

Company Registration No: 04796368

PIERVALLEY LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

TUESDAY



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25/09/2018

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COMPANIES HOUSE

PIERVALLEY LIMITED

DIRECTORS AND OFFICERS

DIRECTORS

W K Procter
C C McGill

SECRETARY

P A Hallam

REGISTERED OFFICE

Molteno House
302 Regents Park Road
London
N3 2JX

AUDITOR

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

PIERVALLEY LIMITED

DIRECTORS' REPORT

The directors submit their report and the audited financial statements for the year ended 31 December 2017.

Principal Activities

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

Business review and future developments

Following a refinancing exercise in December 2017 all previous outstanding third party debts, claims and prior guarantees that the company had given, including those in respect of contingent swap liabilities, were settled in December 2017. As a result, the Fairhold Holdings (2003) Limited group, of which this company is a member, is now entirely financed by related party debt and has no third party borrowings or guarantees. The directors are therefore satisfied with the financial position of the company at the year end.

Subsequent events

Subsequent to the year end, in September 2018, investment properties with a carrying value of £46.1 million at 31 December 2017 and annual ground rent income of £373,554 were transferred to a related party group as part of a refinancing exercise. After transfer the properties remain under the ultimate ownership of the Euro Investments Overseas Incorporated group and form part of the security for a third-party loan facility.

Investment properties

The investment properties have been valued by the directors at £44,391,000 (2016: £45,180,000). The resultant fair value loss in the year amounted to £583,660 (2016: £11,025,678 gain). Details of the investment properties are set out in note 7.

Results and dividends

The loss for the year amounted to £844,340 (2016: £10,839,244 profit). The directors do not recommend the payment of a dividend (2016: £Nil).

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

PIERVALLEY LIMITED

DIRECTORS' REPORT (continued)

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.

By order of the Board:


C C McGill
Director

24/9/2018

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 2017 which comprise Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, and 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 2017 and of the loss 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 group and parent 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

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of 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 are valued on an actuarial basis. The investment properties totalling £44.391m (2016: £45.180m) included in the financial statements at 31 December 2017 were valued by the directors having regard to a valuation carried out by a leading independent firm of actuaries at 31 May 2013. As indicated in the notes, considerable volatility exists in these valuations as demonstrated by the decrease in valuation of £0.584m in the current year when compared to the directors' valuation at 31 December 2016, which in turn had increased by £11.026m when compared to the directors' valuation at 31 December 2015, and as detailed in note 7 where the impact of a small change in the underlying assumption is detailed.

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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PIERVALLEY LIMITED (continued)

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 their 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 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; or
- the directors were not entitled to 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PIERVALLEY LIMITED (continued)

Auditor's responsibilities for the audit of the financial statements

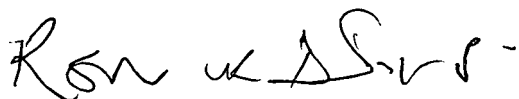
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee 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.



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

24 February 2018

PIERVALLEY LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2017

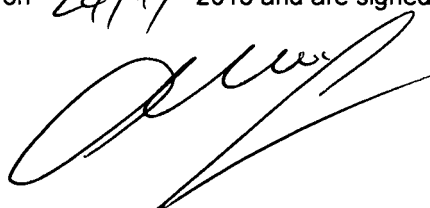
	Notes	2017 £	2016 £
Turnover	2	954,611	687,191
Administrative expenses		(498,609)	(316,263)
(Loss)/profit on sale of investment properties		(132,740)	431,528
Operating profit		<u>323,262</u>	<u>802,456</u>
Fair value (loss)/gain on investment property	7	(583,660)	11,025,678
Interest payable and similar charges	3	(70,429)	(89,101)
(Loss)/profit before taxation	4	<u>(330,827)</u>	<u>11,739,033</u>
Taxation	6	(513,513)	(899,789)
(Loss)/profit after taxation and (loss)/profit for the financial year		<u>(844,340)</u>	<u>10,839,244</u>
Other comprehensive income		-	-
Total comprehensive income for the year		<u><u>(844,340)</u></u>	<u><u>10,839,244</u></u>

STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2017

	Notes	2017 £	2016 £
Fixed assets			
Investment properties	7	44,391,000	45,180,000
Current assets			
Debtors	8	49,638	49,474
Creditors: amounts falling due within one year	9	(5,067,650)	(5,451,146)
Net current liabilities		(5,018,012)	(5,401,672)
Total assets less current liabilities		39,372,988	39,778,328
Provisions for liabilities	10	(5,978,000)	(5,539,000)
Net assets		33,394,988	34,239,328
Capital and reserves			
Called up share capital	11	1	1
Profit and loss account		33,394,987	34,239,327
Total equity		33,394,988	34,239,328

The financial statements on pages 7 to 20 were approved by the board of directors and authorised for issue on 24/9/2018 and are signed on its behalf by:



C C McGill
Director

PIERVALLEY LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2017

	Share capital £	Profit and loss account £	Total £
Balance at 1 January 2016	1	23,400,083	23,400,084
Profit and total comprehensive income for the year	-	10,839,244	10,839,244
Balance at 31 December 2016	<u>1</u>	<u>34,239,327</u>	<u>34,239,328</u>
Loss and total comprehensive income for the year	-	(844,340)	(844,340)
Balance at 31 December 2017	<u>1</u>	<u>33,394,987</u>	<u>33,394,988</u>

PIERVALLEY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

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 Molteno House, 302 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, including the provisions of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, and under the historical cost convention, modified to include the revaluation of investment properties at fair value.

The financial statements of the Company are consolidated in the financial statements of Fairhold Holdings (2003) Limited. The consolidated financial statements of Fairhold Holdings (2003) Limited are available from Companies House, Crown Way, Cardiff, CF14 3UZ.

1.2 Reduced disclosures

In accordance with FRS 102, the Company has taken advantage of the exemptions from the following disclosure requirements;

- Section 4 'Statement of Financial Position' – Reconciliation of the opening and closing number of shares
- Section 7 'Statement of Cash Flows' – Presentation of a Statement of Cash Flow and related notes and disclosures
- Section 11 'Basic Financial Instruments' & Section 12 'Other Financial Instrument Issues' – Carrying amounts, interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income
- Section 33 'Related Party Disclosures' – Compensation for key management personnel.

1.3 Going concern

In preparing the accounts on the going concern basis the directors have given consideration to the company's loss for the year and the company's statement of financial position. The loss for the year is due to the accounting treatment of revaluation gains and deficits on investment properties and without this charge the company would be profitable.

The company is a wholly owned subsidiary of Fairhold Holdings (2003) Limited who on 9 December 2017 entered into a new inter group financing agreement, whereby all outstanding third party debts, claims and prior guarantees the company had given were settled. As a result, the group is now entirely financed by related party debt and has no third party borrowings.

Prior to 9 December 2017 the company was part of a different cross collateralised funding structure.

The directors have assessed the operation of the current structure 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.

See also subsequent events in note 15.

PIERVALLEY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

1.4 Functional and presentational currencies

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

1.5 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.

1.6 Investment properties

The company's holdings of Freehold Reversionary Interests are classified as Investment Property and are initially measured at cost and subsequently measured at fair value whilst a reliable measure of fair value is available without undue cost or effort. Changes in fair value are recognised in profit or loss.

These assets, as their name implies, represent interests held in the freehold land on which third party developers have built and sold long leasehold properties. As such these assets are more akin to financial investments, as they generate income in the form of annual ground rents along with other ancillary income streams.

Recognising the unusual nature of these investment properties and the lack of a regular market for such significant portfolios of such assets, which are in distinct contrast with the more regular "bricks and mortar" investment properties, the directors are of the opinion that the best approximation to fair value for these properties is provided by a discounted cashflow valuation of the income streams generated by these assets. The valuation of the entire Freehold Reversionary Interest portfolio is undertaken by the directors based on periodic actuarial valuations carried out by a leading firm of third party actuarial consultants.

