

REGISTERED NUMBER: 02954192 (ENGLAND AND WALES)

PINEAPPLE CORPORATION PLC

ANNUAL REPORT AND

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

# PINEAPPLE CORPORATION PLC

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# PINEAPPLE CORPORATION PLC

## COMPANY INFORMATION

### FOR THE YEAR ENDED 31 MARCH 2018

|                         |  |
|-------------------------|--|
| Executive Directors:    | T H Berglund (Chairman)<br>A J Sperrin<br>D C Farley                                   |
| Non- Executive Director | A D D Crichton   |
| Secretaries:            | A J Sperrin<br>J Naish   |
| Registered office:      | 12 Blacks Road<br>London<br>W6 9EU   |
| Registered number:      | 02954192 (England and Wales)   |
| Independent auditor:    | Harmer Slater Limited<br>Salatin House<br>19 Cedar Road<br>Sutton<br>Surrey<br>SM2 5DA |

## CHAIRMAN'S STATEMENT FOR THE YEAR ENDED 31 MARCH 2018

I am pleased to present my report for the year ended 31 March 2018.

### Highlights

The UK property market has continued to be subdued due to the uncertainties caused by the decision to leave the European Union (Brexit).

Despite these uncertainties, the group continued to concentrate on maximising the returns and development potential of the investments acquired in recent years.

In particular I would mention that during the year the company disposed of a warehouse investment property at a price of £10.6M compared to the property's valuation of £6.7M as at 31<sup>st</sup> March 2017, showing a profit on valuation of some £3.9M. This enabled the directors to pay a 'special' dividend to shareholders of 5p per share in December 2017 so that they could share directly in the profit from this exceptional transaction.

The balance of the proceeds from this sale have already been reinvested in a substantial residential block of flats in Aldgate and a warehouse development site in South Wimbledon.

Hence, the results of the group reflect the positive management of the Board, even in these difficult times.

- Profit before tax for the year has increased by 72.7%
- Gross rental income has increased by 3%.
- Adjusted Net Asset Value (NAV) per share in the group has risen by 49p from 423p to 472p (an increase of 11.6%).
- Normal dividends per share have increased from 16.5p to 17.5p, showing a yield of 4.1% based on the NAV of the shares at the beginning of the year.
- In addition a special dividend of 5p was paid in December 2017 bringing the total dividends paid during the year to 22.5p, showing a total yield of 5.3% based on the NAV of the shares at the beginning of the year.
- Combining the growth in value per share plus the dividend yield shows that our shareholders have enjoyed a total return of 16.9% in the year.

In summary, I feel that our objectives have been achieved in that we have substantially increased rental income, profits, asset value per share and dividends for our shareholders.

### The future

Whilst the Brexit terms are under negotiation, there is a risk that property demand from investors and tenants will be adversely affected and this may have a negative impact on property values. However, our diverse mixed portfolio of residential and commercial properties, principally in good locations in London and Helsinki, is expected to minimise the impact of this risk.

The directors will continue to actively search for further profitable acquisitions in these uncertain times. It should be noted that the group will only be able to benefit from such opportunities if new capital is raised to fund such further investment. The directors are actively seeking to raise new capital and this is referred to further in the strategic report set out on pages 3 to 7.

### Board and management

I am pleased to report that the group has retained the services of its existing board of directors and will continue to benefit from their years of experience and diversity of background, hopefully for years to come.

I would like to take this opportunity to thank all of our directors, business partners and shareholders for their continued support of the business.



T H Berglund  
Chairman

# PINEAPPLE CORPORATION PLC

## STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2018

The directors are pleased to present their Strategic Report for the year ended 31 March 2018.

### THE GROUP

Pineapple Corporation Plc is the parent company of the group and its shares are admitted to trading on the Euro MTF market of the Luxembourg Stock Exchange. It acts as the holding company of the group and owns a portfolio of properties as an investment company. Its wholly owned subsidiary undertakings at 31 March 2018, all of which are property investment companies, are listed on pages 49 and 50.

### STRATEGY AND OBJECTIVES

The group's objective is to enhance shareholder value by increasing asset value, increasing profits and increasing dividends.

The group seeks to achieve this through:

- maintaining a balanced portfolio of residential and commercial properties;
- changing the portfolio mix as market conditions change;
- maximising the value of existing properties by exploiting any development potential;
- improving the lease/tenant profile of the commercial properties; and
- making further investments in properties where opportunities exist to significantly enhance the value of the asset.

### THE BUSINESS MODEL

Pineapple Corporation Plc is a Real Estate Investment Trust (REIT). A REIT is a property company which enables its shareholders to invest in commercial and residential properties and receive benefits as if they owned the property directly. Our business model focuses on enhancing shareholder value via a combination of increasing asset value, increasing profits and increasing dividends from our well balanced portfolio of residential and commercial investment properties. This model drives our leasing/renting, planning and development strategy including ensuring that we let space to reliable tenants and minimising tenancy voids and their associated costs. Our business model is based on having very low fixed overheads and utilising the services of trusted and experienced property advisors and agents.

### REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

#### **Progress and events during the year**

This year management has continued to concentrate on maximising the returns and development potential of the investments acquired in recent years.

Our objectives have been largely achieved:

- Dividends paid during the year have increased from £1,407,442 in 2017 to £1,981,929 in 2018 (including a special one off dividend payment in December of £444,622).
- Adjusted Net Asset Value per share in the company has risen by 49p from 423p to 472p - an increase of 11.6%.
- Profit before tax for the year has increased from £3,567,271 in 2017 to £6,160,262 in 2018.

# PINEAPPLE CORPORATION PLC

## STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2018 (CONTINUED)

### Portfolio

In line with our strategy we continue to maintain a diverse portfolio consisting of both residential and commercial properties. The value of our portfolio at 31 March 2018 is summarised as follows:

|                         | London<br>£       | Rest of UK<br>£  | Finland<br>£     | Total<br>£        |
|-------------------------|-------------------|------------------|------------------|-------------------|
| Residential investments | 37,991,915        | 3,137,613        | -                | 41,129,528        |
| Commercial investments  | 16,945,187        | 2,216,427        | 5,273,400        | 24,435,014        |
|                         | <u>54,937,102</u> | <u>5,354,040</u> | <u>5,273,400</u> | <u>65,564,542</u> |

### Property acquisitions and disposals

During the year the group acquired both commercial and residential property for a total amount of £15,415,323. The group also spent £1,203,022 on developing various properties within its portfolio.

In addition, two commercial and two residential properties, with a total book value of £9,504,353, were sold for a total sum of £13,679,000. The group also granted various lease extensions with book values amounting to £340,111 for a total sum of £399,110.

### Valuation

At 31 March 2018, the valuation of properties was £65,564,542 (2017 - £57,002,102).

### Rental Growth

Gross UK rental income was £2,241,410 for the year compared to £2,217,563 for the year ended 31 March 2017.

Gross rental income from Finland was up from £295,612 in 2017 to £346,057 in 2018.

### Results

|   | 2018<br>£ | 2017<br>£ | Change  |
|---|-----------|-----------|---------|
| Gross rental income   | 2,587,467 | 2,513,175 | 3%      |
| Profit before tax   | 6,160,262 | 3,567,271 | 72.7%   |
| Profit before tax excluding gains on disposals and revaluations | 659,180   | 786,869   | (16.2%) |
| Adjusted earnings per share (Note 11)                           | 50.9p     | 13.7p     | 271.5%  |
| Earnings per share (Note 11)                                    | 70.4p     | 42.1p     | 67.2%   |
| Dividends and PID's per share (Note 10)                         | 22.5p     | 16.5p     | 36%     |

The increase in profit before tax is predominantly due to profits on disposal of investment properties and gains on revaluation of investment properties.

STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2018 (CONTINUED)

**Cash Flow**

Net cash flow generated from operations was £1,777,044 for the year compared with £1,529,585 for the year ended 31 March 2017.

The net cash outflow from investing activities was £2,053,600 for the year compared with a net cash inflow of £2,545,402 for the year ended 31 March 2017. The movement reflects payments for acquisition of investment properties for cash (net of disposal proceeds) during the year.

**Statement of Financial Position**

|  | <b>2018</b> | <b>2017</b> | <b>2016</b> | <b>2015</b> |
|--|-------------|-------------|-------------|-------------|
| Adjusted Net Asset Value per share (note 22) | 472p        | 423p        | 397p        | 370p        |
| Net debt/property value                      | 32%         | 37%         | 38%         | 42%         |
| Net debt/total capital (note 22)             | 33%         | 37%         | 39%         | 42%         |

Note: Adjusted net asset value per share is a UK property industry measure which excludes deferred tax relating to the revaluation of investment properties. Details of the calculation are provided in note 22 to the consolidated financial statements.

**Finance**

The group's gearing ratio has decreased from 37% to 33% as shown in note 22 to the financial statements.

The directors are actively pursuing new sources of equity finance to fund new profitable investment acquisitions and have held a series of meetings with their professional advisors to identify the most cost-effective way of raising new capital.

This project is ongoing, but it is essential that new capital is raised in order to fund new investment acquisitions if the company is to continue to produce the returns it has been able to achieve in the past.

**PRINCIPAL RISKS AND UNCERTAINTIES**

The Board is responsible for assessing, evaluating and managing the risks to its business. The key risks to the business and the actions taken to mitigate these risks are as follows:

- a) Economic Risk - Any economic downturn is likely to have an adverse effect on the short term capital growth prospects of the group's investment portfolio.

The group maintains a diverse mixed portfolio of residential and commercial properties (including warehouse and retail investments), principally in good locations in London and Helsinki. The group's exposure to a downturn in any one sector of the property market is minimised.

A substantial proportion of the residential investment portfolio is reversionary and its capital value increases even when the market is static.

The investment portfolio contains a number of substantial properties where significant value can still be added, either by development or change of use.

STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2018 (CONTINUED)

PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

- b) Economic Risk - Bad debts and voids are more likely to arise during an economic downturn.

All substantial commercial tenants have strong financial covenants.

Tenant lease payments are monitored closely and where problems arise the company works closely with the tenant to ensure that any exposure is minimised.

- c) Financial Risk – If there is a significant fall in the value of the investment portfolio and the level of gearing is too high, this could result in breaches of banking covenants and calling in of loans.

The group's current level of bank borrowing has been reduced to around 32% (£21.3m) of the property valuation (£65.6m), well below the 50% loan to value covenant incorporated in the main banking facilities.

In addition, the group has a secure property income stream from a number of tenants with no significant reliance on one particular tenant.

- d) Financial Risk – Adverse interest rate movements.

The group has taken out an interest rate swap in respect of the first £10 million of the outstanding loans, effectively fixing the interest rate at 3.658%.

- e) Financial Risk – Some of the group's investment portfolio is located in Finland, exposing the group to a potential currency risk should the euro fall in value. Euro loans have been taken out to finance these investments mitigating the group's exposure to any such currency losses.

- f) Legislation risk – If the group fails to meet its REIT requirements it may be expelled from the REIT regime which will result in higher costs for the company and reduced dividends for shareholders.

The board monitors compliance with REIT ratios regularly to ensure that the conditions are not breached. Ratios are currently well within acceptable limits and do not give any cause for concern.

- g) Loss of key personnel – The team of 3 directors and 1 non-executive director is small and in consequence loss of any one member of the team may have severe negative impact on the group's strategy and performance.

The board has mitigated this risk by utilising the services of an extensive network of trusted and experienced property advisors and agents.

OUR PEOPLE

Pineapple Corporation Plc is managed by a small team of three executive directors who are complemented by one non-executive director. The executive directors bring a wealth of experience in the residential and commercial property sectors and the non-executive director brings an invaluable independent view to the operation of the Board and the company.



## PINEAPPLE CORPORATION PLC

### STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2018 (CONTINUED)

#### GENDER DIVERSITY

The board of directors currently comprises four male directors. The group is committed to diversity and maintains a policy of recruiting the best candidate for every position.

