Five Valleys Property Company Limited

Company number 06264958

Report and financial statements
for the year ended
31 December 2016

Contents

Directors
John Lowe
Peter Frost

Secretary
Thomas Crane

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Registered Number
06264958

Auditors
Ernst & Young LLP
1 Bridgewater Place
Leeds
LS11 5QR

DIRECTORS' REPORT

The directors have pleasure in presenting their report and audited financial statements for the year ended 31 December 2016.

These financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union (EU) and the Companies Act 2006.

Five Valleys Property Company Limited (the 'Company') is a company limited by shares and domiciled in the United Kingdom. The Company is registered in England and Wales.

INFORMATION INCLUDED IN THE COMPANY'S STRATEGIC REPORT

The Company discloses the following information in its Strategic Report:

- Financial risk management and objectives;
- Exposure to risk; and
- An indication of the likely future developments in the business.

DIRECTORS

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

- John Lowe
- Peter Frost

THIRD PARTY INDEMINITIES

Qualifying third party indemnity provisions for the benefit of the directors were in force during the year under review and remain in force as at the date of approval of the financial statements.

RESULTS

The Company's profit after tax for the financial year amounted to £1,009,624 (2015: £478,877) which is shown in the Income Statement on page 9.

EMPLOYMENT

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

CORPORATE GOVERNANCE

The Board places the highest priority on effective corporate governance. All relevant activities are fully considered by the Coventry Building Society Group ('the Group') Board Audit Committee, which is comprised of independent non-executive directors. Further details on corporate governance are included within the Group Annual Report & Accounts.

GOING CONCERN

The Company's business activities are set out in the Strategic Report on page 5.

The Company has net liabilities and receives funding through an intercompany funding agreement with its parent undertaking and further participates in the Group's centralised treasury and banking arrangements.

DIRECTORS' REPORT (CONTINUED)

GOING CONCERN (CONTINUED)

The directors, having assessed the responses of the directors of the parent undertaking 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.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

The directors are responsible for preparing the Directors' Report, Strategic 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 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 and apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- state whether they have been prepared in accordance with IFRS as adopted by the EU; and
- 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 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 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.

DISCLOSURE OF INFORMATION TO AUDITOR

The directors who held office at the date of approval of this Directors' Report confirm that, as far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware, and each director has taken all the steps that they ought to have taken as directors to make themselves aware of any relevant information and to establish that the Company's auditor is aware of that information.

AUDITOR

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

On behalf of the Board

John Lowe
Director
20 April 2017

STRATEGIC REPORT

The directors present the Strategic Report for the Company for the year ended 31 December 2016.

PRINCIPAL ACTIVITY

The principal activity of the Company is that of investment in residential property for rental.

REVIEW OF THE COMPANY'S BUSINESS AND FUTURE DEVELOPMENTS

The Company's profit after tax for the financial year amounted to £1,009,624 (2015: £478,877) which is shown in the Income Statement on page 9. The increase in the profit for the financial year is driven by sales of the investment property portfolio, which commenced in 2015.

Over the year, 18 properties at a net book value of £2,388,370 were sold for £3,442,276 (net of costs) from the Company's portfolio. Since the year end one property with a net book value of £77,350 has been sold for £139,149 (net of costs).

The directors expect that the remaining property will be sold over the next 12 months.

STRATEGIC GOALS

Strategic goals are set at the Group level. Further information on the Group's performance against these and also the strategic goals for the next five years can be found in the Business Review section of the Group Annual Report & Accounts.

PRINCIPAL RISKS AND UNCERTAINTIES AND FINANCIAL RISK MANAGEMENT

Risk management and control is undertaken at a Group level and includes all subsidiaries. Further information on the Group's risk management and control policies, risk governance structures and top and emerging risks is available in the Risk Management Report within the Group's Annual Report & Accounts.

