neil Lees, A.C.I.S.
Peter Hosker, L.L.B.
John Schofield, A.C.A.

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

Financial risk management objectives and policies

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

Financial market rate risk

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

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

Credit risk

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

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

Liquidity risk

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

Report of the Directors *continued*

Dividends

The directors do not recommend the payment of a final dividend (2018: same).

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.

Political and charitable contributions

During the financial year, contributions by the group for charitable purposes totalled £36,305 (2018: £45,605). The group made no political contributions during the financial year (2018: same).

Auditor and the disclosure of information to the auditor


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

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

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

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

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



John Schofield, A.C.A.

Director

27 September 2019

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

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Peel Holdings Land and Property (UK) Limited (the 'parent company') and its subsidiaries (the 'group'):

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2019 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the group profit and loss account;
- the group statement of comprehensive income;
- the group and parent company balance sheets;
- the group statement of changes in equity;
- the parent company statement of changes in equity;
- the group cash flow statement; and
- the related notes 1 to 30.

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

We have nothing to report in respect of these matters.

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

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in respect of these matters.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

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

Matters on which we are required to report by exception

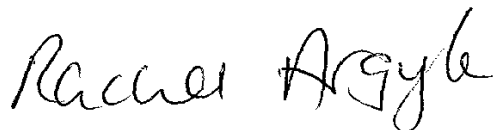
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

We have nothing to report in respect of these matters.

Use of our report

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



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

27 September 2019

Group Profit and Loss Account *for the year ended 31 March 2019*

	Note	2019 £'000	2018 £'000
Turnover	3	83,882	84,785
Group operating profit:			
Goodwill amortisation		(297)	(594)
Surplus on revaluation of investment properties		13,514	38,754
Impairment of stock properties		(335)	(125)
Other operating profit		36,837	42,788
Total operating profit		49,719	80,823
Share of joint venture operating profit	13(a)	615	1,536
Profit on disposal of fixed assets	4	18,111	11,605
Profit before interest and taxation		68,445	93,964
Net interest payable and similar expenses	5	(71,550)	(61,823)
(Loss)/profit before taxation	6	(3,105)	32,141
Tax on profit	7	3,307	(3,656)
Profit after taxation		202	28,485
Non-controlling interests	24	-	-
Profit for the financial year		202	28,485

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

All of the above results derive from continuing activities.

PEEL HOLDINGS LAND AND PROPERTY (UK) LIMITED

Group Statement of Comprehensive Income *for the year ended 31 March 2019*

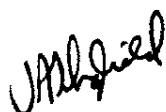
		2019 £'000	2018 £'000
Profit for the financial year		202	28,485
Unrealised net surplus on revaluation of operational buildings	12	1,728	2,566
Deferred tax relating to revaluation of operational buildings	20	(153)	(64)
Foreign exchange gains/(losses)		3,131	(5,011)
Other comprehensive income/(expense)		4,706	(2,509)
Total comprehensive income for the year		4,908	25,976
Profit for the year attributable to:			
Non-controlling interest	24	-	-
Equity shareholders of the company		202	28,485
		202	28,485
Total comprehensive income for the year attributable to:			
Non-controlling interest	24	-	-
Equity shareholders of the company		4,908	25,976
		4,908	25,976

Group and Company Balance Sheets *as at 31 March 2019*

		Group	Group	Parent Company	Parent Company
	Note	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Fixed assets					
Goodwill	10	340	637	-	-
Tangible assets					
Investment properties	11	1,527,540	1,604,619	-	-
Other fixed assets	12	66,067	63,248	-	-
Investments	13	8,907	8,497	779,453	779,354
		1,602,854	1,677,001	779,453	779,354
Current assets					
Stocks	14	48,229	13,721	-	-
Debtors	15	52,857	51,970	127,029	115,072
Cash at bank and in hand	16	67,281	46,247	177	3
		168,367	111,938	127,206	115,075
Creditors: amounts falling due within one year	17	(241,373)	(261,488)	(323,468)	(305,989)
Net current liabilities		(73,006)	(149,550)	(196,262)	(190,914)
Total assets less current liabilities		1,529,848	1,527,451	583,191	588,440
Creditors: amounts falling due after more than one year	18	(923,432)	(919,003)	(1,095)	(124)
Provisions for liabilities	20	(76,539)	(83,479)	-	-
Net assets		529,877	524,969	582,096	588,316
Capital and reserves					
Called up share capital	23	406,260	406,260	406,260	406,260
Share premium account		525,258	525,258	525,258	525,258
Revaluation reserve		17,434	16,782	-	-
Merger reserve		25,939	25,939	-	-
Negative goodwill reserve		87,330	88,394	-	-
Other reserves		2,550	2,550	-	-
Profit and loss account		(534,613)	(539,933)	(349,422)	(343,202)
Shareholder's funds		530,158	525,250	582,096	588,316
Non-controlling interests	24	(281)	(281)	-	-
Total capital employed		529,877	524,969	582,096	588,316

The loss for the financial year dealt with in the financial statements of the parent company was £6,220,000 (2018: £73,488,000).

The financial statements of Peel Holdings Land and Property (UK) Limited, company number 06497115, were approved by the directors and authorised for issue on 27 September 2019.



John Schofield, A.C.A.
Director

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

PEEL HOLDINGS LAND AND PROPERTY (UK) LIMITED

Group Statement of Changes in Equity for the year ended 31 March 2019

	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
At 1 April 2017	406,260	525,258	15,004	25,939	89,177	2,550	(564,914)	499,274
Profit for the financial year	-	-	-	-	-	-	28,485	28,485
Other comprehensive income/(expense)	-	-	2,502	-	-	-	(5,011)	(2,509)
Total comprehensive income	-	-	2,502	-	-	-	23,474	25,976
Transfer of excess depreciation charge	-	-	(724)	-	-	-	724	-
Realisation of negative goodwill	-	-	-	-	(783)	-	783	-
At 31 March 2018	406,260	525,258	16,782	25,939	88,394	2,550	(539,933)	525,250
Profit for the financial year	-	-	-	-	-	-	202	202
Other comprehensive income	-	-	1,575	-	-	-	3,131	4,706
Total comprehensive income	-	-	1,575	-	-	-	3,333	4,908
Transfer of excess depreciation charge	-	-	(923)	-	-	-	923	-
Realisation of negative goodwill	-	-	-	-	(1,064)	-	1,064	-
At 31 March 2019	406,260	525,258	17,434	25,939	87,330	2,550	(534,613)	530,158