The Companies Act 2006 requires all properties to be depreciated. However, this requirement conflicts with the generally accepted accounting principle set out in FRS 102. The directors consider that, because investment properties are not held for consumption, but for their investment potential, to depreciate them would not give a true and fair view.

If this departure from the Companies Act 2006 had not been made in order to give a true and fair view, the profit for the financial year would have been reduced by depreciation. However the amount of depreciation cannot reasonably be quantified, because depreciation is only one of many factors reflected in the annual valuation and the amount relating to the depreciation of the property cannot be separately identified.

The directors also recognise, given the unusual nature and lack of a regular market for such significant portfolios of assets, that these carrying 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.

PIERVALLEY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

1.7 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.

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 profit or loss, 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.

PIERVALLEY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

1.8 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 all of 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

Trade debtors

Trade debtors which are receivable within one year and which do not constitute a financing transaction are initially measured at the transaction price. Trade 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.

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.

1.9 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

The company makes 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.

PIERVALLEY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

1.9 Critical accounting estimates and areas of judgement (continued)

Valuation of investment properties

The key accounting estimate in preparing these financial statements relates to the carrying value of the investment property which is stated at fair value. The company uses external professional actuarial valuations as a basis for determining the directors' estimation of the fair value of the investment properties. However, the valuation of the company's investment property is inherently subjective, as it is made on the basis of valuation assumptions which may in future not prove to be accurate.

In the current year the directors refined the discount rate used in valuing future cash flows. Details of the principal assumptions applied in the valuation of the investment properties are set out in note 7.

In December 2017 the Department for Communities and Local Government (DCLG) published the outcome of the 'Tackling unfair practices in the leasehold market' consultation it had conducted during the year. The main pronouncement affecting the company being that the Government would work with the Law Commission to support existing leaseholders – including making buying a freehold or extending a lease easier, faster, fairer and cheaper. Should such legislation be introduced it is likely that this would reduce the amount of premiums received at the point of lease extension. These premiums are a material component of the valuation of the Investment Properties held by the group. It is unknown what form the legislation, should it be enacted, will take and so it is not possible at this time to assess the impact of any potential legislative changes on the valuation.

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.

PIERVALLEY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

2. Turnover

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

	2017	2016
	£	£
Rent receivable	391,471	404,171
Other income	563,140	283,020
	<u>954,611</u>	<u>687,191</u>

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

3. Interest payable and similar charges

	2017	2016
	£	£
Interest on parent company loan	70,429	89,101
	<u>70,429</u>	<u>89,101</u>

4. (Loss)/profit before taxation

	2017	2016
	£	£
The (loss)/profit before taxation is stated after charging:		
- Auditor's remuneration	6,200	6,000
	<u>6,200</u>	<u>6,000</u>

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 2017 amounted to £351,499 (2016: £260,110) 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.

PIERVALLEY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

6. Taxation	2017	2016
	£	£
Current tax		
UK corporation tax	74,513	-
Total current tax	<u>74,513</u>	<u>-</u>
Deferred tax:		
Movement on potential chargeable gain liability	439,000	899,789
Total deferred tax	<u>439,000</u>	<u>899,789</u>
Total tax on (loss)/profit	<u>513,513</u>	<u>899,789</u>

Factors affecting the tax charge for the year.

The tax assessed for the year is lower than the effective rate of corporation tax in the UK 19.25% (2016: 20%). The differences are explained below:

	2017	2016
	£	£
(Loss)/profit before tax	(330,827)	11,739,033
(Loss)/profit multiplied by the effective rate of Corporation tax in the UK of 19.25% (2016: 20%).	(63,684)	2,347,807
Effects of:		
Movement on potential chargeable gain liability	439,000	899,789
Fair value indexation adjustment	112,355	(2,205,136)
Group relief received without charge	-	(57,037)
Chargeable gain on disposal	8,203	(86,306)
Tax losses utilised	(8,203)	-
Sale of investment property	25,552	-
Disallowable expenditure	290	672
Tax charge	<u>513,513</u>	<u>899,789</u>

