

Company Registration No: 07833212

INVESTMENT FREEHOLDS (PARKSIDE) LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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INVESTMENT FREEHOLDS (PARKSIDE) LIMITED

DIRECTORS AND OFFICERS

DIRECTORS

W K Procter
C C McGill

SECRETARY

P A Hallam

REGISTERED OFFICE

Molteno House
302 Regents Park Road
London
N3 2JX

AUDITOR

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

INVESTMENT FREEHOLDS (PARKSIDE) LIMITED

DIRECTORS' REPORT

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

Principal activities

The principal activity of the Company during the year was that of property investment.

Business review and future developments

Ownership of the company changed during the year under review (see note 14). The directors are satisfied with the financial position of the company at the year end.

As discussed in the accounting policies on page 10, the company is party to a group cross collateralised funding structure along with a number of other companies under common control.

Investment properties

The investment properties have been valued by the directors at 31 December 2017 £1,911,000 (2016: £1,727,000). The resultant fair value gain in the year amounted to £184,000 (period ending December 2016: £927,000). Details of the investment properties are set out in note 7.

Results and dividends

The profit for the year amounted to £165,237 (period ending December 2016: £780,142). The directors do not recommend the payment of a dividend.

Directors

The following directors have held office since 1 January 2017:

W K Procter
C C McGill

Insurance of Officers

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

INVESTMENT FREEHOLDS (PARKSIDE) LIMITED

DIRECTORS' REPORT (continued)

Statement of directors' responsibilities

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

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

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

- a. select suitable accounting policies and then apply them consistently;
- b. make judgements and accounting estimates that are reasonable and prudent;
- c. prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

Statement as to disclosure of information to auditor

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

Auditor

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

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

By order of the Board:



W K Procter

Director

28 June 2018

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INVESTMENT FREEHOLDS (PARKSIDE) LIMITED

Opinion

We have audited the financial statements of Investment Freeholds (Parkside) Limited (the 'company') for the year ended 31 December 2017 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter – Valuation of investment properties

In forming our opinion on the financial statements which is not modified, we have considered the adequacy of the disclosures made in the accounting policies on page 11 and in note 7 to the financial statements concerning the fair values of the company's investment properties, which are valued by the directors on the basis of a discounted cash flow valuation of the projected income streams generated by those assets. The investment properties are included in the financial statements at 31 December 2017 at a value of £1.9m (2016: £1.7m). As indicated in the notes, considerable volatility exists in these valuations as demonstrated by the increase in valuation of £184,000 in the current year (period ending 31 December 2016: increase in valuation of £927,000), and as detailed in note 7 where the impact of a small change in the underlying assumptions is detailed.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INVESTMENT FREEHOLDS (PARKSIDE) LIMITED (continued)

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and 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 take advantage of the small companies exemption from the requirement to prepare a strategic report or in preparing the directors' report.

Responsibilities of directors

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

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INVESTMENT FREEHOLDS
(PARKSIDE) LIMITED (continued)**

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



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

28 June 2018

INVESTMENT FREEHOLDS (PARKSIDE) LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	Year ending 31 December 2017 £	Period ending 31 December 2016 £
Turnover	2	29,282	20,925
Administrative expenses		(11,973)	(7,189)
Operating profit		<u>17,309</u>	<u>13,736</u>
Fair value gain on investment property	7	184,000	927,000
Interest payable and similar expenses	3	(6,411)	(7,309)
Profit before taxation	4	<u>194,898</u>	<u>933,427</u>
Taxation	6	(29,661)	(153,285)
Profit after taxation		<u>165,237</u>	<u>780,142</u>
Other comprehensive income		-	-
Total comprehensive income for the period		<u><u>165,237</u></u>	<u><u>780,142</u></u>

INVESTMENT FREEHOLDS (PARKSIDE) LIMITED**STATEMENT OF FINANCIAL POSITION (Company Registration Number: 07833212)****AT 31 DECEMBER 2017**

	Notes	2017 £	2016 £
Fixed assets			
Investment properties	7	1,911,000	1,727,000
Current assets			
Debtors	8	789	4,476
Creditors: amounts falling due within one year	9	(16,328)	(529,322)
Net current liabilities		(15,539)	(524,846)
Total assets less current liabilities		1,895,461	1,202,154
Creditors: amounts falling due in more than one year	10	(499,070)	-
Provisions for liabilities	11	(230,000)	(201,000)
Net assets		1,166,391	1,001,154
Capital and reserves			
Called up share capital	12	1	1
Profit and loss account		1,166,390	1,001,153
Total equity		1,166,391	1,001,154

The financial statements on pages 7 to 20 were approved by the board of directors and authorised for issue on *28 June* 2018, and are signed on its behalf by:



