

REGISTERED NUMBER: 02954192 (ENGLAND AND WALES)

PINEAPPLE CORPORATION PLC

ANNUAL REPORT AND

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020

PINEAPPLE CORPORATION PLC

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PINEAPPLE CORPORATION PLC

COMPANY INFORMATION

FOR THE YEAR ENDED 31 MARCH 2020

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

CHAIRMAN'S STATEMENT FOR THE YEAR ENDED 31 MARCH 2020

I am pleased to present my report for the year ended 31 March 2020.

Highlights

During the early part of the year the UK property market continued to be subdued as a result of the political uncertainty that existed at that time. Then at the end of this financial year the market was hit by the impact of the Covid 19 pandemic and the ensuing lockdown implemented in response to it. The speed and scale of the impact of Covid 19 on business and the economy are unprecedented. Long term trends that were already changing the shape of the property market have been accelerated, in particular the adverse effect on the outlook for high street retail property and a move towards online retailing.

The economic recession that will follow is likely to be one of the deepest and longest recessions ever suffered in the UK.

Our response to this crisis and the likely effects on our company are explained more fully in the strategic review which follows my statement. However, in summary, due to the nature and makeup of our portfolio we are very well placed to cope with the problems we are facing and do not expect any major adverse effect on our rental business in the near term.

Whilst capital values may fall during the next year we believe that they will stabilise and then rebound in London ahead of the rest of the UK, as in previous recessions. 94% of our portfolio is in London and practically none of our properties are standard High Street retail (other than food or services). We are not exposed to the entertainment and events industry.

We have sufficient cash reserves to maintain us through these difficult times and expect to continue paying dividends to our shareholders for the foreseeable future, even though this is likely to be at a slightly reduced level. The September dividend payment will be announced shortly when notice of the AGM is sent out.

Meanwhile the group has continued to concentrate on maximising the returns and development potential of the investments acquired in recent years.

We have completed the renovation of Truebell House (now renamed as Delta House 2) and converted the property into artists studios providing twenty five modern self-contained units, which have been fully let.

We have obtained planning consent for the development of our Lombard Road site to provide approximately thirty thousand square feet of warehousing and ancillary space.

We are awaiting planning consent on a number of other properties which if successful will result in the development of a further sixteen flats in West London.

The results of the group reflect the positive management of the Board:

- Gross UK rental income has increased by 5.5%
- Dividends per share have increased by 5% from 19p to 20p
- Profit before tax excluding gains on disposals and revaluations has increased by 5.3%

In summary, I feel that the company has performed exceptionally well in difficult economic circumstances.

PINEAPPLE CORPORATION PLC

CHAIRMAN'S STATEMENT FOR THE YEAR ENDED 31 MARCH 2020

The future

During the current economic turmoil it is likely there will be a negative impact on property values. The group, with its portfolio in good locations in London, should be well placed to weather the recession and take advantage of opportunities that may arise.

The directors will continue to actively search for further profitable acquisitions subject to the normal constraints of liquidity and new capital being raised to fund such further investment. The directors continue to seek sources of new capital and this is referred to further in the strategic report.

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 also like to thank all of our directors, business partners and shareholders for their continued interest and support of the company.



T H Berglund
Chairman

PINEAPPLE CORPORATION PLC

STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2020

The directors are pleased to present their Strategic Report for the year ended 31 March 2020.

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 2020, all of which are property investment companies, are listed on pages 54 and 55.

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 minimise 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

Covid 19

The achievements and performance of the company have been significantly affected and overshadowed by the emergence of the global Covid-19 pandemic that was announced by the World Health Organisation on 11 March 2020. The speed and scale of the impact of Covid-19 on business and the economy are unprecedented and profound long-term consequences will result well into the future.

Whilst the eventual outcomes and effects of the pandemic and governments response to the crisis are still somewhat speculative, the effects on our results and likely effects on our business going forward are commented on in each section below.

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.

STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2020 (CONTINUED)

We have completed the renovation of Truebell House (now renamed as Delta House 2) and converted the property into artists studios providing twenty five modern self-contained units, which have been fully let. This adds to the seventy three studios already completed and let at Delta House 1. Together with the portfolio of seventy three studios at Delta House 1, the annual gross rental income of this part of the portfolio exceeds £600,000. All the studios have been fully occupied since they were first let, with no voids. Currently there are no arrears of rent due. This market has proved extremely resilient to the Covid crisis.

We have also obtained planning consent for the development of our Lombard Road site to provide approximately thirty thousand square feet of warehousing and ancillary space. We are in the course of identifying an end user for this space before embarking on the development. This sector is one which is likely to benefit from the changing consumer demand from high street retail to online buying.

We are awaiting planning consent on a property in Munster Road, where we have proposed a small mixed development of three residential flats, a small retail unit and a small office complex. In view of the changing demand patterns we are likely to review our plans when the governments proposals for permitted development of empty retail property are finalised.

We are also awaiting planning decisions on our applications to convert loft space into eight self contained flats and to convert an empty office into four flats.

Our results are satisfactory, given the difficult economic environment:

- Dividends paid during the year have increased from £1,741,218 in 2019 to £1,834,485 in 2020, being 20p per share in 2020 compared to 19p per share in 2019, an increase of 5%.
- Adjusted Net Asset Value per share in the company has fallen by 12p from 499p to 487p - a decrease of 2.4%.
- Profit before tax for the year, excluding gains on disposals and revaluations, has increased from £599,482 in 2019 to £631,488 in 2020, an increase of 5.3%.

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 2020 is summarised as follows:

	London	Rest of UK	Total
	£	£	£
Residential investments	39,135,660	2,301,940	41,437,500
Commercial investments	22,900,192	1,484,731	24,384,923
	<u>62,035,852</u>	<u>3,786,671</u>	<u>65,822,523</u>

There is a degree of uncertainty about the value of the portfolio due to the impact of Covid 19 at the date of valuation, but we believe the valuation has been carried out on a conservative basis (see note 13 to the accounts).

It is important to note that most of our residential portfolio is in London, largely in affluent areas in West London. Whilst we anticipate values drifting downwards over the next twelve months, we expect this to level off in the following year, then recover strongly after that. This is a well-established pattern in previous recessions.

How much the residential market may fall remains speculative at the moment, with forecasts being in the 4% to 12% range. This will of course be affected by any supportive action taken by the government, for example the SDLT reliefs recently announced.

STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2020 (CONTINUED)

The Commercial Investments may be broken down further as:

Warehouse/Artist Studios	14,000,000
Food Retail	4,475,000
Hairdressers	1,125,000
Proposed redevelopment as residential	<u>2,700,000</u>
	22,300,000
General retail	<u>2,084,923</u>
	<u>24,384,923</u>

We feel that these sectors will prove to be resilient against any downward trends in the commercial investment market.

The possible effect of these factors over the coming twelve months on the NAV per share in Pineapple Corporation plc is analysed further below.

Property acquisitions and disposals

During the year the group spent £681,157 on developing various properties within its portfolio.

The group also granted various lease extensions with book values amounting to £331,890 for a total consideration of £384,546.

Valuation

At 31 March 2020, the valuation of UK properties was £65,822,523 (2019 - £65,295,420).