PIERVALLEY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

7. Investment properties

	Freehold reversionary interests	
	2017	2016
	£	£
Fair Value		
As at 1 January	45,180,000	34,713,000
Fair value (loss)/gain	(583,660)	11,025,678
Disposals	(205,340)	(558,678)
As at 31 December	44,391,000	45,180,000

The investment properties represent a portfolio of ground rents. The investment properties were valued on an actuarial basis by a leading firm of financial and actuarial consultants as at 31 May 2013. The directors have reviewed the actuarial valuation as at 31 May 2013 and based on market changes in the intervening period have determined their own valuations at 31 December 2017 and 31 December 2016.

The directors, in carrying out their valuations at 31 December 2017 and 31 December 2016, have reviewed the basis of the 31 May 2013 actuarial valuation and concluded that there have been changes in the key valuation drivers since the actuarial valuation.

Accordingly the directors have assessed these changes to the valuation drivers and based on the sensitivities noted consider the updated valuation of the investment properties of £44,391,000 at 31 December 2017 (2016: £45,180,000) is appropriate for adoption for the purposes of these financial statements. 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 cash flow date.
Taxation	- no allowance has been made for taxation in projecting the future revenue flow.
Incidence rates for lease extensions and the price charged	- historic rates and FTT valuation.

PIERVALLEY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

7. Investment properties (continued)

The assumption with the most significant impact on the valuation is the discount rate used. The discount rates used have been refined in the year in line with detail contained in the independent actuaries report. A 100 basis point increase or decrease in this rate reduces or increases the valuation by 26% and 49% respectively and it is predominately the movement in this rate that has caused the marked change in value during the current or prior year.

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	
	2017	2016
	£	£
Cost	6,199,364	6,219,824
	<u> </u>	<u> </u>

See also subsequent events in note 15.

8. Debtors

	2017	2016
	£	£
Trade debtors	35,138	34,811
Prepayments and accrued income	14,500	14,663
	<u>49,638</u>	<u>49,474</u>

9. Creditors: amounts falling due within one year

	2017	2016
	£	£
Accruals and deferred income	132,268	130,159
Amount owed to parent undertaking	4,860,869	5,320,987
Corporation tax creditor	74,513	-
	<u>5,067,650</u>	<u>5,451,146</u>

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

PIERVALLEY LIMITED

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FOR THE YEAR ENDED 31 DECEMBER 2017

10. Provision for liabilities

	Deferred taxation £
1 January 2017	5,539,000
Additional provision in the year	439,000
31 December 2017	<u>5,978,000</u>

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

	2017 £	2016 £
Deferred tax arising on assets measured at fair value	<u>5,978,000</u>	<u>5,539,000</u>

11. Share capital and reserves

Share capital

	2017 £	2016 £
Allotted, issued and fully paid: 1 ordinary share of £1	<u>1</u>	<u>1</u>

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:

Retained earnings

Cumulative profit and loss net of distributions to owners.

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12. Guarantees and contingent liabilities

As explained on page 10 all previous outstanding third party debts, claims and prior guarantees that the company had given, including those in respect of contingent swap liabilities, were settled in December 2017. As a result the Fairhold Holdings (2003) Limited group, of which this company is a member, is now entirely financed by related party debt and has no third party borrowings or guarantees.

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. This parent undertaking is the holding company of both the largest and smallest group for which group accounts are prepared and of which the company is a member. 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 £351,499 (2016: £260,110) were charged to the company in the year by a company related by virtue of common control and common directors.

Of the unlimited guarantee in respect of some of the indebtedness of the related parties set out in note 12, contingent amounts of £67,105,897 (2016: £59,415,439) are owed to a related party.

15. Subsequent events

Subsequent to the year end, in September 2018, investment properties with a carrying value of £46.1 million at 31 December 2017 and annual ground rent income of £373,554 were transferred to a related party group as part of a refinancing exercise. After transfer the properties remain under the ultimate ownership of the Euro Investments Overseas Incorporated group and form part of the security for a third-party loan facility.