

Company Registration No: 05857041

TOR SANDS FREEHOLD LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019



TOR SANDS FREEHOLD LIMITED

DIRECTORS AND OFFICERS

DIRECTORS

P A Hallam
W K Procter
C C McGill

SECRETARY

D T Lau

REGISTERED OFFICE

Berkeley House
304 Regents Park Road
London
N3 2JX

AUDITOR

BDO LLP
Arcadia House
Maritime Walk
Ocean Village
Southampton
SO14 3TL

TOR SANDS FREEHOLD LIMITED

DIRECTORS' REPORT

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

Directors

The following directors have held office during the year:

P A Hallam (appointed 10 July 2019)
W K Procter
C C McGill

Principal Activities

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

Results and dividends

The profit for the year, after taxation, amounted to £176,542 (2018: loss £91,907). The directors do not recommend the payment of a dividend for the current year and no dividend was paid in the prior year.

Business review and future developments

The directors consider the affairs of the business to be satisfactory and look forward to the year ahead with confidence having regard to the matters discussed in the accounting policies on page 10.

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. state whether applicable UK accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- d. 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.

TOR SANDS FREEHOLD LIMITED

DIRECTORS' REPORT (Continued)

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 company 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.

Auditors

BDO LLP have expressed their willingness to continue in office.

This Directors' 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
Director

Date 26.6. 2020

INDEPENDENT AUDITOR'S REPORT TO MEMBERS OF TOR SANDS FREEHOLD LIMITED

Opinion

We have audited the financial statements of Tor Sands Freehold Limited ("the Company") for the year ended 31 December 2019 which comprise the Statement of Comprehensive Income, Statement of Financial Position, 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 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 financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of its profit for the year then ended;
- 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 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 Directors are responsible for the other information. The other information comprises the information included in the Directors' Report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT TO MEMBERS OF TOR SANDS FREEHOLD LIMITED (CONTINUED)

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the 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, 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' exemptions in preparing the Directors' report and from the requirement to prepare a Strategic report.

Responsibilities of Directors

As explained more fully in the Statement of Directors Responsibilities, 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:

<https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

**INDEPENDENT AUDITOR'S REPORT TO MEMBERS OF TOR SANDS FREEHOLD LIMITED
(CONTINUED)**

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.



Kim Hayward (Senior Statutory Auditor)

For and on behalf of BDO LLP, Statutory Auditor

Southampton, UK

Date 26 June 2020

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

TOR SANDS FREEHOLD LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019	2018
Turnover	2	9,668	9,238
Administrative expenses		(9,445)	(9,150)
Fair value gain/(loss) on investment property	7	210,502	(105,630)
Operating profit/(loss)		210,725	(105,542)
Interest payable and similar charges	3	(1,183)	(1,051)
Profit/(loss) before taxation	4	209,542	(106,593)
Taxation	6	(33,000)	14,686
Profit/(loss) after taxation and total comprehensive income/(loss) for the year		176,542	(91,907)

TOR SANDS FREEHOLD LIMITED
STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2019

	Notes	2019	2018
Fixed assets			
Investment properties	7	1,909,502	1,699,000
Current assets			
Debtors	8	-	201
Creditors: amounts falling due within one year	9	(3,013)	(2,813)
Net current liabilities		(3,013)	(2,612)
Total assets less current liabilities		1,906,489	1,696,388
Creditors: amounts falling due after more than one year	10	(35,816)	(35,257)
Provisions for liabilities	11	(304,000)	(271,000)
Net assets		1,566,673	1,390,131
Capital and reserves			
Called up share capital	12	1	1
Profit and loss account		1,566,672	1,390,130
Total equity		1,566,673	1,390,131

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 19 were approved by the board of directors and authorised for issue on 2020 and are signed on its behalf by:



P A Hallam
Director

TOR SANDS FREEHOLD 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	1,482,037	1,482,038
Loss for the year	-	(91,907)	(91,907)
Balance at 31 December 2018	1	1,390,130	1,390,131
Profit for the year	-	176,542	176,542
Balance at 31 December 2019	1	1,566,672	1,566,673

TOR SANDS FREEHOLD LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

Company information

Tor Sands Freehold 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"), the requirements of the Companies Act 2006, as applicable to companies' subject to the small companies regime, and under the historical cost convention as modified to include investment properties at fair value. 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 is party to a group cross collateralised funding structure along with a number of other companies under common control. The directors have assessed the operation of the 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. The company is party to cross collateralised loans totalling £734.2m as at 31 December 2019 (2018: £724.0m). The cross collateralised loan balance is due for repayment in January 2080.

The facility is a 65 year fully amortising facility and there are reserves in place to ensure that the necessary liquidity is retained in the structure so that funds are available to meet debt service liabilities as they fall due for the upcoming 53 week period.