Rental Income

Gross UK rental income was £2,558,304 for the year compared to £2,425,820 for the year ended 31 March 2019.

Since the lockdown was imposed after the outbreak of Covid 19 we have been in constant dialogue with our tenants and lessees. Where they have been suffering cashflow problems we have agreed measures to help them get through the short term problems and avoid any long term damage to our investment portfolio.

The mix of our portfolio has meant that in most cases normal rental payments have been made in accordance with lease terms. In a few cases we have agreed to accept monthly rental payments rather than quarterly payments on some of the commercial leases. This has had a minimal effect on our cashflow.

In one case only, we have had to accept the surrender of a lease of a residential block comprising twenty three flats which had been let to an organisation who used the flats to provide accommodation to overseas students. The surrender was completed in June and at the time of writing this report we have already let fourteen of the twenty three flats on standard ast agreements. The negotiated surrender premium covered a full quarters rental income, which mitigates any adverse effect on our cashflow. The annual income generated from ast rentals will be approximately £100,000 lower than the £580,000p.a. under the previous lease agreement. However, we anticipate being able to generate higher rental figures from this block when the ast agreements are renewed, when we will not be dealing with such a large volume of available space in a short period of time.

The overall effect of this on the current year is therefore very limited. We expect rental income to be maintained at about £2.5M (including the surrender premium received).

At the end of June total arrears of rent which were more than one month past due date amounted to less than £9,000, which is a good indication of how well this situation has been managed.

STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2020 (CONTINUED)

Cash Flow

Net cash flow generated from operations was £1,407,910 for the year compared with £1,282,370 for the year ended 31 March 2019.

The net cash outflow from investing activities was £777,022 for the year compared with a net cash outflow of £661,471 for the year ended 31 March 2019. The movement reflects payments for acquisition of investment properties for cash (net of disposal proceeds) during the year.

As explained above we do not anticipate any material effect on the cashflow generated from our operating activity as a result of Covid 19.

Results

	2020	2019	Change
	£	£	
Gross rental income	2,558,304	2,425,820	5.5%
Profit before tax	838,516	4,385,804	(80.9%)
Profit before tax excluding gains on disposals and revaluations	631,488	599,482	5.3%
Adjusted earnings per share (Note 11)	7.0p	7.3p	(4.1)%
Earnings per share (Note 11)	8.9p	47.6p	(81.3%)
Dividends per share (Note 10)	20p	19p	5%

We do not anticipate any material effect on our profit before tax excluding gains on disposals and revaluations in the current year as a result of Covid 19.

Dividend Policy

It has been our policy to pay dividends at a level that maintains a minimum 4% yield based on net asset value per share, which we have achieved for many years. This was maintained in the year ended 31st March 2020, when we maintained our dividend payment in March at 10p per share, despite this not being covered by earnings per share in 2020.

We are comfortable with continuing dividend payments in 2020/21 because we have adequate cash reserves and are confident that our underlying business will not be too badly affected by the Covid crisis in the medium/long term. The company is sufficiently flexible to adjust for any long-term changes in demand for certain sectors of the property market quickly and efficiently. At the moment our portfolio is well structured when considering the likely effects of Covid.

That having been said, it is important that we conserve the cash resources available to us to some extent and recognise the likely fall in net asset value per share that is likely to result this year, largely as a result of falling residential property prices.

Accordingly the directors are carefully weighing up the need to conserve cash against the need to provide a good return on investment to our shareholders, with a view to maintaining a 4% yield on nav over the long term. The September dividend will be announced shortly when notice of the AGM is sent out.

Statement of Financial Position

	2020	2019	2018	2018
Adjusted Net Asset Value per share (note 22)	487p	499p	472p	423p
Net debt/property value	35%	33%	32%	37%
Net debt/total capital (note 22)	32%	31%	33%	37%

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

STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2020 (CONTINUED)

The adjusted net asset value has fallen slightly in 2020 as a result of us maintaining dividends in a year when we did not make any substantial profits from disposals and when any revaluation gains have not been recognised due to the effects of the arrival of Covid 19.

As mentioned in the Portfolio section of this report above, we anticipate the net asset value per share being affected this year by any fall in residential property values, but it is uncertain as to how much the market is likely to fall, if at all.

Percentage fall in residential property prices	4%	8%	12%
Projected NAV per share at 31/3/21	£4.58	£4.40	£4.22

Key Assumptions:

1. Our residential portfolio will fall in value by 4%, 8% or 12%
2. Our commercial portfolio will not fall in value due to the market sectors of the properties
3. The group pays total dividends of 16p for the year.

It should be noted that the UK Reits listed on the London Stock Exchange are largely trading at between 25% and 50% discount to current net asset value, which indicates to some extent a more pessimistic view for those companies but is also factoring in a huge level of risk because the long term economic effects of Covid 19 are still not certain.

Finance

The group's gearing ratio has increased from 31% to 32% 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 that may arise as a result of the Covid 19 crisis

The directors will seek authority to issue up to 10% new share capital when the AGM is held.

PRINCIPAL RISKS AND UNCERTAINTIES

The board has overall responsibility for risk management with a focus on determining the nature and extent of exposure to principal risks the group is willing to take in achieving its strategic objectives. The board believes that effective risk management is integral to our strategy of delivering long-term sustainable income and capital growth.

Covid 19

The global Covid-19 pandemic that was announced by the World Health organisation on 11 March 2020, has introduced significant levels of uncertainty into most businesses. While it is too early to assess the full impact that this will have on any economic downturn is likely to have an adverse effect on the short term capital growth prospects of the group's investment portfolio.

As explained in the report above we are paying close attention to the evolving situation and to mitigating the risks for our business and all our stakeholders.

STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2020(CONTINUED)

PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

We have reviewed the risks in the year. The table below summarises the principal risks that face the business and the details of how we manage and mitigate the risk:

Principal risk	How we manage/mitigate risk
<p>External risks</p> <p>Occupier demand and tenant default - Any weakening in the UK economy, reduced consumer confidence, business activity and investment could reduce income, rental growth and capital performance</p> <p>Significant fall in the value of the investment portfolio – This could result in breaches of banking covenants and calling in of loans if gearing levels become too high.</p> <p>Adverse interest rate movements</p> <p>REIT requirements – 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.</p>	<p>All substantial commercial tenants have strong financial covenants.</p> <p>Tenant lease payments are monitored closely and where problems arise the company works closely with the tenant to ensure that any exposure is minimised.</p> <p>The group maintains a diverse mixed portfolio of residential and commercial properties (including warehouse and retail investments), principally in good locations in London. The group’s exposure to a downturn in any one sector of the property market is minimised.</p> <p>A proportion of the residential investment portfolio is reversionary and its capital value increases even when the market is static.</p> <p>The group’s current level of bank borrowing has increased marginally to around 35% (£24.1m) of the property valuation (£65.8m), well below the 50% loan to value covenant incorporated in the main banking facilities.</p> <p>In addition, the group has a secure property income stream from a number of tenants with no significant reliance on one particular tenant.</p> <p>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%.</p> <p>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.</p>
<p>Internal risks</p> <p>Key personnel – The team of 3 directors 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.</p>	<p>The board has mitigated this risk by utilising the services of an extensive network of trusted and experienced property advisors and agents.</p>

DIRECTORS' SECTION 172 STATEMENT

In accordance with the requirements of S172(1) Companies Act 2006, the board promotes the success of the group for all its stakeholders, by ensuring that, when taking decisions and developing strategy, it:

- **Considers the long term consequences**

Property acquisitions/disposals as well as development decisions are considered by reference to the impact that they will have on current and future returns given the risks anticipated in the short and long-term. Further information about our portfolio and major developments during the year can be found on pages 5 and 6.