As a result of its ordinary business activities, the Company is exposed to a variety of risks the most significant of which are:

- Credit risk;
- Market risk;
- Liquidity and funding risk; and
- Operational risk.

Each of these risks is considered below and additional information on these is also included in the Group Risk Management Report in the Annual Report & Accounts.

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. In relation to property sales, the Company's exposure to credit risk is managed by obtaining proof of funding and a mortgage offer from prospective buyers before completion.

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 Asset and Liability Committee (ALCO), through the management and monitoring of the asset and liability positions.

STRATEGIC REPORT (CONTINUED)

Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet its financial obligations as they fall due. The Company shares intercompany funding and banking arrangements with the Group, and is provided with liquid resources as and when required. The Group's liquidity planning function manages this risk on a group basis principally by the holding of cash and other easily realisable liquid assets.

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, Executive Risk Committee and the Board Risk Committee.

Key operational risks are considered more broadly in the context of potential linkages to legal and regulatory risk, IT systems risk, information security risk, financial crime risk and people 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.

CAPITAL MANAGEMENT

The Company considers capital to include called up share capital (see note 13).

The parent undertaking manages the Company's capital with its own on a consolidated basis. The Group's capital management objectives are to ensure that it complies with externally imposed capital requirements, its own assessment of the risk it faces and that it maintains strong credit ratings and robust capital ratios in order to support its business.

Capital adequacy and capital resources are monitored on the basis of the rules developed by the Basel Committee on Banking Supervision and subsequently implemented in the UK by the Prudential Regulation Authority (PRA).

The parent undertaking has complied in full with all of its capital requirements. For further detail on the Group's capital management policies, see the Business Review in the Group Annual Report & Accounts.

On behalf of the Board

John Lowe
Director
20 April 2017

INDEPENDENT AUDITOR'S REPORT

We have audited the financial statements of Five Valleys Property Company Limited for the year ended 31 December 2016 which comprise the Income Statement, Statement of 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 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.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 4, 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 the 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 financial statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on 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 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

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

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Matters on which we are required to report by exception

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have identified no material misstatements in the Strategic Report or Directors' Report.

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 the information and explanations we require for our audit.

Ernst & Young LLP

Steven Robb (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Leeds

20 April 2017

INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	2016 £	2015 £
Gross rental income	3	**20,745**	231,870
Property operating expense	3	**(22,795)**	(53,953)
Net rental and related income		**(2,050)**	177,917
Gain on disposal of assets classified as held for sale		**1,053,906**	550,692
Interest payable to parent undertaking	4	**(51,156)**	(196,085)
Depreciation	9	**(4,106)**	(58,092)
Profit before tax		**996,594**	474,432
Taxation	6	**13,030**	4,445
Profit for the financial year		**1,009,624**	478,877

The profit for the financial year arises from continuing operations.

The accounting policies and notes on pages 12 to 17 form part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016

There are no items which require disclosure in the Statement of Comprehensive Income in the current or previous year.

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016
Registration number: 06264958

	Notes	2016 £	2015 £
Assets			
Rent receivable	7	-	1,429
Current tax asset		**5,361**	1,830
Investment properties	9	-	1,124,238
Assets classified as held for sale	10	**159,700**	1,427,938
Deferred tax	8	**3,404**	641
Prepayments		-	110
Total assets		**168,465**	2,556,186
Liabilities			
Amounts due to parent undertaking	11	**505,906**	3,902,313
Accruals and deferred income	12	-	938
Total liabilities		**505,906**	3,903,251
Equity			
Share capital	13	**1**	1
Retained losses		**(337,442)**	(1,347,066)
Total liabilities and equity		**168,465**	2,556,186

The accounting policies and notes on pages 12 to 17 form part of these financial statements.

Approved by the Board of directors on 20 April 2017.