#### COMMUNITY AND HUMAN RIGHTS ISSUES

Having given due consideration to relevant human rights issues and the small number of employees, we do not believe that the provision of detailed information in this area is relevant to the understanding of the performance and position of the business. However, we are confident that our business model and the transactions in which we engage do not contravene human rights principles or applicable legislation and in consequence we do not set any strategic targets in this area.

#### ENVIRONMENTAL MATTERS

The group operates from a serviced office and is therefore not responsible for the environmental matters and greenhouse emissions related thereto.

The strategic report was approved by the Board on 18 July 2018

ON BEHALF OF THE BOARD:



A J Sperrin  
Director

## PINEAPPLE CORPORATION PLC

### REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 MARCH 2018

The directors present their report and the audited financial statements for the year ended 31 March 2018.

#### DIRECTORS

The directors who served during the period under review and up to the date of signing these financial statements were:

T H Berglund  
A J Sperrin  
D C Farley  
A D D Crichton

#### DIVIDENDS

Dividends of £1,981,929 (property income distributions) were distributed during the year ended 31 March 2018, increased from £1,407,442 (property income distribution) in the previous year.

#### GOING CONCERN

The directors, after having made appropriate enquiries, including (but not limited to) a review of the group's budget/forecast for 2018/2019, and cash generating capacity of at least 12 months from the date of signing these financial statements (underpinned by long term leases in place and historic results), have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future and consider that there are no material uncertainties that cast a significant doubt on the group's ability to continue as a going concern. For these reasons they continue to adopt the going concern basis in preparing the annual report and the financial statements.

#### FUTURE DEVELOPMENTS

For details of future developments see Chairman's Statement on page 2.

#### EVENTS AFTER THE FINANCIAL PERIOD

There have been no significant events between the year end and the date of approval of these financial statements which would require a change to, or disclosure in, the financial statements.

#### FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The group's activities expose it to a number of financial risks including interest rate risk, credit risk and liquidity risk. The use of financial derivatives is governed by the group's policies approved by the board of directors, which provide written principles on the use of financial derivatives to manage these risks. Further details of the financial risks are disclosed in the Strategic Report and in note 22 to the consolidated financial statements.

#### STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

All of the current directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant information needed by the group's Auditors (as defined by section 418 of the Companies Act 2006) for the purposes of their audit and to establish that the Auditors are aware of that information. The directors are not aware of any relevant audit information of which the Auditors are unaware.

## PINEAPPLE CORPORATION PLC

### REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 MARCH 2018 (CONTINUED)

#### AUDITOR

Harmer Slater Limited have expressed willingness to continue in office as auditor. A resolution to re-appoint Harmer Slater Limited and authorising the directors to determine their remuneration will be submitted at the Annual General Meeting.

The report of the directors was approved by the Board on 18 July 2018

ON BEHALF OF THE BOARD:



A J Sperrin  
Director

## PINEAPPLE CORPORATION PLC

### STATEMENT OF DIRECTORS' RESPONSIBILITIES

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. The directors have elected to prepare the group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and have elected to prepare the parent company financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Principles) 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 and of the profit or loss of the company and the group 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 estimates that are reasonable and prudent;
- state whether applicable IFRSs and UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company and the group 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 the group 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 the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for preparing the annual report in accordance with applicable laws and regulations. The directors consider the annual report and the financial statements, taken as a whole, provide the information necessary to assess the group's performance, business model and strategy and is fair, balanced and understandable.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the group's website [www.pcreit.com](http://www.pcreit.com). Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

To the best of our knowledge:

- the financial statements, prepared in accordance with IFRSs as adopted by the European Union for the group and United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws) for the parent company, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole; and
- the annual report, including the strategic report, includes a fair review of the development and performance of the business and the position of the company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

## PINEAPPLE CORPORATION PLC

### CORPORATE GOVERNANCE REPORT FOR THE YEAR ENDED 31 MARCH 2018

In formulating the company's corporate governance procedures, the Board of Directors takes due regard of the principles of good management and transparency as set down in the Principles of Corporate Governance of the Luxembourg Stock Exchange.

The company has, throughout the year, been in full compliance with the ten principles set out in the Principles of Corporate Governance.

The Board of Pineapple Corporation PLC is made up of three executive directors and one non-executive director.

The Board meets in person on a quarterly basis and by teleconference whenever the need arises, providing effective leadership and overall control of the group's affairs through the schedule of matters reserved for its decision. This includes the approval of the budget and business plan, major capital expenditure, risk management policies and the approval of the financial statements. Formal agendas, papers and reports are sent to the directors in a timely manner, prior to Board meetings. The Board also receives a summary financial report before each Board meeting.

All directors have access to the advice and services of the company secretaries, who are responsible for ensuring that all Board procedures are followed. Any director may take independent professional advice at the company's expense in the furtherance of his duties.

The Audit Committee which meets not less than quarterly and considers the group's financial reporting (including accounting policies) and internal financial controls, consists of the Full Board and is chaired by A J Sperrin. The committee receives reports from management and from the group's auditors. The group has in place a series of procedures and controls designed to identify and prevent the risk of loss. These procedures are formally documented and are reported on regularly. The Audit Committee has reviewed the systems in place and considers these to be appropriate.

The Remuneration Committee which meets at least once a year and is responsible for making decisions on directors' remuneration packages is chaired by T H Berglund and comprises the Full Board.

The non-executive director is deemed to be independent of management and any business or other relationship that could interfere with the exercise of his independent judgement. This role is to help facilitate strategic decisions and to act as a sounding board to the executive board. His experience and knowledge of the property industry and listed companies is invaluable to the company.

The Board attaches importance to maintaining good relationships with all its shareholders and ensures that all price sensitive information is released to all shareholders at the same time in accordance with the Luxembourg Stock Exchange rules. The company's principal communication is through the Annual General Meeting and through the annual report and financial statements.

## REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF PINEAPPLE CORPORATION PLC

### Opinion

We have audited the consolidated financial statements of Pineapple Corporation Plc and its subsidiaries (the 'group') for the year ended 31 March 2018 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of cash flows, the consolidated statement of changes in equity and the related notes 1 to 28 to the consolidated financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion the consolidated financial statements:

- give a true and fair view of the state of the group's affairs as at 31 March 2018, and of the group's profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### Separate opinion in relation to IFRSs as issued by the IASB

As explained in note 2 to the consolidated financial statements, the group in addition to complying with its legal obligation to apply IFRSs as adopted by the European Union, has also applied IFRSs as issued by the International Accounting Standards Board (IASB).

In our opinion the consolidated financial statements give a true and fair view of the consolidated financial position of the group as at 31 March 2018 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRSs as issued by the IASB.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the consolidated financial statements is not appropriate; or
- the directors have not disclosed in the consolidated financial statements any identified material uncertainties that may cast significant doubt about the group'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 consolidated financial statements are authorised for issue.

## REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF PINEAPPLE CORPORATION PLC (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 consolidated financial statements and our auditor's report thereon. Our opinion on the consolidated 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 consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated 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 consolidated 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 this regard.

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

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

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

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

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

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- 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.

### **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement set out on page 10, the directors are responsible for the preparation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the group'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 consolidated 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 consolidated financial statements.

## REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF PINEAPPLE CORPORATION PLC (CONTINUED)

As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

### 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.

### Other matter

We have reported separately on the parent company financial statements of Pineapple Corporation Plc for the year ended 31 March 2018.



Ransford Agyei-Boamah (senior statutory auditor)  
for and on behalf of:  
Harmer Slater Limited  
Statutory Auditor

Salatin House  
19 Cedar Road  
Sutton  
Surrey SM2 5DA

18 July 2018



# PINEAPPLE CORPORATION PLC

## CONSOLIDATED INCOME STATEMENT

For the Year Ended 31 March 2018

|   | Note | 2018<br>£        | 2017<br>£        |
|---|------|------------------|------------------|
| <b>Continuing operations</b>  |      |                  |                  |
| Gross rental revenue  |      | 2,587,467        | 2,513,175        |
| Property operating expenses   |      | (526,016)        | (457,317)        |
| <b>Net rental income</b>  |      | <b>2,061,451</b> | <b>2,055,858</b> |
| Administrative expenses   |      | (434,373)        | (472,012)        |
|   |      | 1,627,078        | 1,583,846        |
| Net valuation gains on investment properties                                  |      | 1,702,919        | 2,405,636        |
| Profit on disposal of investment properties                                   |      | 3,800,611        | 374,766          |
| <b>Operating profit</b>   | 6    | <b>7,130,608</b> | <b>4,364,248</b> |
| Finance income  |      | 26,457           | 2                |
| Finance expenses  | 7    | (996,803)        | (796,979)        |
| Net financing costs   |      | (970,346)        | (796,977)        |
| <b>Profit on ordinary activities before taxation</b>                          |      | <b>6,160,262</b> | <b>3,567,271</b> |
| Income tax charge   | 9    | -                | (517)            |
| <b>Profit for the year after taxation attributable to equity shareholders</b> |      | <b>6,160,262</b> | <b>3,566,754</b> |
| <b>Earnings per share</b>   |      |                  |                  |
|   |      | 2018             | 2017             |
| <b>Basic and diluted earnings per share</b>                                   | 11   | <b>70.4p</b>     | <b>42.1p</b>     |

The accompanying notes form an integral part of these financial statements

# PINEAPPLE CORPORATION PLC

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the Year Ended 31 March 2018

|  | 2018<br>£ | 2017<br>£ |
|--|-----------|-----------|
| <b>Profit for the year after taxation</b>  | 6,160,262 | 3,566,754 |
| <b>Items that may be reclassified subsequently to income statement:</b>                    |           |           |
| Exchange differences on translation of foreign operations                                  | 65,819    | 263,184   |
| Changes in fair value of interest rate swap  | 205,728   | (178,751) |
| Other comprehensive income for the year  | 271,547   | 84,433    |
| <b>Total comprehensive income for the year attributable to shareholders of the company</b> | 6,431,809 | 3,651,187 |

The accompanying notes form an integral part of these financial statements

# PINEAPPLE CORPORATION PLC

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2018

|                                       | Note | 2018<br>£         | 2017<br>£         |
|---------------------------------------|------|-------------------|-------------------|
| <b>Assets</b>                         |      |                   |                   |
| <b>Non-current assets</b>             |      |                   |                   |
| Investment properties                 | 13   | 65,564,542        | 57,002,102        |
| <b>Total non-current assets</b>       |      | <b>65,564,542</b> | <b>57,002,102</b> |
| <b>Current assets</b>                 |      |                   |                   |
| Inventories                           | 14   | 11,500            | 3,500             |
| Trade and other receivables           | 15   | 243,764           | 796,659           |
| Derivative financial instruments      | 18   | 26,977            | -                 |
| Cash and cash equivalents             | 16   | 813,344           | 2,700,493         |
| <b>Total current assets</b>           |      | <b>1,095,585</b>  | <b>3,500,652</b>  |
| <b>Total assets</b>                   |      | <b>66,660,127</b> | <b>60,502,754</b> |
| <b>Liabilities</b>                    |      |                   |                   |
| <b>Current liabilities</b>            |      |                   |                   |
| Interest-bearing loans and borrowings | 17   | 178,063           | 178,063           |
| Derivative financial instruments      | 18   | -                 | 178,751           |
| Trade and other payables              | 19   | 2,693,957         | 5,526,478         |
| <b>Total current liabilities</b>      |      | <b>2,872,020</b>  | <b>5,883,292</b>  |
| <b>Non-current liabilities</b>        |      |                   |                   |
| Interest-bearing loans and borrowings | 17   | 21,071,255        | 18,519,696        |
| <b>Total non-current liabilities</b>  |      | <b>21,071,255</b> | <b>18,519,696</b> |
| <b>Total liabilities</b>              |      | <b>23,943,275</b> | <b>24,402,988</b> |
| <b>Net assets</b>                     |      | <b>42,716,852</b> | <b>36,099,766</b> |
| <b>Equity</b>                         |      |                   |                   |
| Issued capital                        | 21   | 9,045,903         | 8,529,952         |
| Share premium                         |      | 8,450,606         | 6,799,351         |
| Hedge reserve                         |      | 26,977            | (178,751)         |
| Translation reserve                   |      | 651,376           | 585,557           |
| Retained earnings                     |      | 24,541,990        | 20,363,657        |
| <b>Total equity</b>                   |      | <b>42,716,852</b> | <b>36,099,766</b> |