- **Considers the community and environmental impact**

Development and improvements to our properties are designed to reduce any adverse environmental impacts where practicable. All projects are subject to safety and environmental impact reviews, and due care is taken to ensure the materials used are safe for health and environment.

- **Has regard to the need to act fairly between members of the company.**

The directors engage formally with all shareholders at the AGM. They are also available for informal engagements, when, and as required to ensure all the matters that may arise are resolved efficiently.

Pineapple Corporation Plc has only one class of share and considers carefully any issues raised by the members at the AGM or by other means.

- **Considers the impact on other business relationships**

The directors work closely with tenants and property managers to ensure that any potential or actual issues or opportunities are acted upon swiftly and professionally.

The directors have a close working relationship with all key members of the external advisory team and will consult, with them as required. Pineapple Corporation Plc ensures that where purchasing criteria are met creditors are paid within terms.

- **Considers the interests of the employees.**

As Pineapple Corporation Plc only has two employee other than the directors this matter is considered informally.

- **Considers its reputation in the marketplace for high standards of business conduct**

Key decisions are made by the board as a whole with adequate briefing to inform that decision and ensure that high standards are maintained. Pineapple Corporation Plc endeavours to always act fairly and responsibly in all transactions by meeting agreed timetables and payment terms.

The group stakeholders, include the following parties

Shareholders – the directors normally attend the AGM and are available to meet with shareholders. If, due to coronavirus, the 2020 AGM cannot be held in the usual manner we will encourage feedback from shareholders in other ways.

Advisory team - We have strong working relationships with our advisory team including asset managers, valuers, corporate finance, legal and tax advisers. They are an integral part of our team and we are committed to treating them as respected and valued colleagues.

Tenants - We are committed to working with our tenants to understand their needs and to aim to meet their current and future requirements. We consider sustainability issues with our tenants and strive to reduce the environmental impact of our portfolio.

Lenders – access to capital is of vital importance to the long –term success of the company. Regular dialogue is maintained with the key relationship bank and the board ensures that all the obligations are met in a timely manner and all relevant terms and conditions are adhered to.

OUR PEOPLE

Pineapple Corporation Plc is managed by a small team of three executive directors who bring a wealth of experience in the residential and commercial property sectors.

PINEAPPLE CORPORATION PLC

STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2020 (CONTINUED)

GENDER DIVERSITY

The board of directors currently comprises three 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 24 July 2020

ON BEHALF OF THE BOARD:

A handwritten signature in blue ink, appearing to read 'A J Sperrin', with a long horizontal stroke extending to the right.

A J Sperrin
Director

PINEAPPLE CORPORATION PLC

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 MARCH 2020

The directors present their report and the audited financial statements for the year ended 31 March 2020.

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

DIVIDENDS

Dividends of £1,834,485 (property income distributions) were distributed during the year ended 31 March 2020, compared to dividends of £1,741,218 (property income distributions) in the previous year.

GOING CONCERN

The Directors confirm they have a reasonable expectation that the Company has adequate resources to continue in operational existence for at least 12 months from the date of signing these financial statements. This confirmation is made after having reviewed assumptions about future trading performance, valuation projections, capital expenditure, asset sales and debt requirements contained within the Group's forecasts. The Directors also considered potential risks and uncertainties in the business, credit, market and liquidity risks, including the availability and repayment profile of bank facilities, as well as forecast covenant compliance. Further stress testing has been carried out to ensure the Group has sufficient cash resources to continue in operation for at least the next 12 months following approval of the Financial Statements. This stress testing included extreme downside scenarios with materially reduced levels of cash receipts over this period. Based on the above, together with available market information and the Directors' knowledge and experience of the Group's property portfolio and markets, the Directors continue to adopt the going concern basis in preparing the accounts for the year ended 31 March 2020.

FUTURE DEVELOPMENTS

For details of future developments see the 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.

PINEAPPLE CORPORATION PLC

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 MARCH 2020 (CONTINUED)

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.

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 24 July 2020

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. 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 2020

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. Following the resignation of A Crichton as non-executive director for personal reasons in October 2019, the company is actively searching for a suitably qualified replacement.

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 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 2020 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 27 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 2020, 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.

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.

However, because the impact of COVID-19 cannot be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern. We draw attention to the going concern note in the accounting policies of these financial statements.

Emphasis of matter – Material uncertainty regarding property valuations

We draw attention to note 4 on the valuation of investment properties in the financial statements, which indicates that uncertainties over the current economic environment caused by Covid-19 have had an impact on the valuation of the Group's properties. The Directors have highlighted in their assessment of fair value of the property portfolio that there is limited transactional evidence and less certainty with regard to valuations. Willmotts Chartered Surveyors have also stated that their review of the Directors Valuations at 31 March 2020 is on the basis of 'material valuation uncertainty'. These events and conditions indicate that a material uncertainty regarding property valuations exists. Our opinion is not modified in respect of this matter.

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.

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

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 2020.



Timothy Slater (senior statutory auditor)
for and on behalf of:
Harmer Slater Limited
Statutory Auditor

Salatin House
19 Cedar Road
Sutton
Surrey SM2 5DA

24 July 2020

PINEAPPLE CORPORATION PLC

CONSOLIDATED INCOME STATEMENT

For the Year Ended 31 March 2020

	Note	2020 £	2019 £
Continuing operations			
Gross rental revenue		2,558,304	2,425,820
Property operating expenses		(495,737)	(490,451)
Net rental income		<u>2,062,567</u>	<u>1,935,369</u>
Administrative expenses		(538,243)	(485,668)
		<u>1,524,324</u>	<u>1,449,701</u>
Net valuation gains on investment properties		177,047	3,676,955
Profit on disposal of investment properties		29,981	109,367
Operating profit	6	<u>1,731,352</u>	<u>5,236,023</u>
Finance income		106,636	56,545
Finance expenses	7	(999,472)	(906,764)
Net financing costs		(892,836)	(850,219)
Profit before income tax		<u>838,516</u>	<u>4,385,804</u>
Income tax charge	9	25,164	-
Profit for the year from continuing operations		<u>813,352</u>	<u>4,385,804</u>
Loss from discontinued operation (attributable to equity shareholders of the company)	20	-	(41,434)
Profit for the year		<u>813,352</u>	<u>4,344,370</u>
Earnings per share			
		2020	2019
Basic and diluted earnings per share	11	<u>8.9p</u>	<u>47.6p</u>

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 2020

	2020 £	2019 £
Profit for the year after taxation	813,352	4,344,370
Items that may be reclassified subsequently to income statement:		
Other comprehensive income arising from discontinued operations	-	(86,028)
Changes in fair value of interest rate swap	(23,924)	(79,273)
Other comprehensive income for the year	(23,924)	(165,301)
Total comprehensive income for the year	789,428	4,179,069
Total comprehensive income for the year attributable to shareholders of the company arises from:		
Continuing operations	789,428	4,306,531
Discontinued operations	-	(127,462)
	789,428	4,179,069

