

Five Valleys Property Company
Limited

Company number 06264958

Financial statements
for the year ended
31 December 2011

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Directors

Colin Franklin

Neil Spencer

Registered Office

Oakfield House

Binley Business Park

Binley

Coventry CV3 2TQ

Registered Number

06264958

Auditors

Ernst & Young LLP

1 More London Place

London SE1 2AF

Directors' Report

The directors have pleasure in presenting their report and financial statements for the year ended 31 December 2011

Business objectives and activities

Five Valleys Property Company Limited (the "Company") is a limited company registered in England and Wales

The principal activity of the Company is that of investment in residential property for rental. Due to the current decline in the housing market there are no plans to purchase any further properties in the near future. However, it is still the intention of the Company to retain its portfolio for several years in order to profit from long term house price inflation.

This is the first annual report and accounts prepared under the requirements of International Financial Reporting Standards (IFRSs). As a consequence of adopting IFRS and in order to improve the comparability of the current year financial statements, the 2010 figures have been restated, as though they had been originally prepared under IFRS. The impact of adopting IFRS relating to the prior year has been highlighted within note 1 of the Accounts. The Directors note the overall impact on the results is modest.

Results

The Company's loss for the financial year amounted to £62,592 (2010: £69,964) which is shown in the income statement on page 9.

Directors

The following persons served as directors of the Company during the year:

- C Franklin,
- N Spencer, and
- J Collinson (resigned 16 May 2011)

Employment

The Company has no employees, all staff are employed by the ultimate parent undertaking, Coventry Building Society (the "Group").

Corporate governance

It is the practice of the Company to apply the highest standard of corporate governance. In this regard, all relevant activities are fully considered by Group's Board Audit Committee, which comprises independent non-executive directors.

Principal risks and uncertainties

The Company actively manages the various risks that arise from its operations. It is the responsibility of the Board to identify the principal risks which the company faces and to establish an effective system of control. Management are charged with managing these risks within the control frameworks established by the Company Board and Group Board. The control systems consists of plans and budgets together with regular internal management information, established risk limits, delegated authorities and other control procedures.

The Company Board is supported in the measurement and management of risk by the various Group committees, such as Assets and Liabilities Committee ("ALCO"), who through this process manage the company assets and liabilities on a group basis.

Directors' Report (continued)

Financial risk management objectives and policies

The Company seeks to understand and manage the various risks that arise from its operations. The principal risks facing the Company and the procedures put in place to manage them are described below.

Credit risk

Credit risk is the risk that tenants will fail to meet their financial obligation to pay rent to the Company as it falls due. The Company's exposure to this risk is managed by carrying out a credit search on prospective tenants and securing a deposit of one month's rent.

Market Risk

Market risks are the risk that the value of, or income from, the Company's assets and liabilities changes as a result of market variables such as interest rates, and the risk presented by a reduction in house prices.

The Group's Treasury function is responsible for managing the Group's exposure to interest rate risks within policies approved by ALCO, through the management and monitoring of the asset and liability positions.

Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet its financial obligations as they fall due. The parent undertaking manages this risk on a group basis principally by the holding of cash and other easily realisable liquid assets. The minimum ratio of these liquid assets to the group's liabilities is set by statute and adherence to this is monitored by the Financial Services Authority (FSA). Day-to-day management of the group's liquidity position is the responsibility of the parent undertaking's treasury function and is monitored by its ALCO and, through this committee, by its Risk Management Committee and Board Risk Committee.

Operational risk

Operational risk is the risk of loss arising from inadequate internal processes, people and systems or from external events. These risks are managed by the parent undertaking on a group basis as an integral part of the operations of each of the Group's business units. Management have a responsibility to understand how operational risk impacts the area of the business for which they are responsible, and for putting in place controls or mitigating activities. This is overseen and challenged by the Operational Risk team which acts as the second line of defence. This team also ensures co-ordination of the Group's operational risk assessment, risk event management process, operational risk stress testing, controls design and other associated activities, and is further overseen by the Operational Risk Committee, Risk Management Committee and the Board Risk Committee.

Key operational risks are considered more broadly in the context of potential linkages to reputational risk, regulatory and compliance risk, change risk, legal risks, information technology and systems risk and business risk. The parent undertaking regularly stress tests such risks to better understand and manage the impacts of their occurrence and quantification to support regulatory capital allocation. This educates the Group's broader stress testing framework, including reverse stress testing.

