Company Registration No: 04796368

PIERVALLEY LIMITED

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

PIERVALLEY LIMITED

DIRECTORS AND OFFICERS

DIRECTORS

W K Procter
C C McGill
P A Hallam
M D Watson

SECRETARY

D T Lau

REGISTERED OFFICE

Berkeley House
304 Regents Park Road
London
N3 2JX

AUDITOR

RSM UK Audit LLP
Chartered Accountants
3rd Floor
One London Square
Cross Lanes
Guildford
Surrey
GU1 1UN

DIRECTORS' REPORT

The directors present their report and the audited financial statements for the year ended 31 December 2019.

Principal Activities

The principal activity of the company during the year was property investment.

Business review

The directors are satisfied with the financial position of the company at the year end.

The directors do not expect there to be significant future developments which could adversely impact the business, however, notice should be taken of the potential legislative changes disclosed in the critical accounting estimates and assumptions section of note 1.8.

Investment properties

The investment properties have been valued by the directors at £70,882 (2018: £1,071,000). The resultant fair value loss in the year amounted to £152,474 (2018: £2,803,848), substantially all of which arose as a result of the change from the directors' valuation which discounted cash flows over 50 years to an external actuarial valuation which discounts cash flows over 150 years. Details of the investment properties are set out in note 7.

Results and dividends

The statement of comprehensive income is set out on page 7 and shows the results for the year. The profit for the year amounted to £805,851 (2018: £9,157,645). The significant change in result is primarily due to the fair value gain on investment properties. Details of the investment property gains are set out in note 8. The directors do not recommend the payment of a dividend (2018: £Nil).

Public pledge for leaseholders

In June 2019 a number of residential real estate developers and freeholders, of which the company was a party, signed a government-backed public pledge in relation to leaseholders. This pledge is a crucial step towards positive change in the residential leasehold market and reflects our commitment to promoting good practice. The company's appointed agent Estates & Management Limited, a company related by virtue of common control and directors, also signed this pledge.

The pledge sets out a number of principles which will assist existing and future leaseholders in ensuring the leasehold system is as fair and transparent as possible. It also includes undertakings to work with other freeholders and stakeholders to develop a comprehensive Code of Practice which establishes the responsibilities of freeholders and enshrines the highest standards for the management and maintenance of properties.

Directors

The following directors have held office during the year and up until the point of signing the financial statements:

W K Procter	
C C McGill	
P A Hallam	(Appointed: 10 July 2019)
M D Watson	(Appointed: 22 February 2021)

Statement of directors' responsibilities

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing those financial statements, the directors are required to:

a. select suitable accounting policies and then apply them consistently;

b. make judgements and accounting estimates that are reasonable and prudent;

c. prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement as to disclosure of information to auditor

The directors who were in office on the date of approval of these financial statements have confirmed that, as far as they are aware, there is no relevant audit information of which the auditor is unaware. The directors have confirmed that they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

Insurance of Officers

The company has maintained insurance throughout the year for its directors and officers against the consequences of actions which may be brought against them in relation to their duties for the company.

Auditor

The auditor, RSM UK Audit LLP, Chartered Accountants, has indicated its willingness to continue in office.

This report has been prepared in accordance with the provisions applicable to companies entitled to the small companies exemption. The directors have also taken the available exemption from the requirement to prepare a strategic report.

On behalf of the Board:

P A Hallam

P A Hallam
Director
25/3/ 2021

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PIERVALLEY LIMITED

Opinion

We have audited the financial statements of Piervalley Limited (the 'company') for the year ended 31 December 2019 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, and the notes 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 FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of the profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- 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.

Emphasis of matter – Valuation of investment properties

We draw attention to the disclosures made in the accounting policies on page 11 and in note 7 to the financial statements concerning the fair values of the Company's investment properties, which in the year ended 31 December 2019 were valued by a firm of independent actuaries. In the year ended 31 December 2018 the company's investment properties were valued by the directors on the basis of a discounted cash flow of the projected income streams generated by those assets. The investment properties are included in the financial statements at 31 December 2019 at a value of £0.1m (2018: £1.1m). Substantially all of the £0.2m fair value decrease during the year can be attributed to the change in discounted cash flow valuation basis. As indicated in the notes, considerable volatility exists in these valuations as detailed in note 7 where the impact of changes in the underlying assumptions are detailed. Our opinion is not modified in respect of this matter.

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in 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 directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception
In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in 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 company, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies exemption from the requirement to prepare a strategic report or in preparing the directors' report.