The accompanying notes form an integral part of these financial statements

PINEAPPLE CORPORATION PLC

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2020

	Note	2020 £	2019 £
Assets			
Non-current assets			
Investment properties	13	65,822,523	65,295,420
Total non-current assets		65,822,523	65,295,420
Current assets			
Inventories	14	11,500	11,500
Trade and other receivables	15	2,304,912	2,151,056
Cash and cash equivalents	16	1,653,837	1,062,913
Total current assets		3,970,249	3,225,469
Total assets		69,792,772	68,520,889
Liabilities			
Current liabilities			
Interest-bearing loans and borrowings	17	-	-
Derivative financial instruments	18	76,220	52,296
Trade and other payables	19	852,425	1,521,017
Total current liabilities		928,645	1,573,313
Non-current liabilities			
Interest-bearing loans and borrowings	17	24,126,723	21,231,643
Total non-current liabilities		24,126,723	21,231,643
Total liabilities		25,055,368	22,804,956
Net assets		44,737,404	45,715,933
Equity			
Issued capital	21	9,179,356	9,165,496
Share premium		8,944,911	8,892,243
Hedge reserve		(76,220)	(52,296)
Translation reserve		-	-
Retained earnings		26,689,357	27,710,490
Total equity		44,737,404	45,715,933

The consolidated financial statements of Pineapple Corporation Plc (registration number 02954192) were approved by the Board of Directors and authorised for issue on 24 July 2020

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 £	Share premium £	Retained earnings £	Hedge reserve £	Translation reserve £	Total equity £
Balance at 1 April 2018	9,045,903	8,450,606	24,541,990	26,977	651,376	42,716,852
Comprehensive income						
Profit for the year	-	-	4,344,370	-	-	4,344,370
Foreign exchange translation differences	-	-	-	-	(86,028)	(86,028)
Changes in fair value of interest rate swap	-	-	-	(79,273)	-	(79,273)
Total comprehensive income for the year	-	-	4,344,370	(79,273)	(86,028)	4,179,069
Transactions with owners						
Share issues	119,593	441,637	-	-	-	561,230
Dividends	-	-	(1,741,218)	-	-	(1,741,218)
Transactions with owners	119,593	441,637	(1,741,218)	-	-	(1,179,988)
Transfers	-	-	565,348	-	(565,348)	-
Balance at 31 March 2019	9,165,496	8,892,243	27,710,490	(52,296)	-	45,715,933
Balance at 1 April 2019	9,165,496	8,892,243	27,710,490	(52,296)	-	45,715,933
Comprehensive profit						
Profit for the year	-	-	813,352	-	-	813,352
Foreign exchange translation differences	-	-	-	-	-	-
Changes in fair value of interest rate swap	-	-	-	(23,924)	-	(23,924)
Total comprehensive income/expense	-	-	813,352	(23,924)	-	789,428
Transactions with owners						
Share issues	13,860	52,668	-	-	-	66,528
Dividends	-	-	(1,834,485)	-	-	(1,834,385)
Transactions with owners	13,860	52,668	(1,834,485)	-	-	(1,767,957)
Transfers	-	-	-	-	-	-
Balance at 31 March 2020	9,179,356	8,944,911	26,689,357	(76,220)	-	44,737,404

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.

PINEAPPLE CORPORATION PLC

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended 31 March 2020

	Note	2020 £	2019 £
Cash flows from operating activities			
Operating profit		1,731,352	5,343,590
Adjustments for non-cash items:			
Profit on disposal of investment property		(29,981)	(109,367)
Revaluation of investment property		(177,047)	(3,676,955)
Increase in debtors		(132,261)	(159,265)
Increase/(decrease) in creditors		20,876	(115,633)
Cash generated from operations		1,412,939	1,282,370
Tax paid		5,029	-
Net cash from operating activities		1,407,910	1,282,370
Cash flows from investing activities			
Interest received		-	56,545
Acquisition of investment properties		(1,138,104)	(3,060,628)
Disposal of investment properties		361,082	1,490,361
Disposal of subsidiary	20	-	852,251
Net cash outflow from investing activities		(777,022)	(661,471)
Cash flows from financing activities			
Proceeds from the issue of share capital		47,184	549,992
Equity dividends paid		(1,789,741)	(1,707,690)
Bank borrowings received		2,895,080	784,053
Bank borrowings repaid		-	-
Other loans received		292,488	3,502,243
Other loans repaid		(487,815)	(2,608,067)
Interest paid		(997,160)	(891,861)
Net cash outflow from financing activities		(39,964)	(371,330)
Net increase in cash and cash equivalents		590,924	249,569
Cash and cash equivalents at beginning of year		1,062,913	813,344
Cash and cash equivalents at end of year		1,653,837	1,062,913
Net cash flows of discontinued operations	20	-	907,175

The accompanying notes form an integral part of these financial statements

PINEAPPLE CORPORATION PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (CONTINUED)

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 2020 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 4 to 11.

Given the significant impact of Covid-19 on the macro-economic conditions in which the Group is operating, the Directors have placed a particular focus on the appropriateness of adopting the going concern basis in preparing the financial statements for the year ended 31 March 2020. The Group's going concern assessment considers the Group's principal risks and is dependent on a number of factors, including financial performance and continued access to borrowing facilities. The going concern assessment is based on a period of no less than 12 months following authorisation of these financial statements, and is based on a severe but plausible downside scenario including the anticipated impact of Covid-19.

Throughout this severe but plausible downside scenario the Group has sufficient cash reserves, with the loan-to-value covenant remaining less than 50% and gross rental income/interest cover above 200%, for a period of at least 12 months from the date of authorisation of these financial statements. The Directors have also considered an extreme downside scenario, which assumes no further rent will be received, to determine when our available cash resources are exhausted. Even in this extreme downside scenario, the Group continues to have sufficient cash reserves to continue in operation throughout the going concern assessment period.

Based on these considerations, together with available market information and the Directors' knowledge and experience of the Group's property portfolio and markets, the Directors have adopted the going concern basis in preparing the accounts for the year ended 31 March 2020.

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.

- IFRS 9 ‘Financial Instruments’ (effective 1 January 2019)
- IFRS 16 Leases (effective 1 January 2019)

Management have considered the above standards and do not consider that they have a material impact on the group's accounts.

There are no amendments to, or interpretations of, existing standards that are relevant to the group but are not yet effective and have not been adopted.

PINEAPPLE CORPORATION PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (CONTINUED)

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.

(b) Basis of consolidation

(i) Subsidiaries

The consolidated financial statements for the year ended 31 March 2020 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 transferred to retained earnings upon disposal.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020 (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. In previous years a least 25 per cent of the group's property portfolio (including any additions during the year) has been valued annually by an external valuation agent. However, due to uncertainty in the property market this year caused by Covid-19 management made the decision not to use an external valuation agent and the group's property portfolio has instead been valued by the Directors with assistance from Willmotts Chartered Surveyors. In addition, Avison Young valued 17% of the property portfolio amounting to £11M which supports the Directors' valuations. 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

Trade receivables are presented in the balance sheet net of allowances for doubtful receivables. The Group assesses on a forward-looking basis the expected credit losses associated with its trade receivables. A provision for impairment is made for the lifetime expected credit losses on initial recognition of the receivable. In determining the expected credit losses the Group takes into account any recent payment behaviours and future expectations of likely default events (i.e. not making payment on the due date) based on individual customer credit ratings, actual or expected insolvency filings or company voluntary arrangements, likely deferrals of payments due and market expectations and trends in the wider macro-economic environment in which our customers operate. These assessments are made on a customer by customer basis.