W K Procter
Director

INVESTMENT FREEHOLDS (PARKSIDE) LIMITED**STATEMENT OF CHANGES IN EQUITY****FOR THE YEAR ENDED 31 DECEMBER 2017**

	Share capital £	Profit and loss account £	Total £
Balance at 1 April 2016	1	221,011	221,012
Profit and total comprehensive income for the period	-	780,142	780,142
Balance at 31 December 2016	<u>1</u>	<u>1,001,153</u>	<u>1,001,154</u>
Profit and total comprehensive income for the year	-	165,237	165,237
Balance at 31 December 2017	<u>1</u>	<u>1,166,390</u>	<u>1,166,391</u>

INVESTMENT FREEHOLDS (PARKSIDE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

1. Accounting policies

Company information

Investment Freeholds (Parkside) Limited ("the Company") is a private company limited by shares, domiciled and incorporated in England. The address of the Company's registered office and principal place of business is Molteno House, 302 Regents Park Road, London, N3 2JX. The principal activity of the Company during the period was that of property investment.

1.1 Basis of accounting

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006, including the provisions of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, and under the historical cost convention as modified to include investment properties at fair value.

1.2 Company reduced disclosures

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

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

The financial statements of the Company are consolidated in the financial statements of Verdana Maya Limited. The consolidated financial statements of Verdana Maya Limited are available from Companies House, Crown Way, Cardiff, CF14 3UZ.

1.3 Going concern

In preparing the accounts on the going concern basis the directors have given consideration to the Group and the Company's result for the period and the Group and the Company's net asset position. The result for the period has predominantly arisen due to the accounting treatment of revaluation gains and deficits on investment properties, which go through the profit and loss account under FRS102, and accounting for interest payable, which is understood and budgeted under the long term financing arrangements described elsewhere in these financial statements.

The company is a wholly owned subsidiary of Verdana GR Limited who on 7 October 2015 entered into a new financing agreement, whereby £71.1m was borrowed from Rothesay Life Plc. On 12 December 2015, a further £133.7m was borrowed on the same terms as the original loan. The company's investment properties have been used to provide security as part of the cross collateralised facility group. All previous outstanding third part debts claims and prior guarantees the company had given have been settled.

As part of the refinancing arrangements ownership of the company was transferred from the company's previous parent undertaking to Verdana GR limited.

INVESTMENT FREEHOLDS (PARKSIDE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

1.3 Going concern (continued)

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 liabilities as they fall due for the foreseeable future.

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

1.4 Functional and presentational currencies

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

1.5 Turnover

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

Rental income is recognised in accordance with the terms of the lease. Inflationary uplifts to rental income are recognised when received. Non-inflationary uplifts are also recognised when received as the directors are of the opinion that to recognise the impact of those uplifts on a straight line basis over such long term leases (up to 999 years) would not give a true and fair view as the period between recognition and actual collection would be of sufficient length to cause uncertainty over the value to be collected.

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. Turnover is shown net of value added tax.

1.6 Investment properties

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

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

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

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

Further details are given in note 7.

INVESTMENT FREEHOLDS (PARKSIDE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

1.7 Taxation

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

Current tax is based on taxable profit for the period. 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 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.

1.8 Financial instruments

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

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

INVESTMENT FREEHOLDS (PARKSIDE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

1.8 Financial instruments (continued)

Financial assets

Trade debtors

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

Financial liabilities and equity

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

Creditors

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

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.

1.9 Critical accounting estimates and areas of judgement

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

Critical accounting estimates and assumptions

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

INVESTMENT FREEHOLDS (PARKSIDE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

1.10 Critical accounting estimates and areas of judgement (continued)

Valuation of investment properties

The key accounting estimate in preparing these financial statements relates to the carrying value of the investment property which is stated at fair value as valued by the directors. However, the valuation of the Company's investment property is inherently subjective, as it is made on the basis of valuation assumptions which may in future not prove to be accurate.

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

Details of the valuation of the investment property 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 1 April 2017.

These rules are complex and may have a material impact on the group's tax charge. The directors have assumed that a restriction arising from the corporate interest restriction calculation of £787 (period ending 31 December 2016: £nil) will be applied within Investment Freeholds (Parkside) Limited.

Whilst the directors believe their assumptions to be reasonable, the complex nature of the rules and their impact on the wider Euro Investments Overseas Incorporated group could mean the assumptions prove to be inaccurate.

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.

INVESTMENT FREEHOLDS (PARKSIDE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

2. Turnover

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

	Year ending 31 December 2017 £	Period ending 31 December 2016 £
Rent receivable	27,600	20,795
Other operating income	1,682	130
	<u>29,282</u>	<u>20,925</u>

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

3. Interest payable and similar expenses

	Year ending 31 December 2017 £	Period ending 31 December 2016 £
Bank charges	-	18
Bank loan interest	-	4,110
Interest on parent company loan	6,411	3,181
	<u>6,411</u>	<u>7,309</u>

4. Profit before taxation

	Year ending 31 December 2017 £	Period ending 31 December 2016 £
The profit before taxation is stated after charging:		
- Auditor's remuneration	8,100	4,500
	<u>8,100</u>	<u>4,500</u>

5. Employees and directors

There were no employees during the year other than the directors. The directors are remunerated by the related party Fairhold Services Limited and this is recharged to the company as part of the management charge from Estates & Management Limited. This management charge, which in 2017 amounted to £3,872 (period ending 31 December 2016: £2,209) 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.