The consolidated financial statements of Pineapple Corporation Plc (registration number 02954192) were approved by the Board of Directors and authorised for issue on 18 July 2018

ON BEHALF OF THE BOARD:



A J Sperrin  
Director

The accompanying notes form an integral part of these financial statements

# PINEAPPLE CORPORATION PLC

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

|   | Share capital<br>£ | Share premium<br>£ | Retained earnings<br>£ | Hedge reserve<br>£ | Translation reserve<br>£ | Total equity<br>£ |
|---|--------------------|--------------------|------------------------|--------------------|--------------------------|-------------------|
| <b>Balance at 1 April 2016</b>              | 8,304,701          | 6,174,999          | 18,204,345             | -                  | 322,373                  | 33,006,418        |
| <b>Comprehensive income</b>                 |                    |                    |                        |                    |                          |                   |
| Profit for the year                         | -                  | -                  | 3,566,754              | -                  | -                        | 3,566,754         |
| Foreign exchange translation differences    | -                  | -                  | -                      | -                  | 263,184                  | 263,184           |
| Changes in fair value of interest rate swap | -                  | -                  | -                      | (178,751)          | -                        | (178,751)         |
| Total comprehensive income for the year     | -                  | -                  | 3,566,754              | (178,751)          | 263,184                  | 3,651,187         |
| <b>Transactions with owners</b>             |                    |                    |                        |                    |                          |                   |
| Share issues                                | 225,251            | 624,352            | -                      | -                  | -                        | 849,603           |
| Dividends                                   | -                  | -                  | (1,407,442)            | -                  | -                        | (1,407,442)       |
| Transactions with owners                    | 225,251            | 624,352            | (1,407,442)            | -                  | -                        | (557,839)         |
| <b>Balance at 31 March 2017</b>             | 8,529,952          | 6,799,351          | 20,363,657             | (178,751)          | 585,557                  | 36,099,766        |
| <b>Balance at 1 April 2017</b>              | 8,529,952          | 6,799,351          | 20,363,657             | (178,751)          | 585,557                  | 36,099,766        |
| <b>Comprehensive profit</b>                 |                    |                    |                        |                    |                          |                   |
| Profit for the year                         | -                  | -                  | 6,160,262              | -                  | -                        | 6,160,262         |
| Foreign exchange translation differences    | -                  | -                  | -                      | -                  | 65,819                   | 65,819            |
| Changes in fair value of interest rate swap | -                  | -                  | -                      | 205,728            | -                        | 205,728           |
| Total comprehensive income/expense          | -                  | -                  | 6,160,262              | 205,728            | 65,819                   | 6,431,809         |
| <b>Transactions with owners</b>             |                    |                    |                        |                    |                          |                   |
| Share issues                                | 515,951            | 1,651,255          | -                      | -                  | -                        | 2,167,206         |
| Dividends                                   | -                  | -                  | (1,981,929)            | -                  | -                        | (1,981,929)       |
| Transactions with owners                    | 515,951            | 1,651,255          | (1,981,929)            | -                  | -                        | 185,277           |
| <b>Balance at 31 March 2018</b>             | 9,045,903          | 8,450,606          | 24,541,990             | 26,977             | 651,376                  | 42,716,852        |

### Retained earnings

Retained earnings represents cumulative profit or losses net of dividends paid and other adjustments.

### Share premium

The share premium reserve represents the difference between the par value of shares issued and the subscription price.

### Hedge reserve

The hedge reserve records the unrealised changes in the fair value of the interest rate swap.

### Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of subsidiaries that have a different functional currency from the presentation currency. Exchange differences arising are classified as equity and transferred to the group's translation reserve. Such translation differences are recognised in the income statement in the period in which the operation is disposed of.

The accompanying notes form an integral part of these financial statements

# PINEAPPLE CORPORATION PLC

## CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended 31 March 2018

|   | 2018<br>£          | 2017<br>£          |
|---|--------------------|--------------------|
| <b>Cash flows from operating activities</b>                 |                    |                    |
| Operating profit  | 7,130,608          | 4,364,248          |
| Adjustments for non-cash items:                             |                    |                    |
| Profit on disposal of investment property                   | (3,800,611)        | (374,766)          |
| Revaluation of investment property                          | (1,702,919)        | (2,405,636)        |
| Increase in inventories                                     | (8,000)            | -                  |
| Increase in debtors   | 24,665             | 37,684             |
| Decrease in creditors                                       | 133,301            | (91,945)           |
| <b>Cash generated from operations</b>                       | <b>1,777,044</b>   | <b>1,529,585</b>   |
| Tax paid  | -                  | (517)              |
| <b>Net cash from operating activities</b>                   | <b>1,777,044</b>   | <b>1,529,068</b>   |
| <b>Cash flows from investing activities</b>                 |                    |                    |
| Interest received   | 26,457             | -                  |
| Acquisition of investment properties                        | (15,725,132)       | (783,538)          |
| Sale of investment properties                               | 13,645,075         | 3,328,940          |
| <b>Net cash (outflow)/inflow from investing activities</b>  | <b>(2,053,600)</b> | <b>2,545,402</b>   |
| <b>Cash flows from financing activities</b>                 |                    |                    |
| Proceeds from the issue of share capital                    | 2,143,252          | 827,123            |
| Equity dividends paid                                       | (1,942,504)        | (1,407,442)        |
| Bank borrowings received                                    | 9,408,074          | 16,695,425         |
| Bank borrowings repaid                                      | (6,970,262)        | (15,713,173)       |
| Other loans received  | 122,859            | 1,133,379          |
| Other loans repaid  | (3,476,667)        | (1,670,581)        |
| Interest paid   | (875,496)          | (1,294,150)        |
| <b>Net cash outflow from financing activities</b>           | <b>(1,590,744)</b> | <b>(1,429,419)</b> |
| <b>Net (decrease)/increase in cash and cash equivalents</b> | <b>(1,867,300)</b> | <b>2,645,051</b>   |
| Cash and cash equivalents at beginning of year              | 2,700,493          | 60,872             |
| Effect of exchange rate fluctuations                        | (19,849)           | (5,430)            |
| <b>Cash and cash equivalents at end of year</b>             | <b>813,344</b>     | <b>2,700,493</b>   |

The accompanying notes form an integral part of these financial statements

# PINEAPPLE CORPORATION PLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 1 Nature of operation and going concern

Pineapple Corporation Plc (the “company”) is a company registered in England and Wales. The consolidated financial statements of the company for the year ended 31 March 2018 comprise the company and its subsidiaries (together referred to as the “group”). The nature of the company's principal activities are set out in the Strategic Report on pages 3 to 7.

The group financial statements have been prepared on a going concern basis which assumes that the group will be able to meet its liabilities as they fall due. The group's cash flow forecasts show that it has adequate resources available to continue in operational existence for the foreseeable future. In preparing these forecasts the directors have taken into account the potential breaches of various financing covenants if there are reductions in property valuations and the due dates for repayment of significant loans.

Having taken these matters into account the directors have concluded that it is appropriate to prepare the financial statements on a going concern basis.

### 2 Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and their interpretations adopted by the International Accounting Standards Board (“IASB”), as adopted by the European Union and with the parts of the Companies Act 2006 applicable to companies reporting under IFRSs.

The group's approach to new accounting standards and interpretations issued during the year is set out below.

There are no standards, amendments and interpretations effective in the year ended 31 March 2018 and adopted for the first time.

The following amendments to, or interpretations of, existing standards that have been published and are mandatory for the group's future accounting periods beginning on or after 1 April 2018 are:

- IFRS 9 ‘Financial Instruments’ (effective 1 January 2018)
- IFRS 15 Revenue from Contracts with Customers (effective 1 January 2018); and
- IFRS 16 Leases (effective 1 January 2019)
- IAS 40 Investment Property (effective January 2018)

Management have considered the above standards and do not consider that they will have a material impact on the group's accounts. Management will assess the impact of all the changes required by IFRS16 during 2018.

### 3 Significant accounting policies

#### (a) Basis of preparation

The financial statements have been prepared on the historical cost basis as modified by the revaluation of investment properties and the fair value of derivative financial instruments. The accounting policies set out below have been applied consistently by group entities to the period presented in these consolidated financial statements.

# PINEAPPLE CORPORATION PLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 3 Significant accounting policies (continued)

#### (b) Basis of consolidation

##### (i) Subsidiaries

The consolidated financial statements for the year ended 31 March 2018 incorporate the financial statements of Pineapple Corporation PLC (the company) and all its subsidiary undertakings (the group). Subsidiaries are entities controlled by the company. Control exists when the company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

##### (ii) Transactions eliminated on consolidation

Intragroup balances and any unrealised gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements.

#### (c) Foreign currency

##### (i) Foreign currency transactions

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the year end date are translated to sterling at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Sterling at foreign exchange rates ruling at the dates the fair value was determined.

##### (ii) Financial statements of foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to Sterling at foreign exchange rates ruling at the year end date. The revenues and expenses of foreign operations are translated to Sterling at rates approximating to the foreign exchange rates ruling at the dates of the transactions.

##### (iii) Net investment in foreign operations

Exchange differences arising from the translation of the net investment in foreign operations are taken to translation reserve. They are released into the income statement upon disposal.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

**3 Significant accounting policies (continued)**

**(d) Investment properties**

Investment properties are properties owned or leased under finance leases by the group which are held either for long-term rental income or for capital appreciation or both. Investment properties are initially recognised at cost (including related transaction costs) and revalued at the year end date to fair value as determined by professionally qualified valuers. At least 25 per cent of the group's property portfolio (including any additions during the year) is valued annually by an external valuation agent and the remainder by the directors so that within every four-year period all properties would have been subject to an external valuation. The basis of valuation of properties is described in note 13. Properties are treated as acquired at the point when the group assumes the significant risks and returns of ownership and as disposed when these are transferred to the buyer. This generally occurs on unconditional exchange, except where completion is expected to occur significantly later than exchange. Additions to investment properties consist of costs of a capital nature. In accordance with IAS 40: Investment Property, investment property held under a finance lease is stated gross of the recognised finance lease liability.

Gains or losses arising from changes in the fair value of investment property are included in the income statement of the period in which they arise. In accordance with IAS 40, as the group uses the fair value model, no depreciation is provided in respect of investment properties including integral plant.

Additions to investment properties consist of costs of a capital nature.

When the group redevelops an existing investment property for continued future use as an investment property, the property remains an investment property measured at fair value through the income statement.

**(e) Inventories**

Inventories comprise those properties held for sale or those being developed with a view to sell and are valued at the lower of cost and net realisable value.

**(f) Financial instruments**

Financial assets and financial liabilities are recognised in the group's statement of financial position when the group becomes a party to the contractual provisions of the instrument. Accounting policies for individual financial instruments are disclosed under (g) to (m) below.

**(g) Trade and other receivables**

The carrying amount of trade and other receivables are a reasonable approximation of their respective fair values and in consequence are not re-measured at fair values. Appropriate allowances for estimated irrecoverable amounts are recognised in the income statement when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

**(h) Cash and cash equivalents**

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



# PINEAPPLE CORPORATION PLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 3 Significant accounting policies (continued)

#### (i) Impairment

The carrying amounts of the group's assets are reviewed at each year end date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated (see accounting policy 3(i) (i)).

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units (group of units) and then, to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

#### (i) Calculation of recoverable amount

Receivables with a short duration are not discounted.

The recoverable amount of other assets is the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

#### (ii) Reversals of impairment

An impairment loss in respect of goodwill is not reversed.

In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

#### (j) Trade and other payables

The carrying amount of trade and other payables is a reasonable approximation of their respective fair values and in consequence are not re-measured at fair values.

#### (k) Interest bearing borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost with any difference between the amount initially recognised and the redemption value being recognised in the income statement over the period of the borrowings using the effective interest rate method. Borrowings are classified as current liabilities unless the group has an unconditional right to defer the settlement of the liability for at least 12 months after the year end date.