Responsibilities of directors
As explained more fully in the statement of directors' responsibilities set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the 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 financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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.

RSM UK Audit

Colin Roberts FCA (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
3rd Floor
One London Square
Cross Lanes
Guildford
Surrey
GU1 1UN

26/3/ 2021

PIERVALLEY LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 £	2018 £
Turnover	2	92,562	550,312
Administrative expenses		(30,923)	(206,970)
Operating profit		61,639	343,342
Fair value (loss)/gain on investment property	7	(152,474)	2,803,848
Interest receivable and similar income	3	767,686	168,441
Profit before taxation	4	676,851	3,315,631
Taxation	6	129,000	5,842,014
Profit for the financial year		805,851	9,157,645

PIERVALLEY LIMITED (Company Registration Number: 04796368)

STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2019

	Notes	2019 £	2018 £
Fixed assets			
Investment properties	7	70,882	1,071,000
Current assets			
Debtors	8	43,296,960	41,623,379
Creditors: amounts falling due within one year	9	(2,358)	(5,746)
Net current liabilities		43,294,602	41,617,633
Total assets less current liabilities		43,365,484	42,688,633
Provisions for liabilities	10	(7,000)	(136,000)
Net assets		43,358,484	42,552,633
Capital and reserves			
Called up share capital	11	1	1
Profit and loss account		43,358,483	42,552,632
Total equity		43,358,484	42,552,633

These financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime.

The financial statements on pages 7 to 20 were approved by the board of directors and authorised for issue on 25/3/ 2021 and are signed on its behalf by:

P A Hallam

P A Hallam
Director

PIERVALLEY LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

	Share capital £	Profit and loss account £	Total £
Balance at 1 January 2018	1	33,394,987	33,394,988
Profit and total comprehensive income for the year	-	9,157,645	9,157,645
Balance at 31 December 2018	1	42,552,632	42,552,633
Profit and total comprehensive income for the year	-	805,851	805,851
Balance at 31 December 2019	1	43,358,483	43,358,484

1. Accounting policies

Company information

Piervalley Limited ("the Company") is a private company limited by shares, domiciled and incorporated in England. The address of the Company's registered office and principal place of business is Berkeley House, 304 Regents Park Road, London, N3 2JX. The principal activity of the company during the year was that of property investment.

1.1 Basis of accounting

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006 as applicable to companies subject to the small companies' regime, and under the historical cost convention, modified to include the revaluation of investment properties. The disclosure requirements of section 1A of FRS 102 have been applied other than where additional disclosure is required to show a true and fair view.

With effect from 1 January 2019 the company has adopted the amendments to FRS 102 published in the Triennial Review 2017. There are no adjustments to the current or comparative period in relation to this amendment.

1.2 Going concern

The company's principal debtor, Fairhold Holdings (2003) Limited, has agreed to pay down its balance to the extent required to ensure the company can meet its running costs for the foreseeable future, being at least 12 months from the date of signing these financial statements. If necessary, a related party, Fairhold Services Limited has also agreed to provide limited financial support to enable the company to meet day to day running costs incurred in the ordinary course of business for a period of up to 12 months from the date of signing these financial statements.

The directors have assessed the operations of the company and, have determined that the company has, or can expect to have, sufficient working capital for its needs for at least 12 months from the date of approval of these financial statements. In view of this the directors consider it appropriate for the financial statements to be prepared on a going concern basis.

For the reasons disclosed in the post balance sheet events note on page 20 the directors do not believe the COVID-19 pandemic will have an impact on the company's ability to continue as a going concern.

1.3 Functional and presentational currencies

The financial statements are presented in sterling which is also the functional currency of the company.

1.4 Turnover

Turnover comprises rent receivable and other income arising from investment properties.

Rental income is recognised in accordance with the terms of the lease.

Turnover is recognised at the fair value of the consideration received or receivable for rental income charged to external customers in the ordinary nature of the business.

Other income represents lease extension premiums and other ancillary income received on leases held by the company.

1.5 Investment properties

The company's holding of investment properties is comprised of freehold reversionary interests and these are initially measured at cost and subsequently measured at fair value where a reliable measure of fair value is available. Changes in fair value are recognised in the statement of comprehensive income.

These assets represent interests held in the freehold land on which third party developers have built and sold long leasehold properties. As such these assets generate income in the form of annual ground rents along with other ancillary income streams.