For the reasons disclosed in the post balance sheet event note on page 19 the directors do not believe the Covid-19 pandemic will have an impact on the group'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 of 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.

TOR SANDS FREEHOLD LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

1.5 Investment properties

The company's holdings of freehold reversionary interests are classified as investment properties and 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 fixed 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. 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 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.

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.

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.

TOR SANDS FREEHOLD LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

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 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

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.

Borrowings

Borrowings are initially recognised at the transaction price, including transaction costs, and subsequently measured at amortised cost using the effective interest method. Interest expense is recognised on the basis of the effective interest method and is included in interest payable and other similar charges.

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.

TOR SANDS FREEHOLD LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

1.8 Critical accounting estimates and areas of judgement (continued)

Valuation of investment properties

A key accounting estimate in preparing these financial statements relates to the fair value of the investment properties. The company uses periodic 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 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) and the Competitions and Markets Authority (CMA), is undertaking 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. The implementation of legislative changes arising from these reviews 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.

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 likelihood of the changes, as proposed in their current form, coming into effect is believed to be low and the financial consequences of any changes are too uncertain to enable the directors to reasonably estimate the impact of such changes on their forecasts and it is assumed that the current methodology continues to represent a fair value of these assets.

Further details of the valuation of the investment properties are set out in note 7.

Current taxation

In arriving at the tax charge for the year the directors have been required to consider new legislation introduced by HMRC in respect of Corporate Interest Restrictions and restrictions on the use of losses from the 1st April 2017.

These rules are complex and may have a material impact on the group's tax charge. The complex nature of the rules and their impact on the wider Euro Investments Overseas Incorporated group could mean the assumptions on which the restrictions are based prove to be inaccurate. If this were the case, then the tax charge may change materially.

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.

TOR SANDS FREEHOLD LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

2 Turnover

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

	2019	2018
Rental receivable	8,838	8,838
Other income	830	400
	<u>9,668</u>	<u>9,238</u>

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

At 31 December, the expected future lease rental receipts under non-cancellable leases were as follows:

	2019	2018
Less than one year	8,839	8,839
Between one and five years	38,393	35,354
More than five years	1,596,606	1,608,484
	<u>1,643,838</u>	<u>1,652,677</u>

The receipts under the non-cancellable leases are ground rent payments made by the tenants holding leasehold interests issued against the company's investment properties. These leases provide the leaseholder with occupational rights to the property for the duration of the lease to the exclusion of the company. The tenants, where they meet qualifying criteria, do have the right under UK legislation to extend or cancel the lease in return for a premium payable to the freeholder. The company has only calculated the receipts due from these leases for the first 61 years of the lease duration as it is not practical to calculate expected receipts from beyond this time.

3 Interest payable and similar charges

	2019	2018
Interest on parent company loan	1,174	1,042
Finance costs recharged	9	9
	<u>1,183</u>	<u>1,051</u>

4 Profit/(loss) before taxation

	2019	2018
The profit/(loss) before taxation is stated after charging:		
- Auditor's remuneration	8,676	8,376
	<u>8,676</u>	<u>8,376</u>

TOR SANDS FREEHOLD LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

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 £769 (2018: £774) 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	-	-
Total current tax	-	-
Deferred tax		
Movement on potential chargeable gain liability	33,000	(14,686)
Total deferred tax	33,000	(14,686)
Total tax on profit/(loss)	33,000	(14,686)

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% (2018: 19%). The differences are explained below:

	2019	2018
Profit/(loss) before tax	209,542	(106,593)
Profit/(loss) multiplied by the effective rate of corporation tax in the UK of 19% (2018: 19%)	39,813	(20,253)
Effects of:		
Group relief received without charge	182	-
Chargeable gain adjustments	(6,995)	5,384
Corporate interest restriction	-	183
Tax charge/(credit)	33,000	(14,686)

The company has estimated tax losses of £10,035 (2018: £10,035) available to carry forward against future profits. No deferred tax asset has been recognised in respect of these losses due to uncertainty of recovery.

Deferred tax on investment properties is recognised at 17% (2018:17%) in the current period.

Further details are given in note 16.

TOR SANDS FREEHOLD LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

7 Investment properties

	Freehold reversionary interests	
	2019	2018
Fair value		
As at 1 January	1,699,000	1,804,630
Fair value movement	210,502	(105,630)
	<hr/>	<hr/>
As at 31 December	1,909,502	1,699,000
	<hr/>	<hr/>

The freehold investment properties represent a portfolio of reversionary interests. The investment properties were valued on an actuarial basis by a leading firm of independent financial and actuarial consultants as at 6 October 2015. The directors have reviewed the actuarial valuation as at 6 October 2015 and, based on market changes in the intervening period, have determined their own valuation at the year end.