John Lowe
Director

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016

	2016 £	2015 £
Retained losses		
As at 1 January	**(1,347,066)**	(1,825,943)
Profit for the financial year	**1,009,624**	478,877
As at 31 December	**(337,442)**	(1,347,066)
Called up share capital	**1**	1
Total equity	**(337,441)**	(1,347,065)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2016

	2016 £	2015 £
Cash flows from operating activities		
Profit before tax	**996,594**	474,432
Adjustments for:		
Depreciation	**4,106**	58,092
Profit on sale of assets classified as held for sale	**(1,053,906)**	(550,692)
Non-cash items in profit before tax	**(1,049,800)**	(492,600)
Prepayments	**110**	1,943
Rent receivable	**1,429**	4,347
Changes in operating assets	**1,539**	6,290
Accruals and deferred income	**(938)**	(8,840)
Changes in operating liabilities	**(938)**	(8,840)
Cash flows from operating activities	**(52,605)**	(20,718)
Proceeds on sale of assets classified as held for sale	**3,442,276**	2,769,652
Cash flows from investing activities	**3,442,276**	2,769,652
Loan from parent undertaking	**(3,389,671)**	(2,748,934)
Cash flows from financing activities	**(3,389,671)**	(2,748,934)
Movement in cash	**-**	-
Cash and cash equivalents at start of year	**-**	-
Cash and cash equivalents at end of year	**-**	-

The accounting policies and notes on pages 12 to 17 form part of these financial statements.

NOTES TO THE ACCOUNTS

1 ACCOUNTING POLICIES

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

BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU); interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC); and with the Companies Act 2006.

The financial statements have been prepared on a historical cost basis. The Company has net liabilities and receives funding through an intercompany funding agreement with its parent undertaking. As stated in the Directors' Report, the directors consider that it is appropriate to continue to adopt the going concern basis in preparing the financial statements. A summary of the Company's accounting policies is set out below.

CHANGES IN ACCOUNTING POLICY

There have been no new standards and interpretations, which impact the Company, adopted with effect from 1 January 2016.

FUTURE ACCOUNTING DEVELOPMENTS

The following standards and interpretations, relevant to the Company, were not effective as at 31 December 2016 and have not been applied in preparing these financial statements. The anticipated impact of these standards and interpretations are listed below:

Pronouncement	Nature of change	Periods beginning on or after
IFRS 15 *Revenue from contracts with customers*	IFRS 15 replaces IAS 18 *Revenue* and provides a new model for revenue recognition. Financial instruments are outside the scope of IFRS 15. Given the nature of the Company's business there is little anticipated impact from this standard.	1 January 2018
IFRS 9 *Financial Instruments*	A final version of IFRS 9 was issued in July 2014 to replace IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 will lead to changes to the classification and measurement of financial assets and liabilities, in the recognition of impairment and in relation to hedge accounting. There is little anticipated impact for the Company from this standard.	1 January 2018
IFRS 16 *Leases*	IFRS 16 was issued in January 2016 and sets out the principles for the recognition, measurement, presentation and disclosure of leases for both lessees and lessors. There is little anticipated impact for the Company from this standard.	1 January 2019 (subject to EU endorsement)

NOTES TO THE ACCOUNTS (CONTINUED)

1 ACCOUNTING POLICIES (CONTINUED)

SEGMENTAL REPORTING

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

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 IFRS. 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 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, disclosed in note 9, is based on valuations by an independent valuer who holds *relevant experience and professional qualifications in residential properties.*

ASSETS CLASSIFIED AS HELD FOR SALE

Assets held for sale are investment properties which are being actively marketed for sale and the sale is expected to occur within one year from the date of classification. Assets are transferred from investment properties at cost less accumulated depreciation at the date of classification.

CASH AND CASH EQUIVALENTS

For the purposes of the Statement of Cash Flows, cash and cash equivalents includes any balances with less than three months maturity from the date of acquisition.

NOTES TO THE ACCOUNTS (CONTINUED)

1 ACCOUNTING POLICIES (CONTINUED)

AMOUNTS DUE TO PARENT UNDERTAKING

Amounts due to parent undertaking are measured on an amortised cost basis with interest payable measured on an effective interest rate basis.