Company Statement of Changes in Equity for the year ended 31 March 2019

	Called up share capital £'000	Share premium account £'000	Profit and loss account £'000	Total £'000
At 1 April 2017	406,260	525,258	(269,714)	661,804
Loss and other comprehensive expense for the financial year	-	-	(73,488)	(73,488)
At 31 March 2018	406,260	525,258	(343,202)	588,316
Loss and other comprehensive expense for the financial year	-	-	(6,220)	(6,220)
At 31 March 2019	406,260	525,258	(349,422)	582,096

Group Cash Flow Statement *for the year ended 31 March 2019*

	Note	2019 £'000	2018 £'000
Net cash flows from operating activities	26	51,909	42,742
Cash flows from investing activities			
Payments to acquire investment properties		(33,292)	(30,974)
Receipts from sales of investments properties		83,813	75,603
Payments to acquire other fixed assets			(3,060)
Receipts from sales of other fixed assets		1	-
Fees on sale of subsidiary		-	(299)
Cash balance disposed with subsidiary		-	(86)
Deferred receipts from sale of joint venture		424	-
Interest received		464	405
Net cash flow from investing activities		51,410	41,589
Cash flows from financing activities			
Interest paid		(61,827)	(64,478)
Finance lease interest paid		-	(150)
Loans to joint venture		(190)	(315)
Movements in restricted cash		(22,235)	(3,531)
Loans drawn down		21,636	2,387
Loans repaid		(40,366)	(5,486)
Payments under finance leases		(37)	(821)
Net cash flows from financing activities		(103,019)	(72,394)
Increase in cash in the year		300	11,937
Cash at beginning of year		26,777	15,076
Effect of foreign exchange rate changes		55	(236)
Cash at end of year		27,132	26,777
Reconciliation to cash at bank and in hand:			
Cash at bank		33,226	34,427
Overdrafts		(6,094)	(7,650)
		27,132	26,777
Restricted cash		34,055	11,820
Total cash		61,187	38,597

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 the United Kingdom under the Companies Act 2006 and is registered in England & Wales with company registration number 06497115. The registered office is Peel Dome, Intu Trafford Centre, Traffordcity, Manchester M17 8PL.

Accounting convention

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

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

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

Going concern

At 31 March 2019 the group is in a net current liability position and therefore 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 parent company and its subsidiary undertakings made up to 31 March each year.

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

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

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

The directors have adopted the basis of preparation set out above because they consider that it is necessary in order to give a true and fair view of the results of the group for the year ended 31 March 2019.

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

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

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

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

The separable net assets of subsidiary undertakings and joint ventures acquired are included in the group 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.

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

Goodwill

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

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

Investment properties

Investment properties 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.

Investment property sales are recognised upon unconditional exchange.

Other fixed assets

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

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

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

Notes to the Financial Statements *continued*

1. Accounting policies *continued*

Other fixed assets *continued*

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

Fixed asset investments

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

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

Stocks

Stocks are stated at the lower of cost, including attributable overheads and capitalised interest, to the group and net realisable value. Net realisable value represents the anticipated disposal proceeds less any associated costs. Stock is made up of discrete pieces of land and therefore a costing model would not be appropriate.

Cash and cash equivalents

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

Taxation

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

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

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

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

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

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

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

Notes to the Financial Statements *continued*

1. Accounting policies *continued*

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 are accounted for on an accruals basis and are recognised as the services are provided. Rental premiums allocated by the straight-line basis are accounted for on the same basis.

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.

Leased assets - group as lessee

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

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

Leased assets – group as lessor

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

Government grants

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

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

Notes to the Financial Statements *continued***1. Accounting policies *continued*****Bank borrowings**

Interest bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance expenses, 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 expenses

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

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

Provisions

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

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

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

Financial instruments**(i) Derivative financial instruments**

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

(ii) Financial assets and financial liabilities

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

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

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

Notes to the Financial Statements *continued***1. Accounting policies** *continued***Financial instruments** *continued***(ii) Financial assets and financial liabilities** *continued*

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

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

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

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

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

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

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

Impairment of financial assets

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

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

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

Fair value measurement

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

Notes to the Financial Statements *continued*

2. Critical accounting judgements and key sources of estimation uncertainty

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

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

Critical judgements in applying the group's accounting policies

The directors do not consider there to be any critical accounting judgements that must be applied other than those that include an element of uncertainty.

Key sources of estimation uncertainty

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

Investment properties

A key source of estimation and uncertainty relates to the valuation of investment properties, where a valuation is obtained annually, as at 31 March, either by professionally qualified external valuers, or by the group's own internal qualified staff. The evidence to support these valuations is based primarily on recent, comparable market transactions on an arm's length basis. However, the assumptions applied are inherently subjective and so are subject to a degree of uncertainty. The carrying value of investment property is £1,527,540,000 (2018: £1,604,619,000) and the key assumptions applied can be found in note 11.

Other fixed assets

A key source of estimation and uncertainty relates to the valuation of other fixed assets, where a valuation is obtained annually, as at 31 March, either by professionally qualified external valuers, or by the company's own internal qualified staff. The evidence to support these valuations is primarily on recent, comparable market transactions at an arm's length basis. However, the assumptions applied are inherently subjective and so are subject to a degree of uncertainty. Valuations are one of the principal uncertainties of the company. The carrying value of other fixed assets is £66,067,000 (2018: £63,248,000) and the key assumptions applied can be found in note 12.

Fair value of derivative financial instruments

The fair value of derivative financial instruments is calculated using a discounted cash flow approach and using inputs based on observable market data. Where material, the credit risk associated with the derivatives is reflected in its calculation methodology. Judgement is used to determine whether the credit risk associated with the derivatives has changed materially over time based on market transactions and prices and, where this is the case, the credit factor is adjusted in the valuation calculation. The carrying value of derivative financial instruments is £12,653,000 (2018: £8,802,000).