INVESTMENT FREEHOLDS (PARKSIDE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

6. Taxation

	Year Ending 31 December 2017 £	Period Ending 31 December 2016 £
Current tax		
UK corporation tax	1,428	1,285
Total current tax	<u>1,428</u>	<u>1,285</u>
Deferred tax:		
Movement on potential chargeable gain liability	28,233	152,000
Total deferred tax	<u>28,233</u>	<u>152,000</u>
Total tax on profit	<u><u>29,661</u></u>	<u><u>153,285</u></u>

Factors affecting the tax charge for the year:

The tax assessed for the year is lower than the effective rate of corporation tax in the UK 19.24% (2016: 20%). The differences are explained below:

	Year Ending 31 December 2017 £	Period Ending 31 December 2016 £
Profit before tax	194,898	933,427
Profit multiplied by the effective rate of Corporation tax in the UK of 19.24% (2016: 20%).	<u>37,506</u>	<u>186,685</u>
Effects of:		
Movement on potential chargeable gain liability	(2,780)	(33,400)
Effect of change in tax rate	(4,129)	-
Group relief received without charge	(821)	-
Tax losses utilised	(115)	-
Tax charge	<u><u>29,661</u></u>	<u><u>153,285</u></u>

The company has estimated non-trading losses and restricted corporate interest totalling £787 (period ending 31 December 2016: £nil), available to carry forward against future profits. No deferred tax asset has been recognised in respect of these losses due to uncertainty of recovery.

INVESTMENT FREEHOLDS (PARKSIDE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

7. Investment properties

	2017 £	2016 £
Fair Value		
As at 1 January 2017/ 1 April 2016	1,727,000	800,000
Fair value gain	184,000	927,000
As at 31 December	1,911,000	1,727,000

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

At 31 December 2017, the directors have valued the investment properties at £1,911,000 (2016: £1,727,000).

The basis of the valuation of the investment properties was to project and discount the income streams generated by the portfolio over 50 years. The principal assumptions used in these valuations were:

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

The assumption with the most significant impact on the valuation is the discount rate used. A 100 basis point increase or decrease in this rate reduces or increases the valuation by 24% and 35% respectively.

INVESTMENT FREEHOLDS (PARKSIDE) LIMITED**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2017****7. Investment properties (continued)**

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

	2017	2016
	£	£
Cost	528,840	528,840

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

	2017	2016
	£	£
Trade debtors	676	4,476
Prepayments and accrued income	113	-
	<u>789</u>	<u>4,476</u>

9. Creditors: amounts falling due within one year

	2017	2016
	£	£
Amounts owed to parent undertaking	-	517,537
Corporation tax	1,428	1,285
Accruals and deferred income	14,900	10,500
	<u>16,328</u>	<u>529,322</u>

INVESTMENT FREEHOLDS (PARKSIDE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

10. Creditors: amounts falling due in more than one year

	2017	2016
	£	£
Amounts owed to parent undertaking	499,070	-
	<u> </u>	<u> </u>

The parent company loan is due for repayment in 2085. Interest is charged at 6 month Libor +2.4%.

11. Provision for liabilities

	Deferred taxation £
1 January 2017	201,000
Additional provision in the period	29,000
31 December 2017	<u>230,000</u>

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

	2017	2016
	£	£
Deferred tax on assets measured at fair value	230,000	201,000
	<u> </u>	<u> </u>

12. Share capital and reserves

Share capital

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

Ordinary share rights

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

Reserves

Reserves of the Company represent the following:

Retained earnings

Cumulative profit and loss net of distributions to owners

INVESTMENT FREEHOLDS (PARKSIDE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

13. Guarantees

When the Company was purchased on 12 December 2017 by its immediate parent company, Verdana GR Limited, the company gave an unlimited guarantee in respect of some of the indebtedness of its holding company Verdana GR Limited. The guarantee is supported by a debenture and a charge over the Group's property holdings including the company's investment properties. At 31 December 2017 the total amount outstanding including accrued interest payable subject to that guarantee was £214.8m (2016: £Nil). This includes interest payable outstanding at 31 December 2017 totalling £9.9m (2016: £Nil).

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

The Company's immediate parent company is Verdana GR Limited which is the smallest group for which group accounts containing this Company are prepared. Verdana GR Limited is domiciled and incorporated in the UK. The ultimate UK parent Company is Verdana Maya 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 Tchenguiz Family Trust.

Prior to the acquisition of the company by Verdana GR Limited on 12 December 2017, the company was owned by Lightyear Estates Limited.

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 £3,872 (period ended 31 December 2016: £2,209) were charged to the company in the year by a company related by virtue of common control and common directors.