

**Chesterfield (The Pavements)
Subsidiary Limited**

Filleted financial statements

Year ended 30 September 2021

Registered number: 04726436



Chesterfield (The Pavements) Subsidiary Limited

Filleted financial statements

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Chesterfield (The Pavements) Subsidiary Limited

Balance sheet as at 30 September 2021

	Note	2021 £	2020 £
Fixed assets			
Investment property	2	-	13,200,000
Current assets			
Debtors	3	160,420	328,299
Cash at bank and in hand	4	4,286,081	120,617
		4,446,501	448,916
Creditors: amounts falling due within one year	5	(4,197,756)	(5,176,698)
Net current assets/(liabilities)		248,745	(4,727,782)
Total assets less current liabilities		248,745	8,472,218
Net assets		248,745	8,472,218
Capital and reserves			
Called up share capital	6	103	103
Profit and loss account		248,642	8,472,115
Shareholders' funds		248,745	8,472,218

The accounts have been prepared and delivered in accordance with the provisions applicable to companies subject to the small companies' regime.

The profit and loss account, directors' report and auditor's report have not been delivered to the Registrar of Companies in accordance with the special provisions applicable to companies subject to the small companies' regime.

The financial statements were approved by the board of directors on 25 May 2022 and were signed on its behalf by:


Shane McCrory
Director

Company number: 04726436

Chesterfield (The Pavements) Subsidiary Limited

Notes

forming part of the filleted financial statements

1 Accounting policies

Chesterfield (The Pavements) Subsidiary Limited ("the company") is a company limited by shares and incorporated, domiciled and registered in United Kingdom. The registration number is 04726436 and the address of its registered office is 4th Floor, 25/26 Khiara House, Poland Street, London, England, W1F 8QN.

These financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* ("FRS 102"). The presentation currency of these financial statements is sterling.

Pursuant to Section 383 of the Companies Act 2006, the group qualifies as small and therefore is exempt from the requirement to prepare consolidated financial statements.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements. Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 13.

Cash flow exemption

The company availed of the exemption contained in Section 7.1B of FRS 102 and has elected not to prepare a cash flow statement.

Measurement convention

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: investment property measured at fair value.

Going concern

The Company made a profit of £8,063,751 (2020: £3,755,717) during the year and had net assets of £248,745 at 30 September 2021 (2020: £8,472,115). The financial statements have been prepared on a going concern basis which assumes that the company has adequate resources to continue in their activities for the foreseeable future due to the continued support from the Company's lenders.

The company is a joint and several guarantor to other connected companies' on demand debt obligations (see note 7).

These events constitute a material uncertainty that may cast doubt on the company's ability to continue as a going concern and therefore the company may be unable to realise its assets and discharge its liabilities in the normal course of business. The financial statements are prepared on the going concern basis and do not include any adjustments that would be necessary if this basis were inappropriate.

Chesterfield (The Pavements) Subsidiary Limited

Notes (continued)

1 Accounting policies (continued)

Classification of financial instruments issued by the company

In accordance with FRS 102.22, financial instruments issued by the company are treated as equity only to the extent that they meet the following two conditions:

- (a) they include no contractual obligations upon the company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company; and
- (b) where the instrument will or may be settled in the entity's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the entity's own equity instruments or is a derivative that will be settled by the entity exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the entity's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Investment property

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Investment properties are recognised initially at cost.

Subsequent to initial recognition:

- (i) investment properties whose fair value can be measured reliably without undue cost or effort are held at fair value. Any gains or losses arising from changes in the fair value are recognised in profit or loss in the period that they arise; and
- (ii) no depreciation is provided in respect of investment properties applying the fair value model.

The accounting policy adopted is therefore necessary for the financial statements to give a true and fair view. If depreciation were to be provided it would be provided at a rate of 2% per annum on the revalued amount. If a reliable measure is not available without undue cost or effort for an item of investment property, this item is thereafter accounted for as tangible fixed assets in accordance with Section 17 of FRS 102 until a reliable measure of fair value becomes available.

As at 30 September 2020, £13,200,000 of investment property fair value was assessed by the directors and was based on a valuation exercise undertaken by an external independent valuer in December 2020, having an appropriate recognised professional qualification and recent experience in the location and class of property being valued.