# PINEAPPLE CORPORATION PLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 3 Significant accounting policies (continued)

#### (l) Derivative financial instruments

The group enters into derivative transactions such as interest rate swaps in order to manage or hedge its exposure to the risk of changes in interest rates. This is described in more detail in the Report of the Directors and in notes 18 and 22. The group does not enter into derivatives for trading or speculative purposes. The group documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in the hedging transactions are highly effective in offsetting the changes in fair values or cash flows of the hedged items.

Derivatives are initially recorded at fair value and are re-measured to fair value as calculated by the counterparties based on market prices at subsequent year end date. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Changes in fair value of highly effective derivatives (including cash flow hedges) are recognised through the consolidated statement of comprehensive income with the ineffective proportion taken directly to the consolidated income statement.

#### (m) Issued share capital

Ordinary shares are classified as equity because they do not contain an obligation to transfer cash or another financial asset. Dividends are recognised as a liability in the period in which they are payable.

#### (n) Revenue recognition

The group recognises revenue on an accruals basis, when the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the group. Revenue comprises rental income and the sale of property development stock.

Rental income from investment property leased out under an operating lease is recognised in the consolidated income statement on a straight-line basis over the term of the lease.

A property is regarded as sold when the significant risks and returns have been transferred to the buyer, which is normally on unconditional exchange of contracts. For conditional exchanges, sales are recognised as the conditions are satisfied.

#### (o) Operating lease arrangements

The group earns rental income by leasing its properties to tenants under non-cancellable operating leases. Leases in which substantially all risks and rewards of ownership are retained by another party, the lessor, are classified as operating leases.

Payments, including prepayments, made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

#### (p) Expenses

All expenses are recognised in the consolidated income statement on an accrual basis.

##### (i) Operating lease payments

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense.

# PINEAPPLE CORPORATION PLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 3 Significant accounting policies (continued)

#### (p) Expenses (continued)

##### (ii) Finance lease payments

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

##### (iii) Finance expenses

Finance expenses comprise bank borrowing costs (including bank facility charges and interest rate swap payments/receipts) and other borrowing costs and is recognised using the effective interest method which calculates the amortised cost of a financial liability and allocates the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability to the net carrying amount of the financial liability.

#### (q) Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the consolidated income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. The UK group is a Real Estate Investment Trust (REIT); in consequence corporation tax is not payable on the income and gains generated from the tax exempt property business in the UK.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the year end date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the year end date. Deferred tax is not provided on timing differences arising from revaluation of investment properties within the UK REIT regime as any gains realised would be exempt from taxation as long as the REIT conditions are met.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

**4 Critical accounting judgements and key sources of estimation uncertainty**

**Critical judgements in applying the Group's accounting policies**

The preparation of financial statements requires management to make estimates and assumptions that affect the amounts reported for assets and liabilities as at the year end date and the amounts reported for revenues and expenses during the year. The nature of estimation means that actual outcomes could differ from those estimates and are reflected in the Financial Statements as soon as they become apparent. The key sources of estimation uncertainty that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

**(i) Valuation of investment properties**

The group's property portfolio was revalued at the year end date to fair value as follows: 31% of the portfolio amounting to £20M was externally valued by GVA Grimley Limited as at 19 April 2018, and 8% of the portfolio amounting to €5.3m was externally valued by Realia Management in Finland (an international associate of Savills) as at 26 April 2018, on the basis of market value. The remaining portfolio valuations were updated by the directors with assistance from Willmotts Chartered Surveyors at 31 March 2018 on the basis of market value. The investment property valuation is inherently subjective and contains a number of assumptions upon which GVA Grimley Limited and the directors have based their valuation of the group's properties. The assumptions on which the Property Valuation Reports have been based include, but are not limited to, matters such as recent comparable market transactions on arms length terms, the tenure and tenancy details for the properties, ground conditions at the properties and the structural condition of the properties.

Any variation in the valuations would have a material effect on the profit after tax and the net asset value of the group.

**(ii) Deferred tax**

The directors have not recognised a potential net deferred tax asset arising from capital losses amounting to €122K relating to its overseas subsidiary which is outside the REIT regime as they are of the opinion that this is unlikely to crystallise.

**5. Operating segments**

Operating segments are identified on the basis of internal reports about components of the group that are regularly reviewed by the Board of Directors in order to allocate resources to the segments and to assess their performance.

# PINEAPPLE CORPORATION PLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 5. Operating segments (continued)

All the group's operations relate to property investment and as such the group has only one segment. Additional information regarding geographical location is provided below:

|                                     | 2018                |                |                  | 2017                |                |                  |
|-------------------------------------|---------------------|----------------|------------------|---------------------|----------------|------------------|
|                                     | United Kingdom<br>£ | Finland<br>£   | Group<br>£       | United Kingdom<br>£ | Finland<br>£   | Group<br>£       |
| Rental income                       | 2,241,410           | 346,057        | 2,587,467        | 2,217,563           | 295,612        | 2,513,175        |
| Property expenses                   | (415,931)           | (110,085)      | (526,016)        | (298,841)           | (158,476)      | (457,317)        |
| <b>Net rental income</b>            | <b>1,825,479</b>    | <b>235,972</b> | <b>2,061,451</b> | <b>1,918,722</b>    | <b>137,136</b> | <b>2,055,858</b> |
| Property sales                      | 14,109,360          | -              | 14,109,360       | 2,533,622           | 1,430,006      | 3,963,628        |
| Cost of sales                       | (10,308,749)        | -              | (10,308,749)     | (2,404,902)         | (1,183,961)    | (3,588,863)      |
| <b>Profit on sale of properties</b> | <b>3,800,611</b>    | <b>-</b>       | <b>3,800,611</b> | <b>128,720</b>      | <b>246,045</b> | <b>374,765</b>   |
| <b>Operating profit/(loss)</b>      | <b>6,021,463</b>    | <b>892,809</b> | <b>6,914,272</b> | <b>4,082,067</b>    | <b>282,181</b> | <b>4,364,248</b> |
| Total assets                        | 61,354,454          | 5,305,673      | 66,660,127       | 55,962,709          | 4,540,045      | 60,502,754       |
| Segment liabilities                 | 19,075,403          | 4,867,872      | 23,943,275       | 20,080,211          | 4,322,777      | 24,867,459       |
| Total capital expenditure           | 16,618,345          | -              | 16,618,345       | 3,602,066           | 6,465          | 3,608,531        |
| Depreciation                        | -                   | -              | -                | -                   | -              | -                |

During the year gross rental income from one tenant in the United Kingdom amounted to £325,884 (2017: £370,000) representing more than 10% of the group's revenue.

### 6. Operating profit

The operating profit is after charging:

|   | 2018<br>£ | 2017<br>£ |
|---|-----------|-----------|
| <b>Auditor's remuneration:</b>                                    |           |           |
| Audit fees - parent company and consolidated financial statements | 24,000    | 22,000    |
| Audit fees – subsidiary undertakings                              | 16,375    | 10,800    |

The Audit Committee reviews the nature and extent of non-audit services to ensure that independence is maintained.

# PINEAPPLE CORPORATION PLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 7. Finance expenses

|                        | 2018           | 2017           |
|------------------------|----------------|----------------|
|                        | £              | £              |
| Bank borrowing costs   | 864,833        | 778,216        |
| Other interest payable | 131,970        | 18,763         |
|                        | <u>996,803</u> | <u>796,979</u> |

### 8. Personnel expenses

#### Salary costs

|  | 2018           | 2017           |
|--|----------------|----------------|
|  | £              | £              |
| Short term employee benefits             | 124,000        | 124,000        |
| Compulsory social security contributions | 13,735         | 13,753         |
|  | <u>137,735</u> | <u>137,753</u> |

#### Number of employees

The average number of employees (including directors) during the year was as follows:

|                | 2018     | 2017     |
|----------------|----------|----------|
| Administration | <u>3</u> | <u>3</u> |

Only one director is remunerated through the group. All other directors receive no remuneration for their respective services to the group.

### 9. Income tax charge

#### Recognised in the income statement

##### Current tax expense

|  | 2018     | 2017       |
|--|----------|------------|
|  | £        | £          |
| UK Corporation tax relating to previous period | -        | 517        |
|  | <u>-</u> | <u>517</u> |

UK Corporation tax is calculated at 19% (2017: 20%) of the estimated taxable profit for the year. Taxation of other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

# PINEAPPLE CORPORATION PLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 9. Income tax expense (continued)

The charge for the year can be reconciled to the profit per the income statement as follows:

| <b>Reconciliation of effective tax rate</b>                           | 2018      | 2017      |
|---|-----------|-----------|
|   | £         | £         |
| Profit on ordinary activities before taxation                         | 6,160,262 | 3,567,271 |
| Income tax using the domestic corporation tax rate of 19% (2017: 20%) | 1,170,450 | 713,456   |
| REIT exempt property gains on disposal                                | (722,116) | (74,953)  |
| REIT exempt property rental profits and revaluations in the year      | (448,334) | (638,503) |
| Increase in tax from adjustment to prior period                       | -         | 517       |
| Total income tax charge in the income statement (as above)            | -         | 517       |

Pineapple Corporation PLC has a Group Real Estate Investment Trust (GREIT) status. The group does not pay UK corporation tax on the profits and gains from qualifying rental business in the UK provided it meets certain conditions. Non-qualifying profits and gains of the group continue to be subject to corporation tax as normal.

### 10. Dividends

Amounts recognised as distributions to equity shareholders in the year are as follows:

|  | 2018                                | 2018      | 2017                                | 2017      |
|--|-------------------------------------|-----------|-------------------------------------|-----------|
|  | Dividend paid<br>per share<br>Pence | £         | Dividend paid<br>per share<br>Pence | £         |
| Property income distribution paid on 15 Sep 2017 (29 Sep 2016) | 9.0                                 | 768,405   | 8.0                                 | 682,396   |
| Property income distribution paid on 11 Dec 2017               | 5.0                                 | 444,622   | -                                   | -         |
| Property income distribution paid on 30 Mar 2018 (31 Mar 2017) | 8.5                                 | 768,902   | 8.5                                 | 725,046   |
|  | 22.5                                | 1,981,929 | 16.5                                | 1,407,442 |

### 11. Earnings per share

#### Basic earnings per share

Earnings per share and adjusted earnings per share have been calculated using the weighted average number of shares in issue during the year of 8,749,499 (2017: 8,476,141) as follows:

|  | 2018                  | 2018                           | 2017                  | 2017                           |
|--|-----------------------|--------------------------------|-----------------------|--------------------------------|
|  | Profit after tax<br>£ | Earnings per<br>share<br>Pence | Profit after tax<br>£ | Earnings per<br>share<br>Pence |
| Basic and diluted                            | 6,160,262             | 70.4                           | 3,566,754             | 42.1                           |
| Gain on revaluation of investment properties | (1,702,919)           | (19.5)                         | (2,405,636)           | (28.4)                         |
| Adjusted                                     | 4,457,343             | 50.9                           | 1,161,118             | 13.7                           |

Diluted earnings per share is the same as basic earnings per share as there were no dilutive instruments.

PINEAPPLE CORPORATION PLC  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

**12. Result of parent company**

As permitted by section 408 of the Companies Act 2006, the Income Statement of the parent company is not presented as part of these financial statements. The parent company's profit for the financial year was £4,612,062 (2017: £3,065,966).

**13. Investment properties**

|                              | £                 |
|------------------------------|-------------------|
| <b>Valuation</b>             |                   |
| Balance at 1 April 2016      | 54,100,374        |
| Acquisitions                 | 3,608,531         |
| Disposals                    | (3,574,174)       |
| Revaluation                  | 2,405,637         |
| Foreign exchange differences | 461,734           |
| Balance at 31 March 2017     | <u>57,002,102</u> |
| Balance at 1 April 2017      | 57,002,102        |
| Acquisitions                 | 16,618,345        |
| Disposals                    | (9,844,464)       |
| Revaluation                  | 1,702,919         |
| Foreign exchange differences | 85,640            |
| Balance at 31 March 2018     | <u>65,564,542</u> |
| <b>Carrying amounts</b>      |                   |
| At 31 March 2017             | <u>57,002,102</u> |
| At 31 March 2018             | <u>65,564,542</u> |

In accordance with IAS 40 the carrying value of investment properties is their fair value as determined by qualified valuers.