Notes to the Accounts (continued)

Going concern

The Company's business activities are set out in this Directors' Report

The Company participates in the Group's centralised treasury arrangements and so shares banking arrangements with its parent

The directors, having assessed the responses of the directors of the Company's parent, Coventry Building Society, to their enquiries, have no reason to believe that a material uncertainty exists that may cast doubt about the ability of the Group to continue as a going concern or its ability to continue with the current banking arrangements

On the basis of their assessment of the Company's financial position and of the enquiries made of the directors of the Group, the Company's directors have a reasonable expectation that the Company will be able to continue in business for the foreseeable future. For this reason, they continue to adopt the going concern basis of accounting in preparing the annual financial statements

Disclosure of information to auditors

So far as the directors are aware there is no relevant audit information of which the Company's auditors are unaware and the directors have taken all the steps they ought to have taken as directors to make themselves aware of any relevant information to establish that the Company's auditors are aware of the information

Auditors

A resolution proposing the re-appointment of Ernst & Young LLP as auditors of the Company will be submitted at the Annual General Meeting

On behalf of the board



Colin Franklin
Director
16 March 2012

Statement of Directors' Responsibilities

The following statement, which should be read in conjunction with the statement of the auditors' responsibilities on page 7, is made by the directors to explain their responsibilities in relation to the preparation of the financial statements and Directors' Report

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. This is the first financial statements prepared under the requirements of International Financial Reporting Standards ("IFRS" – also referred to as International Accounting Standards or "IAS"). As a consequence of adopting IFRS, the investment properties have been restated at deemed cost, which has resulted in the recognition of depreciation in the income statement. The directors note that the overall impact is modest. 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 the financial statements, the directors are required to

- select suitable accounting policies in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* and then apply them consistently,
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information,
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's financial position and financial performance, and
- state that the Company has complied with IFRSs, subject to any material departures disclosed and explained in the financial statements

The directors are responsible for ensuring that the Company keeps proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company, in accordance with the Companies Act 2006

The directors have general responsibility for safeguarding the assets of the Company and for taking reasonable steps for the prevention and detection of fraud and other irregularities

The directors are satisfied that the Company has adequate resources to continue in business for the foreseeable future. For this reason, the financial statements are prepared on the going concern basis

Independent Auditors' Report

Independent auditors' report to the members of Five Valleys Property Company Limited

We have audited the financial statements of Five Valleys Property Company Limited for the year ended 31 December 2011 which comprise the Income Statement, Statement of Other Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and the related notes 1 to 15. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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 auditors' 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.

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors' Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements we consider the implications for our report.

Opinion on the financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2011 and of its loss for the year then ended,
- have been properly prepared in accordance with IFRS as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent Auditors' Report (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where 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 information and explanations we require for our audit



Peter Wallace (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London

16 March 2012

Income Statement
for the year ended 31 December 2011

	Notes	2011 £	2010 (as restated) £
Gross rental income	4	317,564	324,297
Property operating expense	4	(27,716)	(33,989)
Net rental and related income		289,848	290,308
Interest payable and similar charges	5	(270,552)	(274,298)
Administrative expenses	6	-	(7,853)
Depreciation	10	(77,474)	(77,474)
Loss before tax		(58,178)	(69,317)
Taxation	7	(4,414)	(647)
Loss for the financial year		(62,592)	(69,964)

Loss for the financial year arises from continuing operations

The accounting policies and notes on pages 12 to 21 form part of these Accounts

Statement of Other Comprehensive Income
for the year ended 31 December 2011

There are no items which require disclosure in the statement of other comprehensive income in the current or previous year

Statement of Financial Position
as at 31 December 2011

	Notes	2011 £	2010 (as restated) £
Assets			
Rent receivable	8	6,865	4,233
Deferred tax	9	1,240	1,290
Investment properties	10	5,061,652	5,139,126
Total assets		5,069,757	5,144,649
Liabilities			
Amounts due to group undertakings	11	6,570,154	6,586,318
Accruals and deferred income	12	1,225	2,695
Current tax liabilities		5,334	-
Total liabilities		6,576,713	6,589,013
Equity			
Share capital	13	1	1
Retained earnings		(1,506,957)	(1,444,365)
Total liabilities and equity		5,069,757	5,144,649