2 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.

Investment properties

Investment properties represent a significant proportion of the Company's asset base, therefore the estimates and assumptions made to determine their carrying value and related depreciation are critical to the Company's financial position and performance. The charge in respect of periodic depreciation is derived after determining an estimate of the assets expected useful life. Increasing the expected life would result in a reduced depreciation charge in the Income Statement. The useful life of the Company's assets is determined by management at the time the asset is acquired and reviewed annually for appropriateness.

3 GROSS AND NET RENTAL INCOME

	2016 £	2015 £
Gross rental income	**20,745**	231,870
Management fee expense	**(1,595)**	(18,836)
Other property operating expenses	**(21,200)**	(35,117)
Property operating expense	**(22,795)**	(53,953)
Net rental and related income	**(2,050)**	177,917

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.

All investment properties generated a rental income and incurred operating expenses during the period.

4 INTEREST PAYABLE TO PARENT UNDERTAKING

Interest is payable on outstanding loans due to the parent undertaking. Interest is payable at a transfer price rate agreed between the Company and its parent undertaking.

5 ADMINISTRATIVE EXPENSES

Auditor's remuneration of £3,033 (2015: £2,958) and directors' emoluments of nil (2015: nil) were borne by the parent undertaking. The Company has no employees. All staff are employed by the parent undertaking Coventry Building Society.

NOTES TO THE ACCOUNTS (CONTINUED)

6 TAXATION

	2016 £	2015 £
Current tax:		
UK corporation tax at 20.0% (2015: 20.0%)	**(10,868)**	(3,778)
UK corporation tax – adjustment in respect of prior years	**601**	(461)
Total current tax	**(10,267)**	(4,239)
Deferred tax:		
Current year	**(2,180)**	165
Adjustment in respect of prior years	**(583)**	(371)
Total tax	**(13,030)**	(4,445)

The total tax charge for the period differs from the UK standard corporation tax rate of 20.0% (2015: 20.0%). The differences are explained below.

	2016 £	2015 £
Profit before tax (PBT)	**996,594**	474,432
Tax at UK standard rate of corporation tax on PBT of 20.0% (2015: 20.0%)	**199,319**	94,886
Adjustments in respect of prior years	**18**	(832)
Profit on disposal of investment properties	**(210,781)**	(110,138)
Deferred tax on impairments on investment properties not previously recognised	**(2,512)**	-
Effect of rate change	**105**	20
Expenses not deductible for tax purposes	**821**	11,619
Total tax	**(13,030)**	(4,445)

7 RENT RECEIVABLE

	2016 £	2015 £
Rent receivable	-	1,429

8 DEFERRED TAX

Deferred tax assets are attributable to the following item:

	2016 £	2015 £
Excess of capital allowances over depreciation	**986**	641
Impairments on investment properties	**2,418**	-
Total tax	**3,404**	641

The Finance (No. 2) Act 2015 introduced two reductions to the standard rate of corporation tax to 19% from 1 April 2017 and 18% from 1 April 2020. The Finance Act 2016 introduced a further 1% reduction to the standard rate of corporation tax to apply from 1 April 2020 to 17%. Accordingly the deferred tax balances at 31 December 2016 reflect these future reductions.

At 31 December 2016, the Company had realised capital losses of £401,709 (2015: £203,247) arising from the sales of the investment portfolio properties. It is anticipated that these losses will be utilised against capital gains that were realised in 2016 on the disposal of an investment in equity shares by Coventry Building Society. The surrender of the losses to Coventry Building Society will be for nil consideration.

Furthermore, the Company had other temporary differences of £12,558 (2015: £735,944) in relation to the impairments of investment properties still held at the balance sheet date. A deferred tax asset has been recognised in respect of the other temporary differences on the basis that it is anticipated that the temporary differences will be utilised against capital gains realised in 2017. See note 15, for additional information.