Notes to the Financial Statements *continued*
3. Analysis of turnover and operating profit

	2019	Group	2018
	£'000		£'000
Turnover			
Gross rental income from investment property	69,526		72,388
Trading property sales	5,525		327
Rent premium income	1,031		952
Environment and resource development income	3,131		2,084
Advertising income	-		3,122
Waterways income	1,098		1,077
Utility income	539		1,212
Other	3,032		3,623
	83,882		84,785
Direct costs	(21,580)		(20,920)
Gross profit	62,302		63,865
Administrative expenses	(28,623)		(26,693)
Impairment of stock properties	(335)		(125)
Goodwill amortisation	(297)		(594)
Surplus on revaluation of investment properties	13,514		38,754
Other income	3,158		5,616
	(12,583)		16,958
Group operating profit	49,719		80,823
Share of operating profit of joint venture companies	615		1,536
Operating profit (including group's share of joint ventures' operating profit)	50,334		82,359

With the exception of rental income of £4,818,000 (2018: £4,226,000) arising overseas (Bermuda and the Bahamas), all of the group's turnover during the financial year arose in the United Kingdom.

4. Profit on disposal of fixed assets

	Group	Group
	2019	2018
	£'000	£'000
Investment properties	17,686	10,184
Other fixed assets	1	-
Subsidiaries	-	1,421
Joint ventures	424	-
	18,111	11,605

The effect of the profit on disposal of fixed assets on the amount charged to the profit and loss account for taxation was £10,454,000 (2018: £10,359,000). However, this is offset by trading losses.

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

	Group 2019 £'000	Group 2018 £'000
Interest payable and similar expenses:		
On bank loans and overdrafts	31,553	29,986
Amortisation of loan fees	1,558	1,500
On first mortgage debenture stock	30,614	32,008
Other interest	797	635
On amounts owed to group undertakings	4,392	3,663
Joint venture interest	291	285
Finance lease interest	-	150
	69,205	68,227
Interest receivable and similar income:		
On bank and other deposits	(12)	(6)
Other interest	(452)	(399)
	68,741	67,822
Net exchange difference on foreign currency	(1,042)	1,645
Movement in fair value of interest rate swaps	3,851	(7,644)
Net interest payable and similar expenses	71,550	61,823

Notes to the Financial Statements *continued***6. (Loss)/profit before taxation**

	Group 2019 £'000	Group 2018 £'000
Profit before taxation is stated after charging/(crediting):		
Surplus on revaluation of investment properties	(13,514)	(38,754)
Depreciation of other fixed assets - owned assets	2,256	2,241
Impairment of stock properties	335	125
Operating leases for plant and machinery	31	307
Foreign exchange (gains)/loss	(1,042)	1,645
Goodwill amortisation	297	594
Profit on disposal of fixed assets (note 4)	(18,111)	(11,605)
Cost of stock recognised as an expense	1,292	6
Share of operating profit of joint venture companies	(615)	(1,536)

Auditor's remuneration was borne by Peel L&P Group Management Limited and not recharged (2018: borne by Peel Group Management Limited) as follows:

	2019 £'000	2018 £'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	13	12
The audit of the company's subsidiaries financial statements pursuant to legislation	376	358
Total audit fees	389	370
Tax compliance services	82	343
Other taxation advisory services	20	50
Other services	15	22
Total non-audit fees	117	415
	117	785

Notes to the Financial Statements *continued*

7. Tax on profit

	Group	Group
	2019	2018
	£'000	£'000
Current tax:		
Group relief	(50)	(88)
Adjustment in respect of prior years	3,761	2,885
Total current tax charge	3,711	2,797
Deferred tax:		
Origination and reversal of timing differences	(7,093)	738
Total deferred tax (note 20)	(7,093)	738
Share of joint ventures' tax	75	121
Total tax on profit	(3,307)	3,656
Reconciliation of total tax charge/(credit):		
Tax on profit at standard UK corporation tax rate of 19% (2018: 19%)	(590)	6,107
Expenses not deductible for tax purposes	1,236	1,489
Rate difference on overseas profits	335	(6)
Adjustments in respect of prior years	1,179	3,208
Share of joint ventures	(24)	(117)
Difference in tax rate on current year deferred tax	810	139
Unrecognised movement on deferred tax in relation to investment property	(10,358)	(8,762)
Unrecognised movement on deferred tax in relation to losses	4,105	1,598
Total tax (credit)/charge	(3,307)	3,656

The standard rate of tax applied to the reported profits is 19% (2018: 19%).

8. Particulars of staff

The group and the company have no employees other than the directors (2018: same).

9. Directors' remuneration

The remuneration of directors of the company was as follows:

	2019	2018
	£'000	£'000
Emoluments	165	161
Company contributions to personal pension scheme	8	8
Total	173	169

The number of directors participating in the company's money purchase pension scheme is nil (2018: same).

The majority of directors of the company were remunerated by Peel Group Management Limited and Peel L & P Group Management Limited for their services to the group as a whole; it is not practicable to allocate their remuneration between their services to group companies.

Share options

None of the directors exercised options to acquire ordinary shares of the company (2018: same).

Notes to the Financial Statements *continued*

10. Goodwill

	Group Goodwill £'000
Cost:	
At 1 April 2018 and 31 March 2019	2,741
Amortisation:	
At 1 April 2018	2,104
Amortised in the year	297
At 31 March 2019	2,401
Net Book Value:	
At 31 March 2019	340
At 31 March 2018	637

11. Investment properties

	Freehold £'000	Group Long leasehold £'000	Total £'000
Valuation:			
At 1 April 2018	1,580,766	23,853	1,604,619
Additions	29,852	316	30,168
Disposals	(64,383)	-	(64,383)
Lease incentives	912	-	912
Reclassification to stock	(34,133)	-	(34,133)
Intercompany transfer	(27,197)	-	(27,197)
Revaluations	5,225	8,289	13,514
Exchange adjustments	3,958	82	4,040
At 31 March 2019	1,495,000	32,540	1,527,540
Professional Valuation:			
March 2019 – External	796,740	5,100	801,840
March 2019 – Directors	698,260	27,440	725,700
	1,495,000	32,540	1,527,540

The historical cost to the group of all investment properties is £1,063,036,000 (2018: £1,102,098,000).

Capitalised interest

Investment properties include capitalised interest in aggregate amounting to £2,988,000 (2018: £2,989,000).