The accounting policies and notes on pages 12 to 21 form part of these Accounts

Approved by the board of directors on 16 March 2012



Colin Franklin
Director

Statement of Changes in Equity
for the year ended 31 December 2011

	Notes	2011 £	2010 (as restated) £
Retained earnings			
As at 1 January		(1,444,365)	(1,374,401)
Loss for the financial year		(62,592)	(69,964)
As at 31 December		(1,506,957)	(1,444,365)
Called up share capital		1	1
Total equity		(1,506,956)	(1,444,364)

Statement of Cash Flows
for the year ended 31 December 2011

	Notes	2011 £	2010 (as restated) £
Cash flows from operating activities			
Loss before tax		(58,178)	(69,317)
Adjustments for			
• Non-cash items included in loss before tax		77,474	77,474
• Changes in operating assets	14	(2,632)	6,322
• Changes in operating liabilities	14	(1,470)	(2,659)
Net cash flows from operating activities		15,194	11,820
Cash flows from financing activities			
Loans to connected undertakings		(15,194)	(12,597)
Net cash flows from financing activities		(15,194)	(12,597)
Net decrease in cash		-	(777)
Cash and cash equivalents at start of year		-	777
Cash and cash equivalents at end of year		-	-

The accounting policies and notes on pages 12 to 21 form part of these Accounts

Notes to the Accounts

1 First time adoption of IFRS

As at 1 January 2011, Five Valleys Property Company Limited has applied International Financial Reporting Standards (IFRS) to its financial reporting for the first time

Five Valleys Property Company Limited presented financial statements prepared under UK Generally Accepted Accounting Practice ("GAAP") annually to 31 December each year up to and including 31 December 2010

The reporting date for Five Valleys Property Company Limited first full year IFRS financial statements is 31 December 2011. The comparatives in these accounts cover the period from transition on 1 January 2010 to 31 December 2010. The Company has taken the following exemption permitted by IFRS 1 when preparing these financial statements

- 1 To apply a previous UK GAAP revaluation at the date of transition to IFRS as the deemed cost when adopting the cost model in accordance with IAS 40

UK GAAP to IFRS reconciliation

Effect of adoption of IFRS on the Income Statement

	Year ended 31 December 2010		
	As previously stated £	IFRS effect £	As restated £
Gross rental and related income	324,297	-	324,297
Property expenses	(33,989)	-	(33,989)
Net rental and related income	290,308	-	290,308
Interest payable and similar charges	(274,298)	-	(274,298)
Administrative expenses	(7,853)	-	(7,853)
Depreciation	-	(77,474)	(77,474)
Profit/(loss) before tax	8,157	(77,474)	(69,317)
Taxation	(647)	-	(647)
Profit/(loss) for the financial year	7,510	(77,474)	(69,964)

Notes to the Financial Accounts (continued)

1 First time adoption of IFRS (continued)

Effect of adoption of IFRS on the Statement of Financial Position

	As at 1 January 2010			As at 31 December 2010		
	As previously stated £	IFRS effect £	Restated £	As previously stated £	IFRS effect £	Restated £
Cash	777	-	777	-	-	-
Debtors	10,555	-	10,555	5,523	-	5,523
Investment properties	6,320,000	(1,103,400)	5,216,600	5,164,950	(25,824)	5,139,126
Total assets	6,331,332	(1,103,400)	5,227,932	5,170,473	(25,824)	5,144,649
Amounts due to group undertakings	6,596,979	-	6,596,979	6,586,318	-	6,586,318
Accruals and deferred income	5,354	-	5,354	2,695	-	2,695
Total liabilities	6,602,333	-	6,602,333	6,589,013	-	6,589,013
Share capital	1	-	1	1	-	1
Retained earnings	(134,157)	(1,240,245)	(1,374,402)	(126,647)	(1,317,718)	(1,444,365)
Revaluation reserve	(136,845)	136,845	-	(1,291,894)	1,291,894	-
Total equity	(271,001)	(1,103,400)	(1,374,401)	(1,418,540)	(25,824)	(1,444,364)
Total liabilities and equity	6,331,332	(1,103,400)	5,227,932	5,170,473	(25,824)	5,144,649

The change in the value of investment properties to IFRS consists of a revaluation of the investment properties to deemed cost as at 1 January 2010, and a reduction for subsequent depreciation. On transition to IFRS the revaluation reserve was transferred into retained earnings.

The impact of these changes in equity is detailed below.