Recognising the nature of these investment properties and the lack of a regular market for significant portfolios of such assets, the directors are of the opinion that the best approximation to fair value for these properties is provided by a discounted cash flow valuation of the income streams generated by these assets. In 2018 the valuation of the majority of freehold reversionary interest portfolio was undertaken by the directors on the basis of a discounted cash flow of the projected income streams generated by those assets.

In 2019 freehold reversionary interests have been valued based on an actuarial valuation carried out by a leading firm of third-party actuarial consultants.

The directors also recognise, given the lack of a regular market for significant portfolios of such assets, that these fair values may not be realised should the company seek to dispose of any or all of the investment properties in a short period of time.

Further details are given in note 7.

1.6 Taxation

The tax expense represents the sum of the current tax expense and deferred tax expense. Current tax assets are recognised when tax paid exceeds the tax payable.

Current tax is based on taxable profit for the year. Taxable profit differs from total comprehensive income because it excludes items of income or expense that are taxable or deductible in other periods. Current tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates that have been enacted or substantively enacted by the reporting date. Deferred tax is not discounted.

Deferred tax liabilities are recognised in respect of all timing differences that exist at the reporting date. Timing differences are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in different periods from their recognition in the financial statements. Deferred tax assets are recognised only to the extent that it is probable that they will be recovered by the reversal of deferred tax liabilities or other future taxable profits.

1.6 Taxation (continued)

For non-depreciable assets measured using the revaluation model and investment properties measured at fair value (except investment property with a limited useful life held by the Company to consume substantially all of its economic benefits), deferred tax is measured using the tax rates and allowances that apply to the sale of the asset or property.

Current and deferred tax is charged or credited in the statement of comprehensive income, except when it relates to items charged or credited to other comprehensive income or equity, when the tax follows the transaction or event it relates to and is also charged or credited to other comprehensive income, or equity.

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

1.7 Financial instruments

The Company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102, in full, to its financial instruments.

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument, and are offset only when the Company currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial assets

Debtors

Debtors which are receivable within one year and which do not constitute a financing transaction are initially measured at the transaction price. Debtors are subsequently measured at amortised cost, being the transaction price less any amounts settled and any impairment losses.

Financial liabilities and equity

Financial instruments are classified as liabilities and equity instruments according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

Creditors

Creditors payable within one year that do not constitute a financing transaction are initially measured at the transaction price and subsequently measured at amortised cost, being the transaction price less any amounts settled.

Where the arrangement with a creditor constitutes a financing transaction, the creditor is initially and subsequently measured at the present value of future payments discounted at a market rate of interest for a similar instrument.

1.7 Financial instruments (continued)

Financial liabilities and equity (continued)

Derecognition of financial assets and liabilities

A financial asset is derecognised only when the contractual rights to cash flows expire or are settled, or substantially all the risks and rewards of ownership are transferred to another party, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party. A financial liability (or part thereof) is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

1.8 Critical accounting estimates and areas of judgement

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

In preparing these financial statements, the directors have made estimates and assumptions concerning the future. The resulting accounting estimates and assumptions will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Valuation of investment properties

A key accounting estimate in preparing these financial statements relates to the fair value of the investment properties. In the current year an external professional actuarial valuation has been used as the basis for the fair value of investment properties. However, the valuation of the company's investment properties is inherently subjective, as it is made on the basis of valuation assumptions which may in future prove not to be accurate, the risk of which is heightened due to the potential legislative changes noted below.

The Government, through the Department for Communities and Local Government, now known as the Ministry for Housing, Communities and Local Government (MHCLG), the Competitions and Markets Authority (CMA) and the Law Commission, has undertaken a series of consultations on and reviews of the residential property market with a focus on the legal framework surrounding the freehold and leasehold classes of property interests. In January 2021, an announcement was released by the MHCLG on a number of proposed changes to the law governing leasehold enfranchisement. These proposals, which have not yet been enacted, include changes to the rights of leaseholders in relation to leasehold extensions and freehold purchases as well as changes to the manner in which ground rent would subsequently be determined. The implementation of legislative changes arising from these reforms could materially reduce the level of income generated by the portfolio of investment properties.

The directors are of the view that the proposed changes would be very damaging to the residential property market and against the interests of consumers and other property owners. The directors have engaged actively in the consultations and with other stakeholders and interested parties in order to convey the group's opposition to the current proposals. Recent public announcements by government and in the Law Commission's report have recognised that any proposals to make wholesale reforms retrospectively pose real problems with respect to the contravention of human rights legislation. As such the impact of reforms will be greatest for future leases and not those already in existence.