NOTES TO THE ACCOUNTS (CONTINUED)

9 INVESTMENT PROPERTIES

	2016 £	2015 £
Cost		
As at 1 January	**1,273,649**	5,216,600
Reclassified as held for sale	**(1,273,649)**	(3,942,951)
At 31 December	**-**	1,273,649
Accumulated Depreciation		
As at 1 January	**149,411**	387,372
Charge during the year	**4,106**	58,092
Depreciation on assets reclassified as held for sale	**(153,517)**	(296,053)
As at 31 December	**-**	149,411
Net book value as at 31 December	**-**	1,124,238

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 £nil (2015: £1,648,999). The fair value is categorised as Level 3 in the fair value hierarchy as defined by IFRS 13 *Fair Value Measurement*.

As at 31 December 2016, all investment properties were reclassified as held for sale, further information is included in note 10.

10 ASSETS CLASSIFIED AS HELD FOR SALE

	2016 £	2015 £
As at 1 January	**1,427,938**	-
Reclassified as held for sale	**1,120,132**	3,646,898
Disposals	**(2,388,370)**	(2,218,960)
At 31 December	**159,700**	1,427,938

Assets held for sale comprise investment properties which are reclassified at the point when they are actively marketed for sale. During the year, assets with carrying value of £2,388,370 were disposed of for proceeds of £3,442,276.

Assets held for sale at the year end comprises two properties. Since the reporting date, one property with a net book value of £77,350 has been disposed of for proceeds of £139,149.

11 AMOUNT DUE TO PARENT UNDERTAKING

	2016 £	2015 £
Amounts due to parent undertaking	**505,906**	3,902,313

Interest on outstanding loans accrues at a transfer price rate agreed between the Company and its parent undertaking. The amount due is repayable on demand and therefore, the fair value of the amount due to parent undertaking is equivalent to its carrying value. The fair value is categorised as Level 3 in the fair value hierarchy as defined by IFRS 13 *Fair Value Measurement*. Further details on the nature and extent of risks arising from this intercompany agreement are contained within the Strategic Report on pages 5 and 6.

NOTES TO THE ACCOUNTS (CONTINUED)

12 ACCRUALS AND DEFERRED INCOME

	2016 £	2015 £
Accruals	-	916
Deferred income	-	22
Total	-	938

13 SHARE CAPITAL

	2016 £	2015 £
Authorised		
99,000,000 ordinary shares of £1 each	**99,000,000**	99,000,000
Called up, allotted and fully paid		
1 ordinary share of £1 each	1	1

14 RELATED PARTY TRANSACTIONS

ULTIMATE CONTROLLING PARTY

Five Valleys Property Company Limited is a wholly owned subsidiary of, and is controlled by, Coventry Building Society, registered in England and Wales, which is also considered to be the ultimate parent undertaking. The results of Five Valleys Property Company Limited are shown in the consolidated statement of Coventry Building Society. Copies of the Group Annual Report & Accounts of Coventry Building Society, the parent undertaking, and the largest and smallest group into which the accounts of the Company are consolidated, are available from Economic House, PO Box 9, Coventry, CV1 5QN and on its website.

TRANSACTIONS WITH THE PARENT UNDERTAKING

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 £3,396,407 (2015: £2,753,029 repaid) from the parent undertaking during the year. Total loans from the parent undertaking amounted to £505,906 (2015: £3,902,313) on which £51,156 (2015: £196,085) interest was charged. There were no management recharges during the year (2015: nil).

15 SUBSEQUENT EVENTS

Since 31 December 2016, one property classified as held for sale was sold for proceeds of £139,149 (net of costs). The carrying value of this property at 31 December 2016 was £77,350.

The tax implications of the sale will be the crystallisation of a capital gain in the region of £47,500.

At the date of signing, a further 1 property with a net book value of £82,350 is expected to be sold for £90,000 within 12 months of the reporting date.