The group's property portfolio was revalued at the year end date to fair value as follows: 31% of the portfolio amounting to £20m was externally valued by GVA Grimley Limited, qualified independent valuers, as at 19 April 2018, and 8% of the portfolio amounting to €5.3m was externally valued by Realia Management in Finland (an international associate of Savills) as at 26 April 2018, in accordance with the Appraisal and Valuation Standards of RICS which became effective on 1 May 2003, on the basis of market value. The directors are of the opinion that it is unlikely that there has been a material change in value between 31 March 2018 and the valuation dates and in consequence have not updated the valuations. The remaining portfolio valuations amounting to £40m were updated by the directors with assistance from Willmotts Chartered Surveyors, qualified valuers, at 31 March 2018 on the basis of market value. Market value represents the figure that would appear in a hypothetical contract of sale between a willing buyer and a willing seller. Market value is estimated without regard to costs of sale.

The historical cost of properties at 31 March 2018 was £50,458,124 (2017: £39,152,740). The historical cost of leasehold properties included within the above amounted to £6,749,090 (2017: £3,988,782).

The independent valuation of all property assets uses market evidence and also includes assumptions regarding income expectations and yields that investors would expect to achieve on those assets over time. Many external economic and market factors, such as interest rate expectations, bond yields, the availability and cost of finance and the relative attraction of property against other asset classes, could lead to a reappraisal of the assumptions used to arrive at current valuations. In adverse conditions, this reappraisal can lead to a reduction in property values and a loss in net asset values.



# PINEAPPLE CORPORATION PLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 14. Inventories

|                        | 2018   | 2017  |
|------------------------|--------|-------|
|                        | £      | £     |
| Property trading stock | 11,500 | 3,500 |

### 15. Trade and other receivables

|                                | 2018           | 2017           |
|--------------------------------|----------------|----------------|
|                                | £              | £              |
| Rent receivable                | 66,447         | 110,960        |
| Other receivables              | 85,368         | 605,131        |
| Prepayments and accrued income | 91,949         | 80,568         |
|                                | <u>243,764</u> | <u>796,659</u> |

Rent receivables are all considered past due as they relate to rents receivable from tenants all of which are payable in advance. In accordance with IFRS 7, the amounts shown as past due represent the total credit exposure.

### 16. Cash and cash equivalents

|               | 2018    | 2017      |
|---------------|---------|-----------|
|               | £       | £         |
| Bank balances | 813,344 | 2,700,493 |

### 17. Interest-bearing loans and borrowings

This note provides information about the contractual terms of the group's interest-bearing loans and borrowings. For more information about the group's exposure to interest rate risk, see note 22.

|                                | 2018              | 2017              |
|--------------------------------|-------------------|-------------------|
|                                | £                 | £                 |
| <b>Current liabilities</b>     |                   |                   |
| Bank loans                     | 178,063           | 178,063           |
|                                | <u>178,063</u>    | <u>178,063</u>    |
| <b>Non-current liabilities</b> |                   |                   |
| Bank loans                     | 21,071,255        | 18,519,696        |
|                                | <u>21,071,255</u> | <u>18,519,696</u> |
| <b>Total borrowings</b>        | <u>21,249,318</u> | <u>18,697,759</u> |

# PINEAPPLE CORPORATION PLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 17. Interest-bearing loans and borrowings

#### Repayment analysis

|                         | 2018              | 2017              |
|-------------------------|-------------------|-------------------|
|                         | £                 | £                 |
| <b>Total borrowings</b> |                   |                   |
| Within one year         | 178,063           | 178,063           |
| One to two years        | 178,063           | 178,063           |
| Two to three years      | 178,063           | 178,063           |
| Three to four years     | 20,715,129        | 178,063           |
| Four to five years      | -                 | 17,985,507        |
|                         | <u>21,249,318</u> | <u>18,696,759</u> |

The bank borrowings are secured by fixed and floating charges over the group's assets. Interest is payable at 2.55% over LIBOR on sterling denominated loans of £20,447,590 (2017: £17,701,810). In addition, interest is payable at 1.25% above EURIBOR on Euro denominated borrowings of €912,195. The loans mature on various dates between 2018 and 2021. The group has taken out an interest rate swap in respect of the first £10 million of sterling denominated borrowings to effectively fix the interest rate on this amount at a rate of 3.658% until 4 May 2021.

### 18. Derivative financial instruments

|   | 2018   | 2017      |
|---|--------|-----------|
|   | £      | £         |
| Fair value of interest rate swaps asset/(liability) | 26,977 | (178,751) |

Fair values have been calculated by using market values at the year end date.

The company's strategy in respect of the use of financial instruments to manage risk is detailed in the Report of the Directors. At 31 March 2018, the fair value of fixed interest rate swap was an asset of £26,977 (2017 – a liability £178,751) and comprised a fixed interest rate swap entered into in May 2016 in order to swap the first £10,000,000 of sterling denominated bank borrowings to effectively fix the interest rate on this amount at a rate of 3.658% until 4 May 2021.

### 19. Trade and other payables

|                              | 2018             | 2017             |
|------------------------------|------------------|------------------|
|                              | £                | £                |
| Trade payables               | 547,682          | 139,874          |
| Other payables               | 1,654,415        | 4,911,454        |
| Other taxes                  | 113,923          | 131,917          |
| Accruals and deferred income | 377,937          | 343,233          |
|                              | <u>2,693,957</u> | <u>5,526,478</u> |

The directors consider that the carrying value of trade and other payables approximates to their fair value.

# PINEAPPLE CORPORATION PLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 20. Deferred tax

The directors have not recognised a potential net deferred tax asset arising from capital losses amounting to €122K relating to its overseas subsidiary which is outside the REIT regime as they are of the opinion that this is unlikely to crystallise.

### 21. Capital and reserves

| <b>Share capital</b>      | <b>Number</b>    |
|---------------------------|------------------|
| In issue at 1 April 2016  | 8,304,701        |
| Issued for cash           | 225,251          |
| Issued for shares         | -                |
| In issue at 31 March 2017 | <u>8,529,952</u> |
| <br>                      |                  |
| In issue at 1 April 2017  | 8,529,952        |
| Issued for cash           | 515,951          |
| Issued for shares         | -                |
| In issue at 31 March 2018 | <u>9,045,903</u> |

### Issue of ordinary shares

On 7 August 2017, the company issued 786 ordinary shares of £1 each at a premium of £3.23 raising cash of £3,325.

On 25 August 2017, the company issued 7,092 ordinary shares of £1 each at a premium of £3.23 raising cash of £29,999.

On 29 September 2017, the company issued 12,077 ordinary shares of £1 each at a premium of £3.14 raising cash of £49,999.

On 4 October 2017, the company issued 85,000 ordinary shares of £1 each at a premium of £3.12 raising cash of £350,000.

On 6 October 2017, the company issued 922 ordinary shares of £1 each at a premium £3.23 raising cash of £3,900.

On 9 October 2017, the company issued 4,725 ordinary shares of £1 each at a premium of £3.23 raising cash of £19,987

On 12 October 2017, the company issued 251,889 ordinary shares of £1 each at a premium of £2.97 raising cash of £999,999.

On 7 November 2017, the company issued 6,550 ordinary shares of £1 each at a premium of £3.58 raising cash of £29,999

On 13 December 2017, the company issued 140,389 ordinary shares of £1 each at a premium of £3.63 raising cash of £650,001.

On 12 January 2018, the company issued 6,521 ordinary shares of £1 each at a premium of £3.60 raising cash of £29,997.

# PINEAPPLE CORPORATION PLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 21. Capital and reserves (continued)

#### Reserves

Information on reserves is detailed on page 18.

### 22. Risk and financial instruments

The board of directors determines, as required, the degree to which it is appropriate to use financial instruments and hedging techniques to mitigate risks. The main risks for which such instruments may be appropriate are foreign exchange risk, interest rate risk, credit risk and liquidity risk each of which is discussed below.

#### Foreign currency risk

The group has a subsidiary undertaking located in Finland. The Finnish subsidiary receives income, incurs expenses and holds net assets in Euros. The group's principal exchange rate exposure is therefore related to movements between the Euro and Sterling. The group's cash resources and bank loans are denominated in Sterling and Euros. The group has a downside exposure to any weakening of the Euro as this would decrease the value of the Finnish investment property in Sterling terms. Any strengthening of the Euro would however result in an increase in the value of the Finnish investment property. Any such movements would affect the Consolidated Statement of Financial Position when the net assets of the Finnish Subsidiary are translated into Sterling. The policy in relation to the translation of foreign currency assets and liabilities is set out in note 1, 'Accounting Policies Foreign Currencies' to the consolidated financial statements.

At 31 March 2018, the group had Euro denominated bank loans and overdraft of £801,728 (€912,195) (2017: £995,949 (€1,155,447)) which was held by its Finnish subsidiary undertaking.

Based on the net assets of the Finnish subsidiary undertaking at the year end, a 10% weakening or strengthening of sterling would have a £440k impact on the group's net assets (largely arising from changes in the translation reserves) and based on the results for the period ended 31 March 2018 of the Finnish subsidiary undertaking, a 10% weakening or strengthening of sterling would have a £87k impact on the group's results.

#### Liquidity risk

The group relies on a mix of shareholder funding and bank loans to finance its operations. The main liquidity risk arises from loan covenants and renewal/repayment of loans when they are due for renewal/repayment. The group regularly monitors its financial ratios to ensure that it complies with the loan covenants.

#### Interest rate risk

The group finances its operations in the UK and Finland through retained profits and medium-term bank borrowings. UK borrowings are subject to an interest rate of 2.55% above the LIBOR over the term of the loan. Finnish borrowings are subject to an interest rate of 1.25% above EURIBOR over the term of the loan.

The group has taken out an interest rate swap in respect of the first £10 million of the outstanding sterling denominated borrowings, effectively fixing the interest rate at 3.658% until 4 May 2021 as detailed in note 18.

Based on the group's average interest rate at the year end date, an increase in LIBOR to 608 bps and a 214 bps increase in EURIBOR would increase net interest payable in the income statement and reduce equity by £600k (2017: £470k). Similarly, a 50bps reduction in the LIBOR and a 33 pbs reduction in EURIBOR would decrease net interest payable in the income statement and increase equity by £55k (2017: £23k). The sensitivity has been calculated by using the largest annual changes in both the average LIBOR rate and the 3 month EURIBOR over the last ten years. The impact assumes both rates will not fall below 0%.

The average interest rate for the fixed rate bank loans outstanding at 31 March 2018 was 3.28% (2017: 3.19%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

**22. Risk and financial instruments (continued)**

**Credit risk**

The group's principal exposure to credit risk arises from rent and other receivables as detailed in note 15 and cash held at bank as detailed in note 16. The group's bank deposits are held with high quality financial institutions in order to minimise credit risk. The maximum credit risk to which the group was exposed at 31 March 2018 was £1,057,108 (2017: £3,497,152).

The group's credit risk is primarily attributable to its rent and other receivables as its cash holdings are mainly with Barclays Bank. The amount of rent and other receivables presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the group's management, based on prior experience and their assessment of the current economic environment. The group has no significant concentration of credit risk, with exposure spread over a number of tenants. The credit status of tenants is continuously monitored and particularly reviewed before properties are acquired, before properties are let and before new leases are granted.

**Fair values**

The classes of financial instruments are the same as the line items included on the face of the statement of financial position and have been analysed in more detail in the notes to the accounts. Exposure to credit, liquidity and market risks arises in the normal course of the group's business. At 31 March 2018, the group had £21,249,318 (2017: £18,696,759) of medium-term borrowing, of which £534,189 is repayable within the next three years and £20,715,129 in 2021 at fixed interest rates averaging 3.28% (2017: 3.19%). The fair values of loans and receivables and financial liabilities held at amortised cost were not materially different from book values.