Reconciliation of equity

	1 January 2010 £	31 December 2010 £
Total equity under previous UK GAAP	(271,001)	(1,418,540)
Fair value adjustments to investment properties	(1,103,400)	51,650
Depreciation on investment properties	-	(77,474)
Tax effects of the above	-	-
Total IFRS movement in reserves	(1,103,400)	(25,824)
Total equity as restated under IFRS	(1,374,401)	(1,444,364)

Notes to the Financial Accounts (continued)

2 Accounting policies

The following accounting policies have been applied consistently in dealing with items that were considered material in relation to the Company's financial statements

Basis of preparation

These are the first financial statements have been prepared in accordance with IFRS as adopted by the European Union ("EU") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"), and applied in accordance with the Companies Act 2006

The preparation of the financial statements in conforming to the use of IFRS requires the use of certain critical judgements and estimates, a summary of which is presented in note 3. The areas involving judgements and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under current or normal operating circumstances

The financial statements have been prepared after applying IFRS retrospectively to prior accounting periods, except where exemptions have been applied under IFRS 1 – *First Time Adoption of International Financial Reporting Standards* (note 1)

These financial statements are presented in sterling thousands (£000) except where otherwise indicated

Future accounting developments

The following standards and interpretations, relevant to the Company, were not effective at 31 December 2011 and have not been applied in preparing these financial statements. The anticipated impact of these standards and interpretations are listed below

IFRS 7 *Financial Instruments – Disclosures – Offsetting Financial Assets and Financial Liabilities (Amendment)*

The amendments to IFRS 7 shall be effective for annual periods beginning on or after 1 January 2013. The amendment requires new disclosures for all recognised financial instruments that are set-off in the statement of financial position. Financial instruments on the Company's statement of financial position are shown as gross amounts before set off. The results of these amendments have no impact on the Company

IFRS 9 *Financial Instruments – Classification and Measurement*

IFRS 9 as issued reflects the first phase of the International Accounting Standards Board's (IASB) work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard is effective for annual periods beginning on or after 1 January 2015. In subsequent phases, the Board will address hedge accounting and impairment. The adoption of IFRS 9 is likely to have negligible impact on the classification and measurement of the Company's financial assets and financial liabilities

IFRS 10 *Consolidated Financial Statements*

IFRS 10 reflects the requirements for determining when a reporting entity controls another entity, and the principles applied when preparing consolidated financial statements replacing IAS 27 *Consolidated and Separate Financial Statements* and SIC 12 *Consolidation – Special Purpose Entities*. The standard is effective for annual periods on or after 1 January 2013. IFRS 10 is not expected to have a significant effect on the Company

IFRS 11 *Joint Arrangements*

IFRS 11 defines the joint arrangements with joint control, and reflects the principles applied when preparing consolidated financial statements replacing IAS 31 *Interest in Joint Ventures* and SIC-13 *Jointly-controlled Entities – Non-monetary Contributions by Ventures*. The standard is effective for annual periods on or after 1 January 2013. The adoption of IFRS 11 is expected not to have an effect on the profit or loss and reserves of the Company as it does not have a joint control arrangement

Notes to the Accounts (continued)

2 Accounting policies (continued)

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 includes all the disclosure requirements for subsidiaries, joint arrangements, associates and structured entities. The standard is effective for annual periods on or after 1 January 2013. IFRS 12 is a disclosures-only standard and therefore will have no effect on profit or loss, or the reserves of the Company.

IFRS 13 Fair Value Measurement

IFRS 13 provides guidance on how to measure the fair value of financial and non-financial assets and liabilities when required or permitted by IFRS. The standard is effective for annual periods on or after 1 January 2013. The adoption of IFRS 13 is not expected to significantly affect the fair value of certain assets and liabilities held by the Company, as the valuation methods adopted by the Company, are in line with the principles identified in this new standard.

IAS 1 Presentation of Financial Statements (Amendment)

The amendments to IAS 1 require changes to the presentation of the Income Statement. Items that could be reclassified to profit or loss at a future point in time would be presented separately from items that will never be reclassified. The effective date of the standard is 1 January 2013. The adoption of these amendments will only affect the presentation of the Income Statement.

IAS 27 Separate Financial Statements

The IASB issued this revised standard to complement IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, and IFRS 12 Disclosure of Interests in Other Entities. The standard outlines the accounting and disclosure requirements for investments in subsidiaries, joint ventures, and associates when an entity prepares separate financial statements. The standard requires an entity preparing separate financial statements to account for those investments at cost or in accordance with IFRS 9 Financial Instruments. The standard is effective for annual periods beginning on or after 1 January 2013 and is not expected to have an impact on the Company as it does not have any investments.