Notes to the Financial Statements *continued***11. Investment properties** *continued***Valuations**

53% (2018: 54%) of the investment property portfolio was professionally valued by external Royal Institution of Chartered Surveyors valuers and the remainder was professionally valued by the group's own Royal Institution of Chartered Surveyors qualified staff.

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

50% of the investment property portfolio was professionally valued by Jones Lang LaSalle, RICS qualified property consultants, using the investment approach.

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

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

	2019	2018
	£'000	£'000
Jones Lang LaSalle	761,177	806,545
SLR Consulting Limited	1,918	54,982
Carter Jonas	38,745	-
	801,840	861,527

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

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

Restrictions

Included in the portfolio are investment properties valued at £1,443,144,000 (2018: £1,576,346,000) for which proceeds of disposal are subject to restrictions under the banking facilities. The cash is only released when there is sufficient loan to value headroom.

Notes to the Financial Statements *continued***12. Other fixed assets**

	Operational buildings £'000	Plant and vehicles £'000	Total £'000
Cost or valuation:			
At 1 April 2018	63,907	5,860	69,767
Additions	2,409	715	3,124
Disposals	-	(133)	(133)
Revaluations	594	-	594
Foreign exchange adjustments	-	403	403
At 31 March 2019	66,910	6,845	73,755
Depreciation:			
At 1 April 2018	3,676	2,843	6,519
Charge for the financial year	1,845	411	2,256
Disposals	-	(133)	(133)
Revaluations	(1,134)	-	(1,134)
Foreign exchange adjustments	-	180	180
At 31 March 2019	4,387	3,301	7,688
Net Book Value:			
At 31 March 2019	62,523	3,544	66,067
At 31 March 2018	60,231	3,017	63,248

The historical cost to the group of operational buildings is £45,089,000 (2018: £43,449,000).

All other fixed assets other than operational buildings at 31 March 2019 are held at depreciated historical cost to the group.

At 31 March 2019 operational buildings are all freehold.

Valuations

Some of the group's operational buildings were externally valued at 31 March 2019 comprising 49% of the portfolio (2018: 51%) and remainder were professionally valued using the group's own Royal Institution of Chartered Surveyors qualified staff.

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

Notes to the Financial Statements *continued*

12. Other fixed assets *continued*

Valuations *continued*

43% of the operational buildings portfolio was professionally valued by Jones Lang LaSalle, RICS qualified property consultants, using the investment approach. The methodology involves calculating the present value of the future rent and royalty income using a discount rate which reflects current economic and market indicators and any specific factors relevant to each site. The assets are classified as specialist property with minimal evidence of comparable transactions therefore the valuers have discounted the valuation to reflect this. The valuers are qualified chartered surveyors who have considerable specialist expertise in valuing this type of asset.

An operational wind farm forming 6% of the operational buildings portfolio has been professionally valued by Carter Jonas, RICS qualified property consultants and wind surveyors, at 31 March 2019 on the basis of the open market value. The value has been calculated using the Discounted Cash Flow method as per Section 4.6 of the RICS guidance note on the valuation of renewable energy schemes. The valuation has been based on the remaining 13 years and 9 months term of the leasehold interest and takes into account a forecast of the annual energy generation yield and the current and forecast selling price for renewable energy registered for Renewable Obligation Certificates.

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

	2019	2018
	£'000	£'000
Jones Lang LaSalle	27,000	26,600
Carter Jonas	3,750	-
SLR Consulting Limited	-	4,080
	30,750	30,680

13. Investments

Investments comprise:

	Group 2019 £'000	Group 2018 £'000	Parent Company 2019 £'000	Parent Company 2018 £'000
Joint ventures	8,907	8,497	1,087	1,338
Fixed asset investments	-	-	778,366	778,016
	8,907	8,497	779,453	779,354

(a) Joint ventures

	Group £'000
Carrying value before impairment	
At 1 April 2018	10,064
New loans	412
Distributions received	(251)
Share of operating result for the year	615
Share of interest for the year	(291)
Share of tax for the year	(75)
At 31 March 2019	10,474
Impairment:	
At 1 April 2018 and at 31 March 2019	1,567
Net carrying value:	
At 31 March 2019	8,907
At 31 March 2018	8,497

Notes to the Financial Statements *continued***13. Investments** *continued***(a) Joint ventures** *continued*

Investment in joint ventures represents:

	Group 2019 £'000	Group 2018 £'000
Group share of net assets	3,136	3,138
Amounts owed by joint ventures	5,771	5,359
	<u>8,907</u>	<u>8,497</u>

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**Parent company**

	Shares in subsidiary undertakings £'000	Loans to Joint ventures £'000	Total £'000
Cost:			
At 1 April 2018	1,135,624	1,338	1,136,962
Distributions received	-	(251)	(251)
Additions	350	-	350
<u>At 31 March 2019</u>	<u>1,135,974</u>	<u>1,087</u>	<u>1,137,061</u>
Impairment:			
At 1 April 2018 and at 31 March 2019	357,608	-	357,608
Net Book Value:			
At 31 March 2019	778,366	1,087	779,453
At 31 March 2018	778,016	1,338	779,354

The addition in the year is the acquisition of Protos Finance Limited.

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

Notes to the Financial Statements *continued*

13. Investments *continued*

(b) Fixed asset investments *continued*

Subsidiary undertakings and joint ventures

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

Subsidiary undertakings

The subsidiary undertakings consolidated as at 31 March 2019, all of which were wholly owned ordinary shares unless otherwise stated were as follows:

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

Notes to the Financial Statements *continued*13. Investments *continued*(b) Fixed asset investments *continued*Subsidiary undertakings *continued*