1.8 Critical accounting estimates and areas of judgement (continued)

An intrinsic element of the long-term forecasts is the continuing rental income and lease extension premiums generated by the property assets held by the company. The potential legislative changes raised above may affect these forecasts to the extent that the underlying assumption is no longer valid.

However, the financial consequences of any changes are too uncertain to enable the directors to reasonably estimate the impact of such changes on their forecasts. It is assumed that the current methodology continues to represent a fair value of these assets.

Details of the valuation of the investment property are set out in note 8.

Deferred taxation

Deferred tax liabilities are assessed on the basis of assumptions regarding the future, the likelihood that assets will be realised and liabilities will be settled, and estimates as to the timing of those future events and as to the future tax rates that will be applicable.

2. Turnover

An analysis of the Company's turnover by class of business is as follows:

	2019	2018
	£	£
Rent receivable	3,872	225,996
Other income	88,690	324,316
	92,562	550,312

The company's turnover for the year has been derived from its principal activity wholly undertaken in the United Kingdom.

3. Interest receivable and similar income	**2019**	2018
	£	£
Interest on parent company loan	767,686	168,441

4. Profit before taxation	**2019**	2018
	£	£
The profit before taxation is stated after charging:		
- Auditor's remuneration	6,950	6,350

5. Employees and directors

There were no employees during the year other than the directors. The directors are remunerated by the related party Fairhold Services Limited and this is recharged to the company as part of the management charge from Estates & Management Limited. This management charge, which in 2019 amounted to £23,972 (2018: £200,620) also includes a recharge of administration costs borne by Fairhold Services Limited on behalf of the company and it is not possible to identify separately the amount relating to the directors remuneration.

6. Taxation

	2019	2018
	£	£
Current tax		
UK corporation tax	-	(14)
Total current tax	-	(14)
Deferred tax:		
Movement on potential chargeable gain liability	(129,000)	(5,842,000)
Total deferred tax	(129,000)	(5,842,000)
Total tax on profit	(129,000)	(5,842,014)

Factors affecting the tax charge for the year.

The tax assessed for the year is lower than the standard rate of corporation tax in the UK of 19% (2018: 19%). The differences are explained below:

	2019	2018
	£	£
Profit before tax	676,851	3,315,631
Profit multiplied by the standard rate of corporation tax in the UK of 19% (2018: 19%).	128,602	629,970
Effects of:		
Group relief received without charge	(157,572)	(97,239)
Movement in value of investment properties	28,970	(532,731)
Movement in deferred tax on investment properties	(129,000)	(5,842,000)
Tax credit	(129,000)	(5,842,014)

7. Investment properties

	Freehold reversionary interests	
	2019	2018
	£	£
Fair Value		
As at 1 January	1,071,000	44,391,000
Fair value (loss)/gain	(152,474)	2,803,848
Disposals	(847,644)	(46,123,848)
As at 31 December	70,882	1,071,000

The investment properties represent a portfolio of freehold reversionary interests that generate ground rents as the principal income stream.

At 31 December 2019, the directors have valued the investment properties at £70,882 (2018: £1,071,000).

In 2019, the investment properties have been valued using an actuarial valuation performed by a leading firm of financial and actuarial consultants as at 31 December 2019.

A fair value gain arose during the year substantially all of which is as a result of the change from the director's valuation which discounted cash flows over 50 years to an external actuarial valuation which discounts cash flows over 150 years.

The basis of the independent valuation performed on an actuarial basis was to project risk adjusted income streams generated by the portfolio over 150 years discounted by a risk-free rate of return.

The principal assumptions used in the independent actuarial valuation were:

RPI basis for inflation assumptions	-	implied inflation vector taken from the Bank of England website;
Residential property inflation	-	derived from market rental yields as found in the ARLA report and the UK Government gilt curve;
Risk free discount rate	-	a series of rates reflecting the UK government gilt curve as applicable to each cashflow date;
Incidence rates for lease extensions and the price charged	-	historic rates and FTT valuation;
Taxation	-	no allowance has been made for taxation in projecting the future revenue flow.

The assumption with the most significant impact on this 150 year actuarial valuation is the discount rate used. Per the 31 December 2019 actuarial valuations, a 50-basis point increase or decrease in this rate reduces or increases the valuation by 22% and 34% respectively.