The directors, in carrying out their valuation at 31 December 2019, have reviewed the basis of the 6 October 2015 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 in the 2015 valuation, consider the updated valuation of the freehold reversionary interest investment properties of £1,909,502 at 31 December 2019 (2018: £1,699,000) is appropriate for adoption for the purposes of these financial statements.

The basis of the most recent 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 this 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	- historic incidence rates and FTT valuation.

The assumptions with the most significant impact on the valuation are the discount rate and RPI.

- A 1% increase or decrease in the discount rate will reduce or increase the valuation by 39% and 94% respectively.
- A 1% increase or decrease in RPI will increase or reduce the valuation by 63% and 29% respectively.

TOR SANDS FREEHOLD LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

7 Investment properties (continued)

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

	Freehold reversionary interests	
	2019	2018
Cost	88,910	88,910

The company's investment property is subject to a debenture and charge in connection with a guarantee provided by the company in respect of the indebtedness of the holding company and other related parties (see note 13).

8 Debtors

	2019	2018
Trade debtors	-	201

9 Creditors: amounts falling due within one year

	2019	2018
Accruals and deferred income	3,013	2,813

10 Creditors: amounts falling due after more than one year

	2019	2018
Amounts owed to parent undertaking	35,816	35,257

The loan from the parent company is due for repayment in 2085. Interest is charged at 6-month Libor +2.35%.

TOR SANDS FREEHOLD LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

11 Provisions for liabilities

	Deferred taxation
As at 1 January 2019	271,000
Movement in provision in the year	33,000
	<hr/>
As at 31 December 2019	304,000
	<hr/>

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

	2019	2018
Deferred tax on assets measured at fair value	304,000	271,000
	<hr/>	<hr/>

12 Share capital and reserves

	2019	2018
Share capital		
Allotted, issued and fully paid:		
1 ordinary shares of £1	1	1
	<hr/>	<hr/>

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

13 Guarantees

The company has given an unlimited guarantee in respect of some of the indebtedness of its holding company Betelgeuse Limited. The guarantee is supported by a debenture and a charge over the company's investment properties. At 31 December 2019 the total amount outstanding subject to that guarantee was £734.2m (2018: £724.0m).

14 Immediate parent company, ultimate parent company and ultimate controlling party

The company's immediate parent company is Proxima GR Properties Limited whose immediate parent company is Betelgeuse Limited which is the smallest group for which group accounts containing this company are prepared. Betelgeuse Limited is domiciled and incorporated in the UK. The ultimate UK parent company is Beta Centauri Limited, which is the largest group for which group accounts containing this company are prepared. 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 Geneva Trust Company (GTC) SA as trustees of the Tchenguiz Family Trust.

TOR SANDS FREEHOLD LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

15 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 £769 (2018: £774) were charged to the company in the year by Estates & Management Limited, a company related by virtue of common control and common directors.

16 Post balance sheet events

- a. In March 2020, the Covid-19 pandemic broke in the UK. This event has not impacted the company's performance for the year ended 31 December 2019 nor its financial position at 31 December 2019.

The current situation is unprecedented and the wider economic impact is uncertain. There is an expectation that the levels of the company's ancillary income will reduce, however, the directors are of the view that because of the very long-term nature of the group's financing structures and the nature of the company's core income, being a large number of small ground rent receipts, the overall impact on the company is not likely to be significant.

Additionally, as disclosed in note 7 in relation to the sensitivity analysis of the valuation of the investment properties, reductions in interest rates and discount rates, as have occurred in recent months, will have had a positive impact on the valuation of the group's property portfolio.

- b. A change to the main UK corporation tax rate, announced in the Budget on 11 March 2020, was substantively enacted for UK GAAP purposes on 17 March 2020. The rate applicable from 1 April 2020 now remains at 19 percent, rather than the previously enacted reduction to 17 percent.

If deferred tax at 31 December 2019 was re-measured at 19%, the effect would be an increase in the deferred tax provision of £35,000.

TOR SANDS FREEHOLD LIMITED
DETAILED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2019

	2019	2018
Turnover		
Rent receivable	8,838	8,838
Administration fees	830	400
	<hr/>	<hr/>
	9,668	9,238
Administration costs		
Audit	(8,676)	(8,376)
Management charge	(769)	(774)
	<hr/>	<hr/>
	(9,445)	(9,150)
Fair value gain/(loss) investment property	210,502	(105,630)
	<hr/>	<hr/>
Operating profit/(loss)	210,725	(105,542)
Interest payable and similar charges		
Interest on parent company loan	(1,174)	(1,042)
Finance costs recharged	(9)	(9)
	<hr/>	<hr/>
	(1,183)	(1,051)
	<hr/>	<hr/>
Profit/(loss) before taxation	209,542	(106,593)
	<hr/>	<hr/>

This page does not form part of the statutory financial statements.