Incorporated	Company	Principal Activities
Scotland	Clydeport Terminal Limited	Dormant company
England & Wales	Corinium Properties Limited	Dormant company
England & Wales	Flaskranch Limited	Dormant company
England & Wales	Knight & (Co Services) Limited	Dormant company
England & Wales	London Shop (Crosby) Limited	Dormant company
England & Wales	Londrock Finance Company Limited	Dormant company
England & Wales	MSC (Waste) Limited	Dormant company
England & Wales	Peel (Anglia) Limited	Dormant company
England & Wales	Peel Investments (Anglia) Limited	Dormant company
England & Wales	Peel Housing (Anglia) Limited	Dormant company
England & Wales	Peel Homes (Anglia) Limited	Dormant company
England & Wales	Peel Commercial (S.E.) Limited	Dormant company
England & Wales	Peel Farms Limited	Dormant company
England & Wales	Peel Homes Limited	Dormant company
England & Wales	Peel Land Limited	Dormant company
England & Wales	Peel North East Limited	Dormant company
England & Wales	Peel Land and Property (No.2) Limited	Dormant company
England & Wales	Peel Developments (N.E.) Limited	Dormant company
England & Wales	Sheffield Heliport Limited	Dormant company
England & Wales	South Yorkshire Emergency Services Centre Limited	Dormant company
England & Wales	Peel North West Limited	Dormant company
England & Wales	Peel Commercial (N.W.) Limited	Dormant company
England & Wales	Peel Developments (N.W.) Limited	Dormant company
England & Wales	Toll House Motors Limited	Dormant company
England & Wales	Peel Securities (N.W.) Limited	Dormant company
England & Wales	Peel Properties (S.E.) Limited	Dormant company
England & Wales	Peel Securities (S.E.) Limited	Dormant company
England & Wales	Peel South West Limited	Dormant company
England & Wales	Peel Commercial (S.W.) Limited	Dormant company
England & Wales	Peel Developments (S.W.) Limited	Dormant company
England & Wales	Peel Investments (S.W.) Limited	Dormant company
England & Wales	Peel Properties (S.W.) Limited	Dormant company
England & Wales	Earlbroom Limited	Dormant company
England & Wales	Hartlebury Trading Estate Limited	Dormant company
England & Wales	MediaCity Studios Limited	Dormant company
England & Wales	Sudbrook Trading Estate Limited	Dormant company
England & Wales	Princes Dock Development Company No.5 Limited	Dormant company
England & Wales	Rio De Janeiro Land, Mortgage and Investments Agency Company Limited	Dormant company
England & Wales	The Quay (Flexible Office Space) Limited	Dormant company
England & Wales	Peel Holdings (Overseas) Limited	Holding company
Bermuda	Washington Properties (Bermuda) Limited	Property investment
England & Wales	Blundell's Wood Management Company Limited	Management of service charges
England & Wales	Hilton Lane Management Company Limited	Management of service charges
England & Wales	Imagine Park Management Company Limited	Management of service charges
England & Wales	Peel Airports (Liverpool) Limited	Property investment
England & Wales	Principal Management Company Limited	Dormant
England & Wales	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

Notes to the Financial Statements *continued*

13. Investments *continued*

(b) Fixed asset investments *continued*

Subsidiary undertakings *continued*

Incorporated	Company	Principal Activities
England & Wales	Mediacity:UK Limited	Dormant
England & Wales	Peel Investments and Property Limited	Property investment
England & Wales	Port Salford Developments No 1 Limited	Property development
England & Wales	Wirral Waters Holdings No.1 Limited	Holding company
England & Wales	Peel Investments (South) Limited	Dormant
England & Wales	Peel Investments (N.W.) Limited	Dormant
England & Wales	Peel Properties (N.W.) Limited	Dormant
England & Wales	Peel Securities (S.W.) Limited	Dormant
England & Wales	Port Salford Developments (Rhenus) Limited	Dormant
England & Wales	Peel Investments (Leisure) Limited	Dormant
Scotland	Glasgow Harbour Limited	Property investment and development
Scotland	Glasgow Harbour Management Limited	Property investment and development
Scotland	Glasgow Harbour (Byron Street) Limited	Property investment and development
Scotland	Glasgow Harbour Developments Limited	Property investment and development
England & Wales	Seaforth Wind Farm Limited	Operation of wind farm
England & Wales	Middle Warehouse Residential Limited	Dormant
England & Wales	East Float Quay Management Limited	Dormant
England & Wales	Garrett Lane Management Company Limited	Dormant
England & Wales	Vicars Hall Management Company Limited	Dormant
England & Wales	Worsley Meadow Management Company Limited	Dormant
England & Wales	Worsley Woodland Grange Management Company Limited	Dormant
England & Wales	Peel Pet Products Limited	Dormant
England & Wales	Peel Holdings Energy (No.2) Limited	Dormant
England & Wales	Peel Energy (No.2) Limited	Dormant
England & Wales	Peel Land and Property (Ports No.3) Limited	Property investment
Scotland	Clydemore Properties Limited	Property development and investment
England & Wales	Peel Properties (MSC) Limited	Dormant
England & Wales	Peel Red City Holdings Limited	Dormant
England & Wales	Peel Legacy (Wirral Waters) Limited	Property development
England & Wales	Simpson Grove Boothstown Management Company Limited	Dormant
England & Wales	NW Hydrogen Alliance Limited	Consultancy
England & Wales	Peel Partnerships Wirral Waters Limited	Construction
England & Wales	Pemberton Commercial Management Company Limited	Dormant
England & Wales	Southmoor Energy Centre Limited	Waste disposal
England & Wales	Protos Finance Limited	Dormant
England & Wales	Peel Developments (U.K.) Limited	Holding company
England & Wales	Ship Canal Enterprises Limited	Dormant
Scotland	Clydeside Investment Properties Limited	Property development and investment
England & Wales	Glasgow Harbour Properties Limited	Dormant
Scotland	Arma Developments Limited	Dormant

* 80% owned.

Notes to the Financial Statements *continued***13. Investments** *continued***(b) Fixed asset investments** *continued***Joint Ventures**

The joint ventures as at 31 March 2019 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
England & Wales	USP WW Limited	50%	Ordinary	Property development

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

Notes to the Financial Statements *continued***13. Investments** *continued***(b) Fixed asset investments** *continued***Audit exemption**