The group held a fixed interest rate swap entered into in May 2016 in order to swap the first £10,000,000 of its sterling denominated borrowings to effectively fix the interest rate on this amount at a rate of 3.658% until 4 May 2021. The fair value of the swap at the year end was an asset of £26,977 (2017: liability of £178,751).

**Valuation hierarchy**

The group considers all of its investment properties which are valued at market value to fall within 'Level 2', as described by IFRS13. There has been no change in classification in the year (2017 none). Details of the valuation process are included in note 13 to the consolidated financial statements.

The group considers its interest rate swap which is valued at fair value to fall within 'Level 2', as described by IFRS13. There has been no change in classification in the year (2017 none). Any changes in fair value are recognised through the consolidated statement of comprehensive income. Further details are disclosed in note 18 to the consolidated financial statements.

The carrying value of all other group financial instruments at 31 March 2018 approximates their fair values and therefore were not measured at fair value. Consequently, no fair value hierarchy has been presented for all other group financial instruments.

**Capital risk management**

The group's objectives when managing capital are to safeguard the entity's ability to continue as a going concern so that it can continue to increase the value of the entity for the benefit of shareholders.

Consistent with others in the industry the group monitors capital on the basis of the net asset value per share and the gearing ratio.

# PINEAPPLE CORPORATION PLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 22. Risk and financial instruments (continued)

#### Net asset value

The net asset values and adjusted net asset values per share at 31 March 2018 and 2017 were as follows:

|  | 2018       | 2017       |
|--|------------|------------|
|  | £          | £          |
| Net assets   | 42,716,852 | 36,099,766 |
| Adjustment to net assets relating to deferred tax on investment properties | -          | -          |
| Adjusted net assets  | 42,716,852 | 36,099,766 |
| Number of shares in issue  | 9,045,903  | 8,529,952  |
| Net asset value per share (pence)  | 472        | 423        |
| Adjusted net asset value per share (pence)                                 | 472        | 423        |

#### Gearing

This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated statement of financial position plus net debt. The gearing ratios at 31 March 2018 and 2017 were as follows:

|                                 | 2018       | 2017        |
|---------------------------------|------------|-------------|
|                                 | £          | £           |
| Total borrowings                | 22,090,389 | 23,787,276  |
| Less: cash and cash equivalents | (813,344)  | (2,700,493) |
| Net debt                        | 21,277,045 | 21,086,783  |
| Total equity                    | 42,716,852 | 36,099,766  |
| Total capital                   | 63,993,897 | 57,186,549  |
| <b>Gearing ratio</b>            | <b>33%</b> | <b>37%</b>  |

#### Maturity of Group financial liabilities

The expected maturity profiles of the group's borrowings together with the interest rate profile of the group's undiscounted borrowings are set out under note 17.

Trade and other payables are expected to mature within one year.

#### Borrowing facilities

The group has no undrawn committed borrowing facilities.

### 23. Capital commitments

There were no capital commitments at 31 March 2018 or at 31 March 2017.

### 24. Contingent liabilities

There were no contingent liabilities at 31 March 2018 or at 31 March 2017.

# PINEAPPLE CORPORATION PLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 25. Related parties

#### Subsidiaries

Transactions between the company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

#### Transactions with key management personnel

The key management personnel are the directors of the group. Directors of the group and their immediate relatives control 20.01% (2017: 22.12%) of the voting shares of the group.

The directors' compensations were as follows:

|                         | 2018   | 2017   |
|-------------------------|--------|--------|
|                         | £      | £      |
| Director's remuneration | 44,000 | 44,000 |

Only one director is remunerated through the group. All other directors receive no remuneration for their respective services to the group.

The following directors and their immediate family members received dividends and property income distributions during the year in respect of their shareholdings as follows:

|   | 2018    | 2017    |
|---|---------|---------|
|   | £       | £       |
| D C Farley (and immediate family members)   | 136,608 | 81,936  |
| T H Berglund (and immediate family members) | 152,320 | 111,701 |
| A J Sperrin (and immediate family members)  | 49,632  | 39,131  |

At 31 March 2018, the following amounts were owed to/(from) the directors or their immediate family members:

|   | 2018    | 2017    |
|---|---------|---------|
|   | £       | £       |
| D C Farley (and immediate family members)   | 29,997  | 51,773  |
| T H Berglund (and immediate family members) | 161,255 | 278,728 |
| A J Sperrin (and immediate family members)  | -       | -       |

#### Other related party transactions

A J Sperrin and T H Berglund jointly control Willmotts Corporation Limited. The transactions between the group and Willmotts Corporation Limited or its subsidiaries, all of which were undertaken on an arm's-length basis, were as follows.

|  | 2018    | 2017    |
|--|---------|---------|
|  | £       | £       |
| Property and other management fees charged to the group    | 441,771 | 223,394 |
| Property income distribution or dividend paid by the group | 114,414 | 82,173  |
| Amount owed by the group at the year end                   | 120,278 | -       |

# PINEAPPLE CORPORATION PLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 25. Related parties (continued)

D C Farley and family control Pointexport Limited. The transactions between this company and the group were as follows:

|   | 2018   | 2017      |
|---|--------|-----------|
|   | £      | £         |
| Annual rent payable to the group                  | -      | 63,500    |
| Amounts owed to the group at the year end         | -      | (492,248) |
| Dividends paid by the group                       | 21,717 | 12,626    |
| Property sale by the group to Pointexport Limited | -      | 500,000   |

The amounts owed to or by the group are unsecured, interest free and have no fixed repayment date or repayment schedule.

### 26. Operating Lease Arrangements

At 31 March 2018, the group had contracted with tenants to receive the following future minimum lease payments:

|  | 2018      | 2017      |
|--|-----------|-----------|
|  | £         | £         |
| Not later than one year                          | 2,063,058 | 1,800,756 |
| Later than one year but not more than five years | 4,981,590 | 1,635,035 |
| More than five years                             | 3,890,694 | 3,403,222 |

There were no contingent rents recognised as income during the current or previous year.

### 27. Events After the Financial Period

There have been no significant events between the year end and the date of approval of these consolidated financial statements which would require a change to, or disclosure in, the consolidated financial statements.

### 28. Reclassifications and comparative figures

Certain reclassifications have been made to the prior year's consolidated financial statements to enhance comparability with the current year's consolidated financial statements to correct the presentation of deferred bank loan arrangement fees which was previously reported as prepayments and accrued income in the consolidated statement of financial position rather than a direct reduction of the carrying value of the bank borrowings. As a result, certain line items have been amended in the consolidated statement of financial position and the related notes to the financial statements. Comparative figures have been adjusted to conform to the current year's presentation. These reclassifications had no effect on the reported results of operations or net assets.

The items were reclassified as follows:

|                                | 2017                |                       |
|--------------------------------|---------------------|-----------------------|
|                                | Previously reported | Post reclassification |
|                                | £                   | £                     |
| Prepayments and accrued income | 545,039             | 80,568                |
| Bank borrowings                | 19,162,230          | 18,697,759            |



## REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF PINEAPPLE CORPORATION PLC

We have audited the parent company financial statements of Pineapple Corporation Plc (the 'company') for the year ended 31 March 2018 which comprise the company statement of financial position, the company statement of changes in equity and the related notes 1 to 19 to the financial statements, including a summary of significant accounting policies. 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).

In our opinion the parent company financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2018;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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

### **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the parent company financial statements is not appropriate; or
- the directors have not disclosed in the parent company financial statements any identified material uncertainties that may cast significant doubt about the 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 parent company financial statements are authorised for issue.

### **Other information**

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the parent company financial statements and our auditor's report thereon. Our opinion on the parent company 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 parent company financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the parent company 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 parent company 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 this regard.

## REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF PINEAPPLE CORPORATION PLC (CONTINUED)

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

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

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

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

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

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

### **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement set out on page 10, the directors are responsible for the preparation of the parent company 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 the parent company financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the 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 parent company 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 parent company financial statements.

As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the parent company financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

## REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF PINEAPPLE CORPORATION PLC (CONTINUED)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

### **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.

### **Other matter**

We have reported separately on the consolidated financial statements of Pineapple Corporation Plc for the year ended 31 March 2018.



Ransford Agyei-Boamah (senior statutory auditor)  
for and on behalf of  
Harmer Slater Limited  
Statutory Auditor

Salatin House  
19 Cedar Road  
Sutton  
Surrey SM2 5DA

18 July 2018

# PINEAPPLE CORPORATION PLC

## COMPANY STATEMENT OF FINANCIAL POSITION

As at 31 March 2018

|                                       | Note | 2018<br>£         | 2017<br>£         |
|---------------------------------------|------|-------------------|-------------------|
| <b>Assets</b>                         |      |                   |                   |
| <b>Non-current assets</b>             |      |                   |                   |
| Investment properties                 | 7    | 46,424,110        | 38,441,923        |
| Investments in subsidiaries           | 8    | 3,991,214         | 3,991,214         |
| <b>Total non-current assets</b>       |      | <b>50,415,324</b> | <b>42,433,137</b> |
| <b>Current assets</b>                 |      |                   |                   |
| Inventories                           | 9    | 11,500            | 3,500             |
| Derivative financial instruments      | 12   | 26,977            | -                 |
| Trade and other receivables           | 10   | 10,482,700        | 9,459,357         |
| Cash and cash equivalents             |      | 745,574           | 2,605,285         |
| <b>Total current assets</b>           |      | <b>11,266,751</b> | <b>12,068,142</b> |
| <b>Total assets</b>                   |      | <b>61,682,075</b> | <b>54,501,279</b> |
| <b>Liabilities</b>                    |      |                   |                   |
| <b>Current liabilities</b>            |      |                   |                   |
| Derivative financial instruments      | 12   | -                 | 178,751           |
| Trade and other payables              | 13   | 3,531,540         | 3,920,840         |
| <b>Total current liabilities</b>      |      | <b>3,531,540</b>  | <b>4,099,591</b>  |
| <b>Non-current liabilities</b>        |      |                   |                   |
| Interest-bearing loans and borrowings | 11   | 20,447,590        | 17,701,810        |
| <b>Total non-current liabilities</b>  |      | <b>20,447,590</b> | <b>17,701,810</b> |
| <b>Total liabilities</b>              |      | <b>23,979,130</b> | <b>21,801,401</b> |
| <b>Net assets</b>                     |      | <b>37,702,945</b> | <b>32,699,878</b> |
| <b>Equity</b>                         |      |                   |                   |
| Called up share capital               | 14   | 9,045,903         | 8,529,952         |
| Share premium account                 | 14   | 8,450,606         | 6,799,351         |
| Hedge reserve                         | 14   | 26,977            | (178,751)         |
| Other reserve                         | 14   | 10,547,945        | 12,904,289        |
| Retained earnings                     | 14   | 9,631,514         | 4,645,037         |
| <b>Total equity</b>                   |      | <b>37,702,945</b> | <b>32,699,878</b> |

The parent company financial statements of Pineapple Corporation Plc (registration number 02954192) were approved by the Board of directors and authorised for issue on 18 July 2018

ON BEHALF OF THE BOARD:



A J Sperrin  
Director

The accompanying notes form an integral part of these financial statements

## PINEAPPLE CORPORATION PLC

### COMPANY STATEMENT OF CHANGES IN EQUITY

|   | Share capital    | Share premium    | Hedge reserve    | Other reserve     | Retained earnings | Total equity      |
|---|------------------|------------------|------------------|-------------------|-------------------|-------------------|
|   | £                | £                | £                | £                 | £                 | £                 |
| <b>Balance at 1 April 2016</b>              | 8,304,701        | 6,174,999        | -                | 10,613,545        | 5,277,257         | 30,370,502        |
| <b>Comprehensive income</b>                 |                  |                  |                  |                   |                   |                   |
| Profit for the year                         | -                | -                | -                | -                 | 3,065,966         | 3,065,966         |
| Changes in fair value of interest rate swap | -                | -                | (178,751)        | -                 | -                 | (178,751)         |
| Total comprehensive income for the year     | -                | -                | (178,751)        | -                 | 3,065,966         | 2,887,215         |
| Transfers                                   | -                | -                | -                | 2,290,744         | (2,290,744)       | -                 |
| Share issues                                | 225,251          | 624,352          | -                | -                 | -                 | 849,603           |
| Dividends                                   | -                | -                | -                | -                 | (1,407,442)       | (1,407,442)       |
| <b>Balance at 31 March 2017</b>             | <b>8,529,952</b> | <b>6,799,351</b> | <b>(178,751)</b> | <b>12,904,289</b> | <b>4,645,037</b>  | <b>32,699,878</b> |
| <b>Balance at 1 April 2017</b>              | 8,529,952        | 6,799,351        | (178,751)        | 12,904,289        | 4,645,037         | 32,699,878        |
| <b>Comprehensive income</b>                 |                  |                  |                  |                   |                   |                   |
| Profit for the year                         | -                | -                | -                | -                 | 4,612,062         | 4,612,062         |
| Changes in fair value of interest rate swap | -                | -                | 205,728          | -                 | -                 | 205,728           |
| Total comprehensive income for the year     | -                | -                | 205,728          | -                 | 4,612,062         | 4,817,790         |
| Transfers                                   | -                | -                | -                | (2,356,344)       | 2,356,344         | -                 |
| Share issues                                | 515,951          | 1,651,255        | -                | -                 | -                 | 2,167,206         |
| Dividends                                   | -                | -                | -                | -                 | (1,981,929)       | (1,981,929)       |
| <b>Balance at 31 March 2018</b>             | <b>9,045,903</b> | <b>8,450,606</b> | <b>26,977</b>    | <b>10,547,945</b> | <b>9,631,514</b>  | <b>37,702,945</b> |

#### Retained earnings

Retained earnings represents cumulative profit or losses net of dividends paid and other adjustments.