IAS 28 Investments in Associates and Joint Ventures

This standard prescribes the accounting for investments and associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. The standard is effective for annual periods beginning on or after 1 January 2013. The Company does not have associates or joint venture investments and therefore no impact is anticipated from the adoption of this standard.

The preparation of financial statements that conform with IFRS requires the use of certain critical judgements and estimates, a summary of which is presented in note 3. The areas involving 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 current or normal operating circumstances.

Operating segments

The Company operates solely for the generation of rental income within the residential property sector and within the United Kingdom. As such, no detailed segmental analysis is required.

Gross and Net Rental Income

Rental income is recognised on an accruals basis. A rent adjustment based on open market estimated rental value is recognised from the rent review date in relation to unsettled rent reviews. Where a rent-free period is included in a lease, the rental income foregone is allocated evenly over the period from the date of lease commencement to the earliest termination date.

Gross rental income are earned on residential properties and stated prior to any deductions. Net rental income and related income is stated after charging management fees and other expenses directly relating to the rental of properties.

Notes to the Accounts (continued)

2 Accounting policies (continued)

Taxation including deferred tax

Income tax on the loss for the year comprises current and deferred taxation

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the reporting date

Deferred tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, with the exception that deferred tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised

Deferred tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability settled, based on tax rates and laws enacted or substantively enacted by the reporting date

Investment properties

Investment properties, which comprise properties held for rental are included in the statement of financial position at deemed cost, being the fair value determined on transition to IFRSs. In accordance with IAS 40, the entity applies the cost model to its investment properties

The investment properties are carried at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is calculated on a straight line basis, and are depreciated at 2% per annum. On an annual basis, the investment properties are also reviewed for indicators of impairment, and impaired accordingly

The fair value of the investment properties as disclosed in note 10 are based on valuations by an independent valuer who holds relevant experience and professional qualifications in residential properties

Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition

3 Significant accounting estimates

Judgements and Estimation uncertainty

In the process of applying the Company's accounting policies, the directors have made the following judgements and estimates that have the most significant effect on the amounts recognised in the financial statements

Deferred tax

The Company recognises deferred tax on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available to utilise the asset. The Company considers that sufficient future taxable profit will, in fact, be available to utilise all the Company's deferred tax assets and the Company has therefore recognised deferred tax assets where they have arisen

Notes to the Financial Accounts (continued)

4 Gross and net rental income

	2011 £	2010 As restated £
Gross rental income	317,564	324,297
Management fee expense	(14,308)	(17,438)
Other property operating expenses	(13,408)	(16,551)
Property operating expense	(27,716)	(33,989)
Net rental and related income	289,848	290,308

Gross rental income relates to the gross income receivable for rental of residential properties. Rental income is received net of third party management fees and other operating expenses.

There are no investment property related operating expenses that did not generate any rental income.

5 Interest payable and similar charges

	2011 £	2010 As restated £
Interest payable to parent undertaking	270,552	274,258
Bank interest payable	-	40
Interest payable and similar charges	270,552	274,298

6 Administrative expenses

	2011 £	2010 As restated £
Other	-	7,853
	-	7,853

The directors' emoluments and auditors' remuneration were borne by the parent undertaking (2010 auditors' remuneration was borne by the Company).

Notes to the Financial Accounts (continued)

7 Taxation

	2011 £	2010 As restated £
Current tax		
• UK corporation tax at 26.5% (2010: 28%)	4,849	1,937
• UK corporation tax – adjustment in respect of prior years	(485)	-
Total current tax	<u>4,364</u>	<u>1,937</u>
Deferred tax		
• Current year	50	-
• Adjustment in respect of prior years	-	(1,290)
	<u>4,414</u>	<u>647</u>

The current tax charge for the period differs from the UK standard corporation tax rate of 26.5% (2010: 28%). The differences are explained below:

	2011 £	2010 As restated £
Loss before tax (LBT)	(58,178)	(69,317)
Tax at UK standard rate of corporation tax on LBT of 26.5% (2010: 28%)	<u>(15,417)</u>	<u>(19,409)</u>
Adjustments in respect of:		
Adjustments in respect of prior years	(485)	(1,290)
Expenses not deductible for tax purposes	20,266	21,693
Capital items expensed	-	(347)
Rate change	50	-
	<u>4,414</u>	<u>647</u>

On 23 March 2011, the Chancellor announced a further reduction in the standard rate of corporation tax to 25% from the already announced 27% to 26% from 1 April 2011. The 25% rate was substantively enacted in July 2011. The Company considers that the temporary timing differences included in the deferred tax calculation will, for the most part, reverse after 1 April 2012 and therefore the deferred tax asset has been calculated using the 25% rate.