At 31 December 2018, investment properties were valued by the directors, the basis of this valuation was to project risk adjusted income streams generated by the portfolio over 50 years discounted by a risk-free rate of return.

7. Investment properties (continued)

Directors discounted cashflow

The principle assumptions used in the valuation of all the assets other than "long leasehold houses" were:

Freehold Reversionary Interests	-	Projection of discounted income generated by the portfolio over 50 years, together with an assessment of the residual value of the assets at the end of that 50 year term;
Head lease interests	-	Projection of discounted income streams generated by the portfolio over the remainder of the lease term;
Discount rate	-	The discount rate applied is obtained from the Bank of England swap curve with a premium of 140 or 200 basis points added;
RPI basis for inflation assumptions	-	Inflation data taken from publicly available sources;
Incidence rates for lease extensions and the price charged	-	Projected according to historical incidence rates depending on the length of ownership and lease term remaining;
Taxation	-	No allowance has been made for taxation in projecting the future revenue flow.

The assumption which has historically had the most significant impact on the valuation is the discount rate used.

On 9 August 2019, investment properties with annual rental income of £6,865 were transferred to a related party for £847,644. The directors believe that whilst sold after the 2018 year end, this represented the fair value of these assets as at 31 December 2018.

If investment properties were stated on an historical basis rather than a fair value basis, the amounts would have been included as follows:

	Freehold reversionary interests	
	2019	2018
	£	£
Cost	15,242	178,818

8. Debtors

	2019 £	2018 £
Trade debtors	2,752	1,815
Prepayments and accrued income	-	9
Amounts owed by parent undertaking	43,294,208	41,621,555
	43,296,960	41,623,379

There are no fixed terms of repayment of amounts owed by parent company. Interest is charged at 3 month Libor +1%. Despite the loan being repayable on demand it is not the intention for the loan to be repaid within one year.

9. Creditors: amounts falling due within one year

	2019 £	2018 £
Accruals and deferred income	2,358	5,746

10. Provision for liabilities

	Deferred taxation £
1 January 2019	136,000
Decrease in provision in the year	(129,000)
31 December 2019	7,000

Provision for deferred tax liabilities recognised by the company is as follows:

	2019 £	2018 £
Deferred tax arising on assets measured at fair value	7,000	136,000

11. Share capital and reserves

Share capital

	2019	2018
	£	£
Allotted, issued and fully paid:		
1 ordinary share of £1	1	1

Ordinary share rights
The company's ordinary shares, which carry no right to fixed income, each carry the right to one vote at general meetings of the company.

Reserves

Reserves of the Company represent the following:

Profit and loss account
Cumulative profit and loss net of distributions to owners.

12. Guarantees and contingent liabilities

The company has provided an unlimited guarantee in respect of related party borrowings. At 31 December 2019 the total amount outstanding subject to that guarantee was £86,306,500 (2018: £76,052,284). These amounts are included in short term creditors in the borrowing companies. There is no current intention for the amounts to be recalled in one year.

The company as a subsidiary is included in a group registration for VAT purposes and is therefore jointly and severally liable for all other participating group undertakings' unpaid debts in this connection.

13. Ultimate parent company and ultimate controlling party

The company's immediate parent company is Fairhold Holdings (2003) Limited, which is domiciled and incorporated in England. Copies of the financial statements are available from Companies House, Crown Way, Cardiff CF14 3UZ.

The directors regard the ultimate holding company to be Euro Investments Overseas Incorporated, a company incorporated in the British Virgin Islands.

The ultimate controlling party is the Tchenguiz Family Trust.

14. Related party transactions

The company has taken advantage of the exemptions provided by Section 33 of FRS 102 'Related Party Disclosures' and has not disclosed transactions entered into between two or more members of a group, provided that any subsidiary undertaking which is party to the transaction is wholly owned by a member of that group.

Management fees of £23,972 (2018: £200,620) were charged to the company in the year by a company related by virtue of common control and common directors.

Investment property with a carrying value totalling £847,644 (2018: 46,123,848) was sold to a company related by virtue of common control and common directors, with no gains or losses arising sale.

15. Post balance sheet events

In March 2020, the COVID-19 pandemic broke in the UK. This event has not impacted on the company's performance for the year ended 31 December 2019 or its financial position at 31 December 2019.

The current situation is unprecedented and the wider economic impact is uncertain. However, the directors are of the view that because of the very long-term nature of the wider group's financing structures and the nature of its core income, being a large number of small ground rent receipts, the impact on the company is likely to be minimal.