The carrying amount of 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.

PINEAPPLE CORPORATION PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (CONTINUED)

3 Significant accounting policies (continued)

(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.

(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 FOR THE YEAR ENDED 31 MARCH 2020 (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 FOR THE YEAR ENDED 31 MARCH 2020 (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
FOR THE YEAR ENDED 31 MARCH 2020 (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 by the directors with assistance from Willmotts Chartered Surveyors at 31 March 2020 on the basis of market value. In addition, Avison Young valued 17% of the property portfolio amounting to £11M which supports the Directors' valuations. The investment property valuation is inherently subjective and contains a number of assumptions upon which 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. However, the current uncertainties over the economic environment caused by Covid-19 means there is limited transactional evidence and therefore less certainty with regard to valuations.

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

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. 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:

	2020		2019		
	United Kingdom £	Group £	United Kingdom £	Finland £	Group £
Rental income	2,558,304	2,558,304	2,425,820	198,655	2,624,475
Property expenses	(495,737)	(495,737)	(490,451)	(66,425)	(556,876)
Net rental income	2,062,567	2,062,567	1,935,369	132,230	2,067,599
Property sales	384,546	384,546	1,543,050	-	1,543,050
Cost of sales	(354,565)	(354,565)	(1,433,683)	-	(1,433,683)
Profit on sale of properties	29,981	29,981	109,367	-	109,367
Operating profit	1,731,352	1,731,352	5,236,023	107,567	5,343,590
Total assets	69,792,772	69,792,772	68,520,889	-	68,520,889
Segment liabilities	25,055,368	25,055,368	22,804,956	-	22,804,956
Total capital expenditure	681,157	681,157	2,708,317	-	2,708,317

PINEAPPLE CORPORATION PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (CONTINUED)

5. Operating segments (continued)

During the year gross rental income from one tenant in the United Kingdom amounted to £939,105 (2019: £706,658) representing more than 10% of the group's revenue.

6. Operating profit

The operating profit is after charging:

	2020	2019
	£	£
Auditor's remuneration:		
Audit fees - parent company and consolidated financial statements	25,600	24,000
Audit fees – subsidiary undertakings	16,550	16,375

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

7. Finance expenses

	2020	2019
	£	£
Bank borrowing costs	997,649	899,621
Other interest payable	1,823	7,143

8. Personnel expenses

Salary costs

	2020	2019
	£	£
Short term employee benefits	171,000	124,750
Compulsory social security contributions	17,031	13,727

Number of employees

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

	2020	2019
Administration	3	3

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

PINEAPPLE CORPORATION PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (CONTINUED)

9. Income tax charge

Recognised in the income statement

	2020	2019
	£	£
Current tax expense		
UK Corporation tax relating to previous period	25,164	-
	<u>25,164</u>	<u>-</u>

UK Corporation tax is calculated at 19% (2019: 19%) of the estimated taxable profit for the year.

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

Reconciliation of effective tax rate

	2020	2019
	£	£
Profit on ordinary activities before taxation	813,352	4,374,167
Income tax using the domestic corporation tax rate of 19% (2019: 19%)	154,537	831,092
REIT exempt property gains on disposal	(5,696)	(20,780)
REIT exempt property rental profits and revaluations in the year	(148,841)	(810,312)
Adjustment relating to previous year	25,164	-
Total income tax charge in the income statement (as above)	<u>25,164</u>	<u>-</u>

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:

	2020	2020	2019	2019
	Dividend paid per share Pence	£	Dividend paid per share Pence	£
Property income distribution paid on 16 Sept 2019 (28 Sep 2018)	10.0	916,550	9.5	870,496
Property income distribution paid on 23 Mar 2020 (15 Mar 2019)	10.0	917,935	9.5	870,722
	<u>20.0</u>	<u>1,834,485</u>	<u>19.0</u>	<u>1,741,218</u>

PINEAPPLE CORPORATION PLC
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 MARCH 2020 (CONTINUED)

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 9,168,216 (2019: 9,119,381) as follows:

	2020	2020	2019	2019
	Profit after tax	Earnings per share	Profit after tax	Earnings per share
	£	Pence	£	Pence
Basic and diluted	813,352	8.9	4,344,370	47.6
Gain on revaluation of investment properties	(177,047)	(1.9)	(3,676,955)	(40.3)
Adjusted	636,305	7.0	667,415	7.3

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

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 £603,059 (2019: £4,154,562).

13. Investment properties

	£
Valuation	
Balance at 1 April 2018	65,564,542
Acquisitions	2,708,317
Disposals	(1,380,994)
Disposal of subsidiary	(5,273,400)
Revaluation	3,676,955
Balance at 31 March 2019	65,295,420
Balance at 1 April 2019	65,295,420
Acquisitions	681,157
Disposals	(331,110)
Revaluation	177,047
Balance at 31 March 2020	65,822,515
Carrying amounts	
At 31 March 2019	65,295,420
At 31 March 2020	65,822,515

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

PINEAPPLE CORPORATION PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (CONTINUED)

13. Investment properties (continued)

The group's property portfolio was revalued at the year end date to fair value by the directors with assistance from Willmotts Chartered Surveyors, qualified valuers, at 31 March 2020 on the basis of market value. In addition, Avison Young valued 17% of the property portfolio amounting to £11M which supports the Directors' valuations. 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 2020 was £48,833,909 (2019: £48,177,207). The historical cost of leasehold properties included within the above amounted to £ 4,636,915 (2019: £4,633,841).

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.

14. Inventories

	2020	2019
	£	£
Property trading stock	11,500	11,500

15. Trade and other receivables

	2020	2019
	£	£
Rent receivable	85,283	20,060
Other receivables	574,252	410,444
Prepayments and accrued income	241,111	228,552
	900,646	659,056
Over one year		
Other receivables	1,404,266	1,492,000
	2,304,912	2,151,056

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 9, the amounts shown as past due represent the total credit exposure.

16. Cash and cash equivalents

	2020	2019
	£	£
Bank balances	1,653,837	1,062,913

PINEAPPLE CORPORATION PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (CONTINUED)

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.

	2020 £	2019 £
Current liabilities		
Bank loans	-	-
	-	-
Non-current liabilities		
Bank loans	24,126,723	21,231,643
	<u>24,126,723</u>	<u>21,231,643</u>
Total borrowings	<u>24,126,723</u>	<u>21,231,643</u>

Repayment analysis

	2020 £	2019 £
Total borrowings		
Within one year	-	-
One to two years	24,126,723	-
Two to three years	-	21,231,643
Three to four years	-	-
	<u>24,126,723</u>	<u>21,231,643</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 £24,126,723 (2019: £21,231,643). The loans mature on 4 May 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

	2020 £	2019 £
Fair value of interest rate swaps liability	(76,220)	(52,296)

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 2020, the fair value of fixed interest rate swap was a liability of £76,220 (2019 – £52,296) 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.