The subsidiary undertakings also consolidated at 31 March 2019, 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 Property (Partnerships) Limited	06474584	Property investment
England & Wales	Peel Property (No.2) Limited	05060256	Holding company
England & Wales	The Saddlery Investments Limited	04478959	Property development
England & Wales	Peel Land and Property (I Topco) Limited	05860415	Holding company
England & Wales	Ionica Limited	02561924	Dormant
England & Wales	MSCD Advent Management Limited	06916662	Property development and management
Scotland	Peel Land and Property (Ardrossan) Limited	SC371334	Holding company
Scotland	Peel Land and Property (James Watt Dock) Limited	SC337879	Holding company
England & Wales	Peel Land and Property (Liverpool) Limited	07257212	Holding company
England & Wales	Peel Airports Property Limited	07257201	Holding company
Isle of Man	Largs Limited	FC017057	Dormant
England & Wales	Mersey Docks Property Holdings Limited	02184084	Dormant
England & Wales	Mersey Docks Property Investments Limited	02414231	Dormant
Northern Ireland	Princes Dock Development Company No.4 Limited	NI012849	Dormant
England & Wales	Princes Dock Office Company No.8 Limited	03313898	Dormant
England & Wales	Princes Dock Office Company No. 9 Limited	03591254	Dormant
England & Wales	Princes Dock Office Company No.12 Limited	04261315	Dormant
England & Wales	Princes Dock Hotel Limited	03313877	Dormant
England & Wales	Woodside Business Park Limited	02182612	Dormant
England & Wales	Mersey Docks Property Developments Limited	02463199	Dormant
England & Wales	Peel Land and Property Holdings (CL) Limited	05766760	Dormant
England & Wales	Peel Land and Property Investments (CL) Limited	05799371	Dormant
England & Wales	Manchester Heliport Limited (formerly Reddington Developments Limited)	04748064	Dormant
England & Wales	Reddington Finance Limited	04748064	Dormant
England & Wales	Reddington Holdings Limited	05289055	Dormant
Scotland	Clydeport Longhaugh A Limited	SC276234	Dormant
Scotland	Clydeport Longhaugh B Limited	SC276236	Dormant
Scotland	Clydeport Longhaugh C Limited	SC276233	Dormant
England & Wales	North Clyde Recycling Centre Limited	08063323	Operation of recycling centre
England & Wales	Peel Investments Environmental UK Limited	07089653	Holding company
England & Wales	Ayrshire Power Holdings Limited	06516547	Dormant
England & Wales	Ayrshire Power Limited	06540673	Dormant
England & Wales	Peel Scout Moor Services Limited	08813076	Dormant
England & Wales	Peel Wind Farms (Asfordby) Limited	07551041	Dormant
England & Wales	Peel Wind Farms (Plenmeller) Limited	07551054	Dormant
England & Wales	Peel Wind Farms (Projects) Limited	07075316	Dormant
England & Wales	Peel Wind Farms (Seaforth) Limited	07075239	Dormant
England & Wales	South Clyde Energy Centre Limited	08063497	Dormant
England & Wales	Peel Holdings (Telecommunications) Limited	06374293	Holding company
England & Wales	Peel Telecommunications (Holdings) Limited	05785837	Holding company
England & Wales	Peel Telecommunications Limited	04713209	Communication services
Scotland	Arma Developments Limited	SC116213	Dormant

Notes to the Financial Statements *continued*13. Investments *continued*(b) Fixed asset investments *continued*Audit exemption *continued*

Incorporated	Company	Company Number	Principal Activities
England & Wales	Peel Environmental Protos Limited	05683333	Property development and investment
England & Wales	Peel Environmental Holdings Limited	05683935	Holding company
England & Wales	Peel Holdings (Environmental) Limited	05892782	Holding company
Scotland	Glasgow Harbour Investments Limited	SC222103	Dormant
England & Wales	Peel Holdings (Living Investments) Limited	07145269	Dormant
England & Wales	Peel Living Investments Holdings Limited	07145120	Dormant
England & Wales	Peel Living Investments (No.2) Limited	07268016	Dormant
England & Wales	Peel Living Investments No.1 Limited	07369967	Dormant
England & Wales	Peel L & P Environmental Management (UK) Limited (formerly Peel Environmental Management (UK) Limited)	07580930	Dormant
England & Wales	Peel Holdings (Glasgow Harbour) Limited	6497128	Dormant
England & Wales	Manchester Ship Canal Developments Limited	02181411	Property development
England & Wales	Manchester Ship Canal Developments Advent Limited	04443848	Property development
England & Wales	Peel Investments (Leisure) Limited	06690177	Dormant
England & Wales	NW Hydrogen Alliance Limited	11330273	Engineering Consulting

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

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

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

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

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

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

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

14. Stocks

	Group 2019 £'000	Group 2018 £'000
Land held for development	48,229	13,721

The replacement cost of the above stock is estimated to be £48,872,000 (2018: £16,552,000).

Notes to the Financial Statements *continued***15. Debtors**

	Group	Group	Parent Company	Parent Company
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Trade debtors	14,874	11,465	8	98
Amounts owed by group undertakings	6,638	761	126,627	114,634
Development deposits and prepaid costs	3,610	1,702	-	-
Other debtors	23,287	28,001	246	311
Prepayments and accrued income	4,448	10,041	148	29
	52,857	51,970	127,029	115,072

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

	Group	Group	Parent Company	Parent Company
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Other debtors	180	3,360	-	-

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

	Group	Group	Parent Company	Parent Company
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Amounts owed by group undertakings	2	-	116,008	99,377

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

16. Cash at bank and in hand

	Group	Group	Parent Company	Parent Company
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Unrestricted cash	33,226	34,427	177	3
Restricted cash	34,055	11,820	-	-
	67,281	46,247	177	3

Restricted cash

£3,336,000 (2018: £6,978,000) of restricted cash arises due to interest or capital payment guarantees under the group's banking facilities.

£30,719,000 (2018: £4,842,000) relates to proceeds of property sales and is restricted under the terms of security arrangements under the group's banking facilities.