#### Other reserve

The other reserve represents non-distributable reserves arising on the revaluation of investment properties.

#### Share premium

The share premium reserve represents the difference between the par value of shares issued and the subscription price.

#### Hedge reserve

The hedge reserve records the unrealised changes in the fair value of the interest rate swap.

# PINEAPPLE CORPORATION PLC

## NOTES TO THE COMPANY FINANCIAL STATEMENTS

### 1 General Information

Pineapple Corporation Plc (“the company”) is a public company limited by share capital incorporated in the England and Wales. The company’s shares are admitted to trading on the Euro MTF market of the Luxembourg Stock Exchange.

The address of its registered office and principal place of business is 12 Blacks Road, Hammersmith, London W6 9EU.

The company acts as a holding company and owns a portfolio of properties as an investment company.

### 2 Significant accounting policies

#### (a) Going concern

The company’s financial statements have been prepared on a going concern basis which assumes that the company will be able to meet its liabilities as they fall due. The company’s cash flow forecasts show that it has adequate resources available to continue in operational existence for the foreseeable future. In preparing these forecasts the directors have taken into account the potential breaches of various financing covenants if there are reductions in property valuations and the due dates for repayment of significant loans.

Having taken these matters into account the directors have concluded that it is appropriate to prepare the financial statements on a going concern basis.

#### (b) Statement of compliance

The financial statements have been prepared in accordance with Financial Reporting Standard 102 “The Financial Reporting Standard applicable in the UK and Republic of Ireland” (FRS 102) issued by the Financial Reporting Council and in accordance with the Companies Act 2006.

#### (c) Basis of preparation

These financial statements have been prepared using the historical cost convention except that as disclosed in the accounting policies certain items are shown at fair value.

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.

#### (d) Summary of disclosure exemptions

The company is a qualifying entity (for the purposes of FRS 102) and in consequence has taken advantage of the following disclosure exemptions:

- the requirement to present a statement of cash flows and related notes
- the requirement to disclose transactions with group entities
- financial instrument disclosures, including: categories of financial instruments, items of income, expenses, gains or losses relating to financial instruments and exposure to and management of financial risks.

#### (e) Critical accounting judgements and estimates

In preparing the financial statements, management is required to make estimates and assumptions which affect reported income, expenses, assets, liabilities and disclosure of contingent assets and liabilities. Use of available information and application of judgement are inherent in the formation of estimates, together with past experience and expectations of future events that are believed to be reasonable under the circumstances. Actual results in the future could differ from such estimates.

NOTES TO THE COMPANY FINANCIAL STATEMENTS (CONTINUED)

**2 Significant accounting policies (continued)**

**(e) Critical accounting judgements and estimates (continued)**

**Valuation of investment properties**

The company's property portfolio was revalued at the year end date to fair value as follows: 24% of the portfolio amounting to £11.2m was externally valued by GVA Grimley Limited as at 19 April 2018 on the basis of market value. The remaining portfolio valuations were updated by the directors with assistance from Willmotts Chartered Surveyors at 31 March 2018 on the basis of market value. The investment property valuation is inherently subjective and contains a number of assumptions upon which GVA Grimley Limited and the directors have based their valuation of the company's properties. The assumptions on which the Property Valuation Reports have been based include, but are not limited to, matters such as recent comparable market transactions on arm's length terms, the tenure and tenancy details for the properties, ground conditions at the properties and the structural condition of the properties.

**(f) Taxation**

Current tax represents the expected tax payable (or recoverable) on the taxable profits for the year using tax rates enacted or substantively enacted at the year end date and taking into account any adjustments arising from prior years.

The company is a member of a group Real Estate Investment Trust "REIT", therefore deferred tax is not provided on timing differences arising from revaluation of those assets as any gains realised would be exempt from taxation as long as the REIT conditions are met.

**(g) Investment properties**

Investment properties are properties owned by the company which are held for long-term rental income or for capital appreciation or both and are included in non-current assets at their latest valuation plus subsequent additions at cost. Surpluses and deficits arising on valuation are taken direct to the Income Statement.

The group's property portfolio (which includes the company's investment properties) is valued annually. At least 25 per cent of the properties held at the previous year end together with any additions during the year will be valued by an external valuation agent and the remainder by the directors so that within every four-year period all properties would have been subject to an external valuation.

**(h) Investments**

Non-current investments in subsidiary undertakings are stated at cost less provision for impairment.

The carrying value of investments in subsidiary undertakings are reviewed as necessary for impairment. Impairment is calculated as the difference between the carrying value and the estimated value-in-use or disposal value if higher. Value-in-use represents the present value of future expected cash flows discounted on a pre-tax basis. The carrying amount of the investment is written down where impairment is identified.

NOTES TO THE COMPANY FINANCIAL STATEMENTS (CONTINUED)

**2 Significant accounting policies (continued)**

**(i) Impairment of assets**

At each reporting date non-current assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset is estimated and compared with its carrying amount. If estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in the Income Statement.

If an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in the Income Statement.

**(j) Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and at bank.

**(k) Receivables**

Receivables are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for the impairment of receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables

**(l) Payables**

Payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if the company does not have an unconditional right, at the end of the reporting period, to defer settlement of the creditor for at least twelve months after the reporting date. If there is an unconditional right to defer settlement for at least twelve months after the reporting date, they are presented as non-current liabilities.

Payables are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

**(m) Borrowings**

Interest-bearing borrowings are initially recorded at fair value, net of transaction costs. Interest-bearing borrowings are subsequently carried at amortised cost, with the difference between the proceeds, net of transaction costs, and the amount due on redemption being recognised as a charge to the Income Statement over the period of the relevant borrowing.

Interest expense is recognised on the basis of the effective interest method and is included in interest payable and similar charges.

Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.



# PINEAPPLE CORPORATION PLC

## NOTES TO THE COMPANY FINANCIAL STATEMENTS (CONTINUED)

### 2. Significant accounting policies (continued)

#### (n) Derivative financial instruments

The company enters into derivative transactions such as interest rate swaps in order to manage or hedge its exposure to the risk of changes in interest rates. This is described in more detail in the Report of the Directors and in notes 18 and 22 to the consolidated financial statements. The company does not enter into derivatives for trading or speculative purposes. The company documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in the hedging transactions are highly effective in offsetting the changes in fair values or cash flows of the hedged items.

Derivatives are initially recorded at fair value and are re-measured to fair value as calculated by the counterparties based on market prices at subsequent year end dates. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Changes in fair value of such derivatives (included cash flow hedges) are recognised through the statement of comprehensive income.

#### (o) Property development inventory

Property development inventory is valued at the lower of cost and net realisable value.

#### (p) Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

### 3. Income statement

As permitted by section 408 of the Companies Act 2006, the Income Statement of the company is not presented as part of these financial statements. The profit attributable to shareholders dealt with in the company's accounts for the financial year was £4,612,062 (2017: £3,065,966).

### 4. Staff costs

|  | 2018           | 2017           |
|--|----------------|----------------|
|  | £              | £              |
| Short term employee benefits             | 124,000        | 124,000        |
| Compulsory social security contributions | 13,735         | 13,753         |
|  | <u>137,735</u> | <u>137,753</u> |

#### Number of employees

The average number of employees (including directors) during the year was as follows:

|                | 2018     | 2017     |
|----------------|----------|----------|
|                | £        | £        |
| Administration | <u>3</u> | <u>3</u> |

### 5. Directors' Remuneration

#### Salary costs

|                              | 2018          | 2017          |
|------------------------------|---------------|---------------|
|                              | £             | £             |
| Short term employee benefits | <u>44,000</u> | <u>44,000</u> |

Only one director is remunerated through the company. All other directors receive no remuneration for their respective services to the company.

# PINEAPPLE CORPORATION PLC

## NOTES TO THE COMPANY FINANCIAL STATEMENTS (CONTINUED)

### 6. Finance expenses

|                      | 2018    | 2017    |
|----------------------|---------|---------|
|                      | £       | £       |
| Bank borrowing costs | 839,321 | 711,661 |

### 7. Investment properties

|                          | Investment<br>Properties<br>£ |
|--------------------------|-------------------------------|
| <b>Cost</b>              |                               |
| Balance at 1 April 2017  | 38,441,923                    |
| Additions                | 16,375,068                    |
| Disposals                | (9,227,692)                   |
| Revaluation              | 834,811                       |
| Balance at 31 March 2018 | 46,424,110                    |
| <b>Carrying amounts</b>  |                               |
| At 31 March 2018         | 46,424,110                    |
| At 31 March 2017         | 38,441,923                    |

The company's property portfolio was revalued at the year end to fair value as follows: 24% of the portfolio amounting to £11.2m was externally valued by GVA Grimley Limited, qualified independent valuers, as at 19 April 2018 in accordance with the Appraisal and Valuation Standards of RICS which became effective on 1 May 2003, on the basis of market value. The directors are of the opinion that it is unlikely that there has been a material change in value between 31 March 2018 and the valuation date and in consequence have not updated the valuation. The remaining portfolio valuations amounting to £35.2m were updated by the directors with assistance from Willmotts Chartered Surveyors, qualified valuers, at 31 March 2018 on the basis of market value. Market value represents the figure that would appear in a hypothetical contract of sale between a willing buyer and a willing seller. Market value is estimated without regard to costs of sale.

The historical cost of properties at 31 March 2018 was £36,876,164 (2017: £25,537,634). The historical cost of leasehold properties included within the above amounted to £5,389,090 (2017: £3,953,859).

The independent valuation of all property assets uses market evidence and also includes assumptions regarding income expectations and yields that investors would expect to achieve on those assets over time. Many external economic and market factors, such as interest rate expectations, bond yields, the availability and cost of finance and the relative attraction of property against other asset classes, could lead to a reappraisal of the assumptions used to arrive at current valuations. In adverse conditions, this reappraisal can lead to a reduction in property values and a loss in net asset values.