PINEAPPLE CORPORATION PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (CONTINUED)

19. Trade and other payables

	2020	2019
	£	£
Trade payables	129,762	76,872
Other payables	332,651	1,050,320
Income tax payable	20,135	-
Other taxes	118,456	125,316
Accruals and deferred income	251,421	268,509
	<u>852,425</u>	<u>1,521,017</u>

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

20. Discontinued operations

On 28 September 2018 the company disposed of its 100% shareholding in Tammberg Oy for the sum of £900,000 to T H Berglund, a director of the company. The disposal of the subsidiary is reported in the previous period as a discontinued operation. Financial information relating to the discontinued operation for the period to the date of disposal is set out below:

Financial performance and cash flow information

	2020	2019
	£	£
Gross rental revenue	-	198,655
Property operating expenses	-	(66,425)
Net rental income	-	<u>132,230</u>
Administrative expenses	-	(24,663)
Operating profit	-	<u>107,567</u>
Finance expenses	-	(23,126)
Profit before income tax	-	<u>84,441</u>
Income tax charge	-	(114,238)
Loss after income tax of discontinued operation	-	<u>(29,797)</u>
Loss on sale of the subsidiary after income tax (see below)	-	(11,637)
Loss from discontinued operation	-	<u>(41,434)</u>
Exchange differences on translation of discontinued operations	-	(86,028)
Other comprehensive income from discontinued operations	-	<u>(86,028)</u>

PINEAPPLE CORPORATION PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (CONTINUED)

20. Discontinued operations (continued)

	2020	2019
	£	£
Net cash inflow from operating activities	-	78,050
Net cash inflow/(outflow) from investing activities	-	852,251
Net cash (outflow) from financing activities	-	(23,126)
Net increase in cash generated by the subsidiary	-	907,175

Details of the sale of the subsidiary

	2020	2019
	£	£
Cash consideration received or receivable	-	900,000
Disposal expenses	-	(16,885)
Net cash consideration received	-	883,115
Carrying amount of net assets sold	-	(894,752)
Loss on sale after income tax	-	(11,637)

The carrying amounts of assets and liabilities as at the date of disposal (28 September 2018) were:

	28 September 2018
	£
Property, plant and equipment	5,273,400
Investments	1,406
Other receivables	29,278
Total assets	5,304,084
Trade and other liabilities	(3,493,366)
Income tax liability	(114,238)
Bank loans	(801,728)
Other payables	-
Total liabilities	(4,409,332)
Net assets	894,752

21. Capital and reserves

Share capital	<i>Number</i>
In issue at 1 April 2018	9,045,903
Issued for cash	119,593
In issue at 31 March 2019	9,165,496
In issue at 1 April 2019	9,165,496
Issued for cash	13,860
In issue at 31 March 2020	9,179,356

PINEAPPLE CORPORATION PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (CONTINUED)

21. Capital and reserves (continued)

Issue of ordinary shares

On 8 October 2019, the company issued 1,091 ordinary shares of £1 each at a premium of £3.80 raising cash of £5,237.

On 8 October 2019, the company issued 207 ordinary shares of £1 each at a premium of £3.80 raising cash of £994.

On 8 October 2019, the company issued 767 ordinary shares of £1 each at a premium of £3.80 raising cash of £3,682.

On 8 October 2019, the company issued 1,894 ordinary shares of £1 each at a premium of £3.80 raising cash of £9,091.

On 9 October 2019, the company issued 71 ordinary shares of £1 each at a premium of £3.80 raising cash of £341.

On 28 February 2020, the company issued 9,830 ordinary shares of £1 each at a premium of £3.80 raising cash of £47,184.

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 disposed of its subsidiary undertaking located in Finland during the previous year. The Finnish subsidiary received income and incurred expenses up to the date of disposal and its net assets held in Euros were disposed of at this date. The group's principal exchange rate exposure was therefore related to movements between the Euro and 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.

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 through retained profits and medium-term bank borrowings. Borrowings are subject to an interest rate of 2.55% above the LIBOR 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020 (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 2020 was £3,958,749 (2019: £3,218,969).

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 2020, the group had £24,126,723 (2019: £21,231,643) of medium-term borrowing, which is all repayable in 2021 at fixed interest rate of 3.658% (2019: 3.658%). 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 a liability of £76,220 (2019: £52,296).

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 (2019 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 (2019 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 2020 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 FOR THE YEAR ENDED 31 MARCH 2020 (CONTINUED)

22. Risk and financial instruments (continued)

Net asset value

The net asset values and adjusted net asset values per share at 31 March 2020 and 2019 were as follows:

	2020	2019
	£	£
Net assets	44,737,404	45,715,933
Adjustment to net assets relating to deferred tax on investment properties	-	-
Adjusted net assets	44,737,404	45,715,933
Number of shares in issue	9,179,356	9,165,496
Net asset value per share (pence)	487	499
Adjusted net asset value per share (pence)	487	499

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 2020 and 2019 were as follows:

	2020	2019
	£	£
Total borrowings	24,459,374	22,281,963
Less: cash and cash equivalents	(1,653,837)	(1,062,913)
Net debt	22,805,537	21,219,051
Total equity	44,737,404	45,715,933
Total capital	67,542,941	66,934,983
Gearing ratio	34%	32%

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 2020 or at 31 March 2019.

24. Contingent liabilities

There were no contingent liabilities at 31 March 2020 or at 31 March 2019.

PINEAPPLE CORPORATION PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (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 37.24% (2019: 37.23%) of the voting shares of the group.

The directors' compensations were as follows:

	2020	2019
	£	£
Director's remuneration	100,000	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:

	2020	2019
	£	£
D C Farley (and immediate family members)	150,411	139,687
T H Berglund (and immediate family members)	372,263	357,891
A J Sperrin (and immediate family members)	61,068	61,252

At 31 March 2020, the following amounts were owed to the directors or their immediate family members:

	2020	2019
	£	£
D C Farley (and immediate family members)	28,069	14,000
T H Berglund (and immediate family members)	-	8,000
A J Sperrin (and immediate family members)	-	-

Sale of subsidiary

During the previous year the company disposed of its 100% shareholding in Tammberg Oy for the sum of £900,000 to T H Berglund. The disposal was undertaken on an arm's length basis and an independent external fairness opinion was obtained on the valuation of the shares.

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.

	2020	2019
	£	£
Property and other management fees charged to the group	312,751	370,118
Property income distribution or dividend paid by the group	98,208	97,699
Amount owed by the group at the year end	75,780	97,783

PINEAPPLE CORPORATION PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (CONTINUED)

25. Related parties (continued)

Other related party transactions

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

	2020	2019
	£	£
Amounts owed by the group at the year end	75,000	179,975
Dividends paid by the group	21,104	19,764

The amount owed by the group is unsecured and has no fixed repayment date or repayment schedule. Interest is payable at 5% per annum.

Silkstorm Limited is a company controlled by T H Berglund. The transactions between this company and the group were as follows:

	2020	2019
	£	£
Amounts owed to the group at the year end	1,777,266	1,865,000
Dividends paid by the group	154,289	146,575

The amount owed to the group is secured and repayable in instalments over 5 years. Interest is receivable at 6% per annum.