Notes to the Financial Statements *continued***17. Creditors: amounts falling due within one year**

	Note	Group 2019 £'000	Group 2018 £'000	Parent Company 2019 £'000	Parent Company 2018 £'000
Unsecured bank loans and overdrafts		6,094	7,650	-	2,325
First Mortgage Debenture Stocks		-	12,579	-	-
Secured bank loans		3,078	2,896	-	-
Secured other loans		3,500	7,899	-	-
Unsecured other loans		1,567	1,550	-	-
Finance leases	19(b)	364	-	364	-
Debt falling due within one year		14,603	32,574	364	2,325
Trade creditors		9,631	8,170	16	980
Development costs to site completion		5,481	5,545	-	-
Amounts owed to group undertakings		154,762	154,350	322,786	302,311
Other taxes and social security		11	7	-	-
Government grants		86	86	-	-
Other creditors		17,946	15,888	222	10
Accruals and deferred income		38,853	44,868	80	363
		241,373	261,488	323,468	305,989

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

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

	Group 2019 £'000	Group 2018 £'000	Parent Company 2019 £'000	Parent Company 2018 £'000
Amounts owed to group undertakings	148,766	150,062	321,775	301,740

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

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

18. Creditors: amounts falling due after more than one year

	Note	Group 2019 £'000	Group 2018 £'000	Parent Company 2019 £'000	Parent Company 2018 £'000
First Mortgage Debenture Stocks		381,893	383,223	-	-
Secured bank loans		509,539	508,232	-	-
Secured other loans		6,697	5,500	-	-
Unsecured other loans		11,555	13,122	-	-
Finance leases	19(b)	1,095	124	1,095	124
Debt falling due after more than one year		910,779	910,201	-	124
Derivative financial instruments (note 22)		12,653	8,802	-	-
		923,432	919,003	1,095	124

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

Notes to the Financial Statements *continued***19. Group debt****(a) Analysis of group net debt**

	Group 2019 £'000	Group 2018 £'000
Creditors: amounts falling due within one year	14,603	32,574
Creditors: amounts falling due after more than one year	910,779	910,201
Gross debt	925,382	942,775
Cash at bank and in hand	(67,281)	(46,247)
Group net debt	858,101	896,528

(b) Analysis of gross debt**Finance leases**

	Group 2019 £'000	Group 2018 £'000	Parent Company 2019 £'000	Parent Company 2018 £'000
Finance leases due:				
Within 1 year	364	-	364	-
1-2 years	384	24	384	24
2-5 years	711	100	711	100
	1,459	124	1,459	124

The above amounts represent the both the fair value of the minimum lease payments and the minimum lease payments.

Other debt

	Group 2019 £'000	Group 2018 £'000
Overdrafts, bank and other loans due:		
Within 1 year	14,239	32,574
1-2 years	19,850	2,812
2-5 years	302,110	316,503
	336,199	351,889
After five years – by instalments	35,701	163,290
After five years – not by instalments	552,023	427,472
	923,923	942,651
Total gross debt	925,382	942,775

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

	Interest rate	Maturing	Secured/ unsecured	Carrying value 2019 £'000	Carrying value 2018 £'000
First Mortgage Debenture Stock	11.625%	2018	Secured	-	12,579
First Mortgage Debenture Stock	10.0%	2026	Secured	124,299	125,720
First Mortgage Debenture Stock	8.375%	2040	Secured	257,594	257,503
Revolving credit facility of £300m	LIBOR plus margin	2023	Secured	292,391	288,312
Bilateral loan	6.40%	2031	Secured	183,202	185,378
Bilateral loan	4.66%	2031	Secured	37,023	37,438
Non-bank loan	EC Reference rate plus margin	2021	Unsecured	11,000	11,000
Non-bank loan	EC Reference rate plus margin	2021	Secured	2,500	2,500
Non-bank loan	Interest- free	2020	Unsecured	2,123	3,672
Non-bank loan	3.02%	2019	Secured	-	4,399
Non-bank loan	3.02%	2021	Secured	6,500	6,500
Non-bank loan	EC Reference rate plus margin	2021	Secured	1,197	-
				917,829	935,001

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

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

The group's net borrowings at 31 March 2019 of £858 m (2018: £897m) produced a gearing ratio of net debt to shareholders' funds at 162% (2018: 171%).

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 2019 the group had unused bank facilities of £4m (2018: £14m).

The present market value of the group's debenture stocks as at 31 March 2019 shows a post-tax "mark to market" value of £97.642m of excess over book value (2018: £105.988m).

(c) Analysis of movement in group net debt

	1 April 2018 £'000	Cash flow £'000	Non-cash adjustments £'000	Reclass £'000	31 March 2019 £'000
Cash at bank	34,427	(1,256)	55	-	33,226
Restricted cash	11,820	22,235	-	-	34,055
	46,247	20,979	55	-	67,281
Overdrafts	(7,650)	1,556	-	-	(6,094)
Total cash	38,597	22,535	55	-	61,187
Debt due within one year (excluding overdrafts)	(24,924)	21,424	-	(5,009)	(8,509)
Debt due after more than one year	(910,201)	(2,657)	(2,930)	5,009	(910,779)
Net debt	(896,528)	41,302	(2,875)	-	(858,101)

Non-cash adjustments are amortised loan arrangement fees and new finance leases.

Notes to the Financial Statements *continued*

20. Provisions for liabilities

	Deferred Taxation £'000	Legal Claim £'000	Group Total £'000
At 1 April 2018	81,966	1,513	83,479
Profit and loss account (note 7)	(7,093)	-	(7,093)
Revaluation reserve	153	-	153
At 31 March 2019	75,026	1,513	76,539

The provision for legal claim represents an amount which is expected to be paid in respect of utilities costs. It is not possible to predict when the court case will be settled and payment will become due.

Provision is made for deferred taxation at a rate of 17% (2018: 17%), the amount provided being:

	Group 2019 £'000	Group 2018 £'000
Capitalised land remediation relief	1,301	968
Capitalised interest	2,876	1,910
Interest rate swaps	(2,151)	(1,496)
Revalued investment properties	80,041	91,149
Revalued operational assets	2,999	2,846
Fixed asset timing differences	6,243	5,920
Short term timing differences	(2)	(1)
Losses	(16,281)	(19,330)
	75,026	81,966

There are unrecognised losses of £1,945,000 (2018: £2,283,000). Deferred tax has not been recognised because future profits against which it would reverse cannot be forecast with sufficient certainty.

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

During the year commencing 1 April 2019, the net reversal of deferred tax liabilities is expected to increase the corporation tax charge for the year by £4,595,000. This is due to the realisation of contingent gains provided on investment properties. There is no expiry date on timing differences, unused tax losses or tax credits.

Notes to the Financial Statements *continued***21. Operating leases****(a) Operating lease commitments**

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

	2019 £'000	2018 £'000
Payments due within:		
1 year	-	212
1-2 years	-	129
2-5 years	-	84
	-	425

(b) Operating lease receivables

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

	2019 £'000	2018 £'000
Receipts due within:		
1 year	56,780	58,844
1 – 2 years	49,440	50,431
2 – 5 years	123,869	122,116
Over 5 years	2,081,622	2,046,680
	2,311,711	2,278,071

After later consideration of the method used to identify future non-cancellable operating leases, the prior year amounts have been re-stated.