# PINEAPPLE CORPORATION PLC

## NOTES TO THE COMPANY FINANCIAL STATEMENTS (CONTINUED)

### 8. Investments held in subsidiaries

|  | Shares in<br>subsidiary<br>undertakings<br>£ |
|--|--|
| <b>Cost</b>                                  |  |
| Balance at 1 April 2017                      | 7,631,962                                    |
| Additions                                    | -  |
| Balance at 31 March 2018                     | <u>7,631,962</u>                             |
| <b>Provision</b>                             |  |
| Balance at 1 April 2017 and at 31 March 2018 | <u>3,640,748</u>                             |
| <b>Carrying amounts</b>                      |  |
| At 31 March 2018                             | <u>3,991,214</u>                             |
| At 31 March 2017                             | <u>3,991,214</u>                             |

The company's subsidiary undertakings (listed below) are 100% owned by the company.

| Subsidiary undertaking        | Country of<br>Incorporation | Direct or Indirect Holding | Principal Activity  |
|-------------------------------|-----------------------------|----------------------------|---------------------|
| Aspectvista Limited           | England                     | Direct                     | Property Investment |
| Fastbulb Limited              | England                     | Direct                     | Property Investment |
| Cranswick Builders Limited    | England                     | Direct                     | Property Investment |
| Tammberg OY                   | Finland                     | Direct                     | Property Investment |
| Maplebutton Limited           | England                     | Direct                     | Property Investment |
| Torasup Limited               | England                     | Direct                     | Property Investment |
| Delta House Studios Limited   | England                     | Direct                     | Property Investment |
| Trueline Properties Limited   | England                     | Direct                     | Property Investment |
| Pagecable Limited             | England                     | Direct                     | Dormant             |
| Duneflight Limited            | England                     | Direct                     | Dormant             |
| Aspectsaver Limited           | England                     | Direct                     | Property Investment |
| Drillscene Limited            | England                     | Direct                     | Property Investment |
| Earthstring Limited           | England                     | Direct                     | Property Investment |
| Greenexpert Limited           | England                     | Direct                     | Property Investment |
| Logicspirit Limited           | England                     | Direct                     | Property Investment |
| Saverteam Limited             | England                     | Direct                     | Property Investment |
| Shapemenu Limited             | England                     | Direct                     | Property Investment |
| Spiritframe Limited           | England                     | Direct                     | Property Investment |
| Basechange Limited            | England                     | Direct                     | Property Investment |
| Awarddeal Limited             | England                     | Indirect                   | Property Investment |
| Finlaw Thirty-Six Limited     | England                     | Indirect                   | Property Investment |
| Wingdawn Property Co Limited  | England                     | Indirect                   | Property Investment |
| Rapidbronze Limited           | England                     | Indirect                   | Dormant             |
| Fastflask Limited             | England                     | Indirect                   | Dormant             |
| Deckcoin Limited              | England                     | Indirect                   | Dormant             |
| Roundbell Limited             | England                     | Indirect                   | Property Investment |
| Pineapple property 1A Limited | England                     | Direct                     | Dormant             |
| Pineapple property 1B Limited | England                     | Direct                     | Dormant             |
| Pineapple property 1C Limited | England                     | Direct                     | Dormant             |
| Pineapple property 1D Limited | England                     | Direct                     | Dormant             |
| Pineapple property 1E Limited | England                     | Direct                     | Dormant             |

# PINEAPPLE CORPORATION PLC

## NOTES TO THE COMPANY FINANCIAL STATEMENTS (CONTINUED)

### 8. Investments held in subsidiaries (continued)

|                               |         |        |         |
|-------------------------------|---------|--------|---------|
| Pineapple property 1F Limited | England | Direct | Dormant |
| Pineapple property 1G Limited | England | Direct | Dormant |
| Pineapple property 1H Limited | England | Direct | Dormant |
| Pineapple property 1I Limited | England | Direct | Dormant |
| Pineapple property 1J Limited | England | Direct | Dormant |
| Pineapple property 1K Limited | England | Direct | Dormant |
| Pineapple property 1L Limited | England | Direct | Dormant |
| Pineapple property 1M Limited | England | Direct | Dormant |
| Pineapple property 1N Limited | England | Direct | Dormant |
| Pineapple property 1O Limited | England | Direct | Dormant |

### 9. Inventories

|                        | 2018   | 2017  |
|------------------------|--------|-------|
|                        | £      | £     |
| Property trading stock | 11,500 | 3,500 |

### 10. Trade and other receivables

|  | 2018              | 2017             |
|--|-------------------|------------------|
|  | £                 | £                |
| Rent receivable                          | 62,664            | 107,725          |
| Other receivables                        | 62,927            | 86,426           |
| Amounts due from subsidiary undertakings | 10,287,724        | 9,200,312        |
| Prepayments and accrued income           | 69,385            | 64,894           |
|  | <u>10,482,700</u> | <u>9,459,357</u> |

Rent receivables are all considered past due as they relate to rents receivable from tenants all of which are payable in advance.

### 11. Interest-bearing loans and borrowings

|                         | 2018       | 2017       |
|-------------------------|------------|------------|
|                         | £          | £          |
| Non-current liabilities |            |            |
| Bank loan               | 20,447,590 | 17,701,810 |

# PINEAPPLE CORPORATION PLC

## NOTES TO THE COMPANY FINANCIAL STATEMENTS (CONTINUED)

### 11. Interest-bearing loans and borrowings (continued)

The bank loans are repayable as follows:

|                            | 2018              | 2017              |
|----------------------------|-------------------|-------------------|
|                            | £                 | £                 |
| Bank loans                 |                   |                   |
| Within one year            | -                 | -                 |
| Between one and two years  | -                 | -                 |
| Between two and five years | 20,447,590        | 17,701,810        |
|                            | <u>20,447,590</u> | <u>17,701,810</u> |

The bank loans are secured by fixed and floating charges over the group's assets. Interest is payable at 2.55% over LIBOR on sterling denominated loans of £20,477,590. £13,824,277 of the loans mature on 4 May 2021; the remainder of the loans amounting to £6,623,313 has been made available under a revolving credit facility which expires on 4 May 2021. The company has taken out an interest rate swap in respect of the first £10 million of borrowings to effectively fix the interest rate on this amount at a rate of 3.658% until 4 May 2021.

### 12. Derivative financial instruments

|                                   | 2018   | 2017      |
|-----------------------------------|--------|-----------|
|                                   | £      | £         |
| Fair value of interest rate swaps | 26,977 | (178,751) |

Fair values have been calculated by using market values at the year end date.

The company's strategy in respect of the use of financial instruments to manage risk is detailed in the Report of the Directors. At 31 March 2018, the fair value of fixed interest rate receivable swap was an asset of £26,997 (2017: a liability of £178,751) and comprised a fixed interest rate receivable swap entered into in May 2016 in order to swap the first £10,000,000 of the bank loan to effectively fix the interest rate on this amount at a rate of 3.658% until 4 May 2021.

### 13. Trade and other payables

|                                       | 2018             | 2017             |
|---------------------------------------|------------------|------------------|
|                                       | £                | £                |
| Trade payables                        | 512,447          | 55,026           |
| Other payables                        | 755,555          | 411,890          |
| Amount owed to subsidiary undertaking | 1,950,949        | 3,038,418        |
| Other taxes                           | 102,095          | 121,039          |
| Accruals and deferred income          | 210,494          | 294,467          |
|                                       | <u>3,531,540</u> | <u>3,920,840</u> |

The directors consider that the carrying value of trade and other payables approximates to their fair value.

### 14. Share capital

|  | 2018      | 2017      |
|--|-----------|-----------|
|  | £         | £         |
| Allotted, called up and fully paid Equity              |           |           |
| 9,045,903 (2017: 8,529,952) ordinary shares of £1 each | 9,045,903 | 8,529,952 |

## PINEAPPLE CORPORATION PLC

### NOTES TO THE COMPANY FINANCIAL STATEMENTS (CONTINUED)

#### 14. Share capital (continued)

The company has one class of share which carries no rights to fixed income.

For information on individual reserves see page 43.

#### Issue of ordinary shares

On 7 August 2017, the company issued 786 ordinary shares of £1 each at a premium of £3.23 raising cash of £3,325.

On 25 August 2017, the company issued 7,092 ordinary shares of £1 each at a premium of £3.23 raising cash of £29,999.

On 29 September 2017, the company issued 12,077 ordinary shares of £1 each at a premium of £3.14 raising cash of £49,999.

On 4 October 2017, the company issued 85,000 ordinary shares of £1 each at a premium of £3.12 raising cash of £350,000.

On 6 October 2017, the company issued 922 ordinary shares of £1 each at a premium £3.23 raising cash of £3,900.

On 9 October 2017, the company issued 4,725 ordinary shares of £1 each at a premium of £3.23 raising cash of £19,987

On 12 October 2017, the company issued 251,889 ordinary shares of £1 each at a premium of £2.97 raising cash of £999,999.

On 7 November 2017, the company issued 6,550 ordinary shares of £1 each at a premium of £3.58 raising cash of £29,999

On 13 December 2017, the company issued 140,389 ordinary shares of £1 each at a premium of £3.63 raising cash of £650,001.

On 12 January 2018, the company issued 6,521 ordinary shares of £1 each at a premium of £3.60 raising cash of £29,997.

#### 15. Capital commitments

There were no capital commitments at 31 March 2018 or at 31 March 2017.

#### 16. Contingent liabilities

There were no contingent liabilities at 31 March 2018 or at 31 March 2017.

#### 17. Related party transactions

The company reports the following transactions with related parties:

##### Transactions with key management personnel

The key management personnel are the directors of the company. Directors of the company and their immediate relatives control 20.01% (2017: 22.12%) of the voting shares of the company.

# PINEAPPLE CORPORATION PLC

## NOTES TO THE COMPANY FINANCIAL STATEMENTS (CONTINUED)

### 17. Related party transactions (continued)

The following directors received dividends and property income distributions during the year in respect of their shareholdings:

|   | 2018    | 2017    |
|---|---------|---------|
|   | £       | £       |
| D C Farley (and immediate family members)   | 133,283 | 81,936  |
| T H Berglund (and immediate family members) | 105,995 | 111,701 |
| A J Sperrin (and immediate family members)  | 61,944  | 39,131  |

At 31 March 2018, the following amounts were owed to the directors or their immediate relatives:

|   | 2018   | 2017    |
|---|--------|---------|
|   | £      | £       |
| D C Farley (and immediate family members)   | 29,997 | 51,773  |
| T H Berglund (and immediate family members) | -      | 101,103 |
| A J Sperrin (and immediate family members)  | -      | -       |

### Transactions with subsidiary undertakings

The company is a parent undertaking and has therefore taken advantage of the provisions of Section 33.1A of FRS 102 not to disclose transactions with wholly owned subsidiary undertakings.

### Other related party transactions

A J Sperrin and T H Berglund jointly control Willmotts Corporation Limited. The transactions between the company and Willmotts Corporation Limited or its subsidiaries, all of which were undertaken on an arm's-length basis, were as follows.

|  | 2018    | 2017    |
|--|---------|---------|
|  | £       | £       |
| Property and other management fees charged to the company    | 417,433 | 183,009 |
| Property income distribution or dividend paid by the company | 114,414 | 82,173  |
| Amount owed by the company at the year end                   | 120,278 | -       |

D C Farley and family control Pointexport Limited. The transactions with this company were as follows:

|                               | 2018   | 2017   |
|-------------------------------|--------|--------|
|                               | £      | £      |
| Dividends paid by the company | 21,717 | 12,626 |

The amounts owed to or by the company are unsecured, interest free and have no fixed repayment date or repayment schedule.

### 18. Events after the financial period

There have been no significant events between the year end and the date of approval of these company financial statements which would require a change to, or disclosure in, the company financial statements.

## PINEAPPLE CORPORATION PLC

### NOTES TO THE COMPANY FINANCIAL STATEMENTS (CONTINUED)

#### 19. Reclassifications and comparative figures

Certain reclassifications have been made to the prior year's financial statements to enhance comparability with the current year's consolidated financial statements to correct the presentation of deferred bank loan arrangement fees which was previously reported as prepayments and accrued income in the statement of financial position rather than a direct reduction of the carrying value of the bank borrowings. As a result, certain line items have been amended in the statement of financial position and the related notes to the financial statements. Comparative figures have been adjusted to conform to the current year's presentation. These reclassifications had no effect on the reported results of operations or net assets.

The items were reclassified as follows:

|                                | 2017                |                       |
|--------------------------------|---------------------|-----------------------|
|                                | Previously reported | Post reclassification |
|                                | £                   | £                     |
| Prepayments and accrued income | 529,365             | 64,894                |
| Bank borrowings                | 18,166,281          | 17,701,810            |