SFI Corporation Limited is a company controlled by A J Sperrin. The transactions between this company and the group were as follows:

	2020	2019
	£	£
Dividends paid by the group	11,355	11,125

Nit Noi Limited is a company controlled by T H Berglund. The transactions between this company and the group were as follows:

	2020	2019
	£	£
Amounts owed to the group at the year end	106,635	-
Dividends paid by the group	77,178	73,359

Suparot Limited is a company controlled by T H Berglund. The transactions between this company and the group were as follows:

	2020	2019
	£	£
Dividends paid by the group	140,796	48,450

PINEAPPLE CORPORATION PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (CONTINUED)

26. Operating Lease Arrangements

At 31 March 2020, the group had contracted with tenants to receive the following future minimum lease payments:

	2020	2019
	£	£
Not later than one year	1,625,365	2,561,675
Later than one year but not more than five years	1,192,004	4,323,845
More than five years	4,447,661	4,605,041

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.

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 2020 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 2020;
- 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.

However, because the impact of COVID-19 cannot be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern. We draw attention to the going concern note in the accounting policies of these financial statements.

Emphasis of matter – Material uncertainty regarding property valuations

We draw attention to note 2(e) on the valuation of investment properties in the financial statements, which indicates that uncertainties over the current economic environment caused by Covid-19 have had an impact on the valuation of the Group's properties. The Directors have highlighted in their assessment of fair value of the property portfolio that there is limited transactional evidence and less certainty with regard to valuations. Willmotts Chartered Surveyors have also stated that their review of the Directors Valuations at 31 March 2020 is on the basis of 'material valuation uncertainty'. These events and conditions indicate that a material uncertainty regarding property valuations exists. Our opinion is not modified in respect of this matter.

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.

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

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.

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.

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 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.
- 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 2020.



Timothy Slater (senior statutory auditor)
for and on behalf of
Harmer Slater Limited
Statutory Auditor
Salatin House
19 Cedar Road
Sutton
Surrey SM2 5DA

24 July 2020

PINEAPPLE CORPORATION PLC

COMPANY STATEMENT OF FINANCIAL POSITION

As at 31 March 2020

	Note	2020 £	2019 £
Assets			
Non-current assets			
Investment properties	7	52,364,929	51,530,628
Investments in subsidiaries	8	3,373,421	3,373,574
Total non-current assets		55,738,350	54,904,202
Current assets			
Inventories	9	11,500	11,500
Trade and other receivables	10	9,574,506	9,673,217
Cash and cash equivalents		1,620,405	1,032,301
Total current assets		11,206,411	10,717,018
Total assets		66,944,761	65,621,220
Liabilities			
Current liabilities			
Derivative financial instruments	12	76,220	52,296
Trade and other payables	13	3,332,394	3,739,035
Total current liabilities		3,408,614	3,791,331
Non-current liabilities			
Interest-bearing loans and borrowings	11	24,126,723	21,231,643
Total non-current liabilities		24,126,723	21,231,643
Total liabilities		27,535,337	25,022,974
Net assets		39,409,424	40,598,246
Equity			
Called up share capital	14	9,179,356	9,165,496
Share premium account	14	8,944,911	8,892,243
Hedge reserve	14	(76,220)	(52,296)
Other reserve	14	14,030,522	13,847,806
Retained earnings	14	7,330,855	8,744,997
Total equity		39,409,424	40,598,246

The parent company financial statements of Pineapple Corporation Plc (registration number 02954192) were approved by the Board of directors and authorised for issue on 24 July 2020

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
	£	£	£	£	£	£
Balance at 1 April 2018	9,045,903	8,450,606	26,977	10,547,945	9,631,514	37,702,945
Comprehensive income						
Profit for the year	-	-	-	-	4,154,562	4,154,562
Changes in fair value of interest rate swap	-	-	(79,273)	-	-	(79,273)
Total comprehensive income for the year	-	-	(79,273)	-	4,154,562	4,075,289
Transfers	-	-	-	3,299,861	(3,299,861)	-
Share issues	119,593	441,637	-	-	-	561,230
Dividends	-	-	-	-	(1,741,218)	(1,741,218)
Balance at 31 March 2019	9,165,496	8,892,243	(52,296)	13,847,806	8,744,997	40,598,246
Balance at 1 April 2019	9,165,496	8,892,243	(52,296)	13,847,806	8,744,997	40,598,246
Comprehensive income						
Profit for the year	-	-	-	-	603,059	603,059
Changes in fair value of interest rate swap	-	-	(23,924)	-	-	(23,924)
Total comprehensive income for the year	-	-	(23,924)	-	603,059	579,135
Transfers	-	-	-	182,716	(182,716)	-
Share issues	13,860	52,668	-	-	-	66,528
Dividends	-	-	-	-	(1,834,485)	(1,834,485)
Balance at 31 March 2020	9,179,356	8,944,911	(76,220)	14,030,522	7,330,855	39,409,424

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 FOR THE YEAR ENDED 31 MARCH 2020

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 Directors confirm they have a reasonable expectation that the company has adequate resources to continue in operational existence for at least 12 months from the date of signing these financial statements. This confirmation is made after having reviewed assumptions about future trading performance, valuation projections, capital expenditure, asset sales and debt requirements contained within the company’s forecasts. The Directors also considered potential risks and uncertainties in the business, credit, market and liquidity risks, including the availability and repayment profile of bank facilities, as well as forecast covenant compliance. Further stress testing has been carried out to ensure the Group has sufficient cash resources to continue in operation for at least the next 12 months following the recent Covid-19 pandemic. This stress testing included extreme downside scenarios with materially reduced levels of cash receipts over this period. Based on the above, together with available market information and the Directors’ knowledge and experience of the company’s property portfolio and markets, the Directors continue to adopt the going concern basis in preparing the accounts for the year ended 31 March 2020.

(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.

NOTES TO THE COMPANY FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020 (CONTINUED)

2 Significant accounting policies (continued)

(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.

Valuation of investment properties

The company's property portfolio was revalued at the year end date to fair value by the directors with assistance from Willmotts Chartered Surveyors at 31 March 2020 on the basis of market value. In addition, Avison Young valued 22% of the company's property portfolio amounting to £11M which supports the Directors' valuations. The investment property valuation is inherently subjective and contains a number of assumptions upon which 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. However, the current uncertainties over the economic environment caused by Covid-19 means there is limited transactional evidence and therefore less certainty with regard to valuations.

(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.

In previous years a least 25 per cent of the group's property portfolio (which includes the company's investment properties) has been valued annually by an external valuation agent. However, due to uncertainty in the property market this year caused by Covid-19 management made the decision not to use an external valuation agent and the group's property portfolio has instead been valued by the Directors with assistance from Willmotts Chartered Surveyors. In addition, Avison Young valued 22% of the company's property portfolio amounting to £11M which supports the Directors' valuations.

(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.

PINEAPPLE CORPORATION PLC

NOTES TO THE COMPANY FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (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 FOR THE YEAR ENDED 31 MARCH 2020 (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 £603,059 (2019: £4,154,562).