22. Derivative financial instruments

	Current		Non-current	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Derivatives that are designed and effective as hedging instruments carried at fair value				

Liabilities

Interest rate swaps measured at fair value	-	-	12,653	8,802
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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	Average contract fixed		Notional principal		Fair value	
Fixed contracts	Interest rate		value			
	2019 %	2018 %	2019 £'000	2018 £'000	2019 £'000	2018 £'000
2 to 5 years	2.29	2.29	225,000	225,000	(12,653)	(8,802)

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 loss of £3.9m (2018: gain £7.6m) was recognised in the profit and loss account on movements in the value of swaps in the year.

Notes to the Financial Statements *continued***23. Called up share capital and reserves**

Allotted and fully paid Equity share capital	Group and Parent Company	
	Number	£'000
Ordinary shares of £1 each:		
At 1 April 2018 and at 31 March 2019	406,259,707	406,260

The group and company's reserves are as follows:

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

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.

24. Non-controlling interests

	Equity	Group Non- equity	Total
	£'000	£'000	£'000
At 1 April 2018 and at 31 March 2019	(277)	(4)	(281)

25. 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. No amounts were unpaid at the end of the year (2018: £nil).

26. Note to the group cash flow statement

	2019 £'000	2018 £'000
Reconciliation of operating profit to cash generated by operations		
Group operating profit	49,719	80,823
Non-cash adjustments:		
Revaluation surplus on investment properties	(13,514)	(38,754)
Creation less amortisation of lease incentives	(912)	(1,924)
Depreciation of other fixed assets	2,256	2,241
Amounts written off stock	335	125
Goodwill amortisation	297	594
Operating cash flow before movement in working capital	38,181	43,105
Movement in stocks	(710)	(116)
Movement in debtors	19,741	(10,835)
Movement in creditors	(5,303)	9,986
Taxes refunded	-	602
Net cash flows from operating activities	51,909	42,742

Notes to the Financial Statements *continued***27. Capital commitments**

	Group 2019 £'000	Group 2018 £'000
Capital expenditure contracted for but not provided for in these financial statements	42,718	51,942

28. Contingent liabilities

- (a) As at 31 March 2019, the group's banks had provided road bonds and guarantees amounting to £2.9m (2018: £3.0m).
- (b) As at 31 March 2019 subsidiary company Peel Holdings (Land and Property) Limited had guaranteed a £5m (2018: £5m) loan made available to 50% owned associated company James Watt Dock LLP.
- (c) As at 31 March 2019 subsidiary company Peel Land and Property (Ports) Limited had guaranteed a £2m (2018: £2m) loan made available to 50% owned associated company Ardrossan North Shore LLP. The loan balance at 31 March 2019 was £566,000 (2018: £554,000).
- (d) As at 31 March 2019 Peel Holdings Land and Property (UK) Limited had guaranteed a £nil (2018: £5m) loan made available to fellow subsidiary Protos LLP.
- (e) As at 31 March 2019 Peel Holdings Land and Property (UK) Limited had guaranteed a £2.4m (2018: £2.4m) contract for advertising space for fellow subsidiary Peel Advertising Limited.
- (f) As at 31 March 2019 Peel Holdings Land and Property (UK) Limited had guaranteed a £31,000 (2018: £140,000) lease agreements made available to fellow subsidiary Event City Limited.

Notes to the Financial Statements *continued*

29. Related party transactions

- (a) During the prior year companies within Peel Holdings Land and Property (UK) Limited group distributed to companies within Intu Properties plc, with whom Peel Holdings Group Limited group held a 26.6% shareholding at 31 March 2018, a total of £226,000 for their share of advertising profits. In the current year no such distribution was made. As at 31 March 2018 the group owed £nil.

In addition, Intu Properties plc recharged costs of £nil (2018: £1,218,000) to companies in the Peel Holdings Land and Property (UK) group.

- (b) During the year the group made loans to joint ventures of £412,000 (2018: £315,000). At 31 March 2019 loan balances (included in investments) amounted to £5,771,000 (2018: £5,359,000).
- (c) During the year to 31 March 2019, companies within Peel Holdings Land and Property (UK) Limited group have leased land to fellow subsidiary Cammell Laird Shiprepairers and Shipbuilders Limited. The rent in the year totalled £2,929,000 (2018: £2,983,000) and the amount outstanding as at 31 March 2019 was £nil (2018: £nil).
- (d) During the year the group recharged costs of £nil (2018: £3,085,000) to PS50 Unit Trust and the balance owing at 31 March 2019 was £nil (2018: £nil) included in other debtors. Fellow associated company Peel Logistics Limited Partnership (Jersey) 2019 owns 50% of PS50 Unit Trust, a special purpose vehicle. In addition, the group charged PS50 Unit Trust £nil for the guarantee of completing a build (2018: £25,000) and the balance owing at 31 March 2019 was £nil (2018: £nil).
- (e) During the year to 31 March 2019 companies within Peel Holdings Land and Property (UK) Limited group provided land and works of £1,734,000 to PS50 Unit Trust and the balance owing at 31 March 2019 was £100,000 (2018: £nil)
- (f) During the year to 31 March 2019 companies within Peel Holdings Land and Property (UK) Limited group provided works of £1,124,000 to Doncaster Sheffield Airport Limited, a fellow subsidiary company. As at 31 March 2019 the group was owed £124,000 (2018: £30,000).

30. Ultimate parent company

The ultimate parent company in the period to 31 March 2019 was Tokenhouse Limited, a company incorporated in the Isle of Man. Tokenhouse Limited is controlled by The Billown 1997 settlement, the ultimate controlling party.

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

The largest group of companies of which the company is a member, that produces consolidated accounts, is Peel Holdings Group Limited, a company incorporated in the Isle of Man. Its registered office is Billown Mansion, Ballasalla, Malew, IM9 3DL, 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 (UK) Limited, a company incorporated in England & Wales. Its registered office is Peel Dome, Intu Trafford Centre, Traffordcity, Manchester, M17 8PL, United Kingdom.