The UK Government also confirmed its intention to reduce the rate further by 1% per annum falling to 23% with effect from 1 April 2014. If the 23% tax rate had already been substantively enacted this would have reduced the deferred tax asset as at 31 December 2011 by £25. We do not expect the proposed reductions in the statutory rate to 23%, once substantively enacted, to have a material effect on the Company's current or deferred tax charge.

8 Rent receivable

	2011 £	2010 (as restated) £
Rent receivable	<u>6,865</u>	<u>4,233</u>

Notes to the Financial Accounts (continued)

9 Deferred tax

Deferred tax assets are attributable to the following item

	2011 £	2010 (as restated) £
Excess of capital allowances over depreciation	1,240	1,290

Deferred tax has been provided at a rate of 25 % (2010 27%) Deferred tax assets are anticipated to be recoverable after more than one year

10 Investment properties

	2011 £	2010 (as restated) £
Cost		
As at 1 January and 31 December	5,216,600	5,216,600
Accumulated Depreciation		
As at 1 January	77,474	-
Charge during the year	77,474	77,474
As at 31 December	154,948	77,474
Net book value as at 31 December	5,061,652	5,139,126

The investment properties were valued by a qualified chartered surveyor, who is a member of the Royal Institute of Chartered Surveyors (RICS). The properties were valued on the basis of market value, and the valuation was carried out in accordance with the RICS Appraisal and Valuation Standards. As the investment properties are held at depreciated historical cost, this valuation has not been reflected in the carrying value of the assets. No impairment of the investment properties were made during the year. If the properties were carried at fair value, the value of the investment property portfolio would be £5,556,500 (2010 £5,164,950).

11 Amount due to group undertaking

	2011 £	2010 (as restated) £
Amounts due to parent undertaking	6,570,154	6,586,318

The above amounts are repayable on demand. Interest on outstanding loans accrues at a transfer price rate agreed between the Company and its parent undertaking.

Notes to the Financial Accounts (continued)

12 Accruals and deferred income

	2011 £	2010 (as restated) £
Accruals	-	415
Deferred income	1,225	2,280
	<u>1,225</u>	<u>2,695</u>

13 Share capital

	2011 £	2010 (as restated) £
Authorised		
99,000,000 ordinary shares of £1 each	<u>99,000,000</u>	<u>99,000,000</u>
 Called up, allotted and fully paid		
1 ordinary share of £1 each	<u>1</u>	<u>1</u>

Notes to the Financial Accounts (continued)

14 Notes to the cash flow statement

	2011	2010
	£	(as restated) £
Non-cash items included in loss before tax		
Depreciation	77,474	77,474
	<hr/>	<hr/>
	77,474	77,474
	<hr/>	<hr/>
Changes in operating assets		
(Increase)/decrease in rent receivable	(2,632)	6,322
	<hr/>	<hr/>
Changes in operating liabilities		
Decrease in accruals and deferred income	(1,470)	(2,659)
	<hr/>	<hr/>

15 Related party transactions

Ultimate controlling party

Five Valleys Property Company Limited is a wholly owned subsidiary of, and is controlled by, Coventry Building Society, which is also considered to be the ultimate parent. The results of Five Valleys Property Company Limited are shown in the consolidated statement of Coventry Building Society. Copies of the Group accounts of Coventry Building Society, which include Five Valleys Property Company Limited can be obtained from Economic House, PO Box 9, High Street, Coventry, CV1 5QN.

Transactions with the group undertakings

Transactions with the parent undertaking arise in the normal course of business. Interest on outstanding loans accrues at a transfer price agreed between the Company and its parent undertaking.

The Company has repaid unsecured loans of £15,194 (2010: £12,597) to group undertakings during the year. Total loans from the group undertakings amounted to £6,570,154 (2010: £6,586,318) on which £270,552 (2010: £274,258) interest was charged. There were no management recharges during the year (2010: nil).