4. Staff costs

Short term employee benefits
Compulsory social security contributions

2020	2019
£	£
171,000	124,750
17,031	13,727
<u>288,031</u>	<u>138,477</u>

Number of employees

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

Administration

2020	2019
£	£
<u>3</u>	<u>3</u>

PINEAPPLE CORPORATION PLC

NOTES TO THE COMPANY FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (CONTINUED)

5. Directors' Remuneration

Salary costs

Short term employee benefits

2020	2019
£	£
100,000	44,000

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

6. Finance expenses

Bank borrowing costs
Other interest payable

2020	2019
£	£
997,649	868,232
-	7,143
997,649	900,049

7. Investment properties

Cost

Balance at 1 April 2019
Additions
Disposals
Revaluation
Balance at 31 March 2020

Investment
Properties
£

51,530,628
668,585
(190,369)
356,085

52,364,929

Carrying amounts

At 31 March 2020

52,364,929

At 31 March 2019

51,530,628

The company's property portfolio was revalued at the year end to fair value by the directors with assistance from Willmotts Chartered Surveyors, qualified valuers, at 31 March 2020 on the basis of market value. In addition, Avison Young valued 22% of the company's property portfolio amounting to £11M which supports the Directors' valuations. 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 2020 was £38,334,407 (2019: £37,682,822). The historical cost of leasehold properties included within the above amounted to £4,629,442 (2019: £4,633,841).

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 FOR THE YEAR ENDED 31 MARCH 2020 (CONTINUED)

8. Investments held in subsidiaries

	Shares in subsidiary undertakings £
Cost	
Balance at 1 April 2019	7,014,322
Disposal	(152)
Balance at 31 March 2020	<u>7,014,170</u>
Provision	
Balance at 1 April 2019 and at 31 March 2020	<u>3,640,748</u>
Carrying amounts	
At 31 March 2020	<u>3,373,422</u>
At 31 March 2019	<u>3,373,574</u>

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

Subsidiary undertaking	Country of 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
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 FOR THE YEAR ENDED 31 MARCH 2020 (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

9. Inventories

	2020	2019
	£	£
Property trading stock	11,500	11,500

10. Trade and other receivables

	2020	2019
	£	£
Rent receivable	85,283	20,060
Other receivables	490,630	397,500
Amounts due from subsidiary undertakings	7,402,584	7,563,395
Prepayments and accrued income	191,744	200,262
	8,170,241	8,181,217
Over one year:		
Other receivables	1,404,266	1,492,000
	9,574,507	9,673,217

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

	2020	2019
	£	£
Non-current liabilities		
Bank loan	24,126,723	21,231,643

PINEAPPLE CORPORATION PLC

NOTES TO THE COMPANY FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (CONTINUED)

11. Interest-bearing loans and borrowings (continued)

The bank loans are repayable as follows:

	2020	2019
	£	£
Bank loans		
Within one year	-	-
Between one and two years	24,126,723	-
Between two and five years	-	21,231,643
	<u>24,126,723</u>	<u>21,231,643</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 £21,231,643. £13,938,025 of the loans mature on 4 May 2021; the remainder of the loans amounting to £7,293,618 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

	2020	2019
	£	£
Fair value of interest rate swaps	(76,220)	(52,296)

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 2020, the fair value of fixed interest rate swap was a liability of £76,220 (2019 – £52,296) 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.

13. Trade and other payables

	2020	2019
	£	£
Trade payables	50,681	67,494
Other payables	276,278	906,716
Amount owed to subsidiary undertaking	2,667,201	2,430,859
Income tax	20,135	-
Other taxes	118,456	125,316
Accruals and deferred income	199,643	208,650
	<u>3,332,394</u>	<u>3,739,035</u>

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

14. Share capital

	2020	2019
	£	£
Allotted, called up and fully paid		
Equity		
9,179,356 (2019: 9,165,496) ordinary shares of £1 each	<u>9,179,356</u>	<u>9,165,496</u>

PINEAPPLE CORPORATION PLC

NOTES TO THE COMPANY FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (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 48.

Issue of ordinary shares

On 8 October 2019, the company issued 1,091 ordinary shares of £1 each at a premium of £3.80 raising cash of £5,237.

On 8 October 2019, the company issued 207 ordinary shares of £1 each at a premium of £3.80 raising cash of £994.

On 8 October 2019, the company issued 767 ordinary shares of £1 each at a premium of £3.80 raising cash of £3,682.

On 8 October 2019, the company issued 1,894 ordinary shares of £1 each at a premium of £3.80 raising cash of £9,091.

On 9 October 2019, the company issued 71 ordinary shares of £1 each at a premium of £3.80 raising cash of £341.

On 28 February 2020, the company issued 9,830 ordinary shares of £1 each at a premium of £3.80 raising cash of £47,184.

15. Capital commitments

There were no capital commitments at 31 March 2020 or at 31 March 2019.

16. Contingent liabilities

There were no contingent liabilities at 31 March 2020 or at 31 March 2019.

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 37.24% (2019: 37.23%) of the voting shares of the company.

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

	2020	2019
	£	£
D C Farley (and immediate family members)	150,411	139,687
T H Berglund (and immediate family members)	372,263	357,891
A J Sperrin (and immediate family members)	61,068	61,252

PINEAPPLE CORPORATION PLC

NOTES TO THE COMPANY FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (CONTINUED)

17. Related party transactions (continued)

At 31 March 2020, the following amounts were owed to the directors or their immediate relatives:

	2019	2019
	£	£
D C Farley (and immediate family members)	28,069	14,000
T H Berglund (and immediate family members)	-	8,000
A J Sperrin (and immediate family members)	-	-

Sale of subsidiary

In the previous year the company disposed of its 100% shareholding in Tammberg Oy for the sum of £900,000 to T H Berglund. The disposal was undertaken on an arm's length basis and an independent external fairness opinion was obtained on the valuation of the shares.

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.

	2020	2019
	£	£
Property and other management fees charged to the company	294,709	346,184
Property income distribution or dividend paid by the company	98,208	97,699
Amount owed by the company at the year end	75,780	97,783

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

	2020	2019
	£	£
Amounts owed by the group at the year end	75,000	179,975
Dividends paid by the company	21,104	19,764

The amount owed by the company is unsecured and has no fixed repayment date or repayment schedule. Interest is payable at 5% per annum.

Silkstorm Limited is a company controlled by T H Berglund. The transactions with this company were as follows:

	2020	2019
	£	£
Amounts owed to the group at the year end	1,777,265	1,865,000
Dividends paid by the group	154,289	146,575

The amount owed to the group is secured and repayable in instalments over 5 years. Interest is receivable at 6% per annum.

PINEAPPLE CORPORATION PLC

NOTES TO THE COMPANY FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (CONTINUED)

17. Related party transactions (continued)

SFI Corporation Limited is a company controlled by A J Sperrin. The transactions with this company were as follows:

	2020	2019
	£	£
Dividends paid by the group	11,355	11,125

Nit Noi Limited is a company controlled by T H Berglund. The transactions with this company were as follows:

	2020	2019
	£	£
Amounts owed to the group at the year end	106,635	-
Dividends paid by the group	77,178	73,359

Suparot Limited is a company controlled by T H Berglund. The transactions with this company were as follows:

	2020	2019
	£	£
Dividends paid by the group	140,796	48,450

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.