The valuations which were supported by previous market evidence were prepared by considering the aggregate of the net annual rents receivable from the properties and where relevant, associated costs. A yield which reflected the specific risks interest in the net cash flows was then applied to the net annual rentals to arrive at the property valuation. The yield applied was 7.25%.

Chesterfield (The Pavements) Subsidiary Limited

Notes (continued)

1 Accounting policies (continued)

Basic financial instruments

Trade and other debtors/creditors

Trade and other debtors are recognised initially at transactions price plus attributable transaction costs. Trade and other creditors are recognised initially at transactions price less attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

Impairment excluding investment properties and deferred tax assets

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the entity would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Turnover

Turnover, which excludes VAT, represents service charge income and rental income. Rental income is recognised on a straight-line basis over the term of the respective leases. Service charge income is recognised on a straight-line basis over the period to which the billing relates.

Chesterfield (The Pavements) Subsidiary Limited

Notes *(continued)*

1 Accounting policies *(continued)*

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; and differences relating to investments in subsidiaries to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is provided in respect of the additional tax that will be paid or avoided on differences between the amount at which an asset (other than goodwill) or liability is recognised in a business combination and the corresponding amount that can be deducted or assessed for tax. Goodwill is adjusted by the amount of such deferred tax.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. For non-depreciable assets that are measured using the revaluation model, or investment property that is measured at fair value, deferred tax is provided at the rates and allowances applicable to the sale of the asset/property, except when the investment property has a limited useful life and the objective of the company's business model is to consume substantially all of the value through use. In the latter case the tax rate that is expected to apply to the reversal of the related difference is used. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Chesterfield (The Pavements) Subsidiary Limited

Notes (continued)

2 Investment property	2021 £	2020 £
Valuations at beginning of year	13,200,000	17,590,000
Impairment in year	-	(4,390,000)
Disposals	(13,200,000)	-
	<hr/>	<hr/>
Valuations at end of year	-	13,200,000
	<hr/>	<hr/>

During the year, the company sold its investment property in Chesterfield, United Kingdom.

The fair value of investment properties as at 30 September 2020 reflected the results of a valuation exercise carried out in December 2020 by an external, independent valuer, having an appropriate recognised professional qualification and recent experience in the location and class of property being valued. The valuation was undertaken in accordance with the Royal Institute of Chartered Surveyors.

The valuations which were supported by previous market evidence, were prepared by considering the aggregate of the net annual rents receivable from the properties and where relevant, associated costs. A yield which reflected the specific risks inherent in the net cash flows was then applied to the net annual rentals to arrive at the property valuation. The yield applied was 7.25%.

The historical cost and aggregate depreciation based on historical cost calculated at a rate of 2% per annum are given below:

	2021 £	2020 £
Historical cost	-	23,000,000
Aggregate depreciation thereon	-	(7,820,000)
	<hr/>	<hr/>
Historical cost net book value	-	15,180,000
	<hr/>	<hr/>

3 Debtors: amounts falling due within one year	2021 £	2020 £
Amounts owed by connected parties	50,061	21,414
Amounts owed by group undertakings	-	194,592
Prepayments and accrued income	18,359	47,296
Corporation tax	92,000	64,997
	<hr/>	<hr/>
	160,420	328,299
	<hr/>	<hr/>

Amounts owed by connected parties and group undertakings are on demand with no interest.

Amounts owed to the company from Belfast Office Properties Limited of £46,093 (2020: £Nil) have been fully provided for.

Chesterfield (The Pavements) Subsidiary Limited

Notes (continued)

4	Cash and cash equivalents	2021	2020
		£	£
	Cash at bank and in hand	4,286,081	120,617
		<hr/>	<hr/>
5	Creditors: amounts falling due within one year	2021	2020
		£	£
	Trade creditors	10,478	9,415
	Other creditors including tax and social welfare	4,153,578	37,271
	Accruals	8,500	125,626
	Amounts owed to group companies	-	4,963,786
	Amounts owed to connected companies	25,200	40,600
		<hr/>	<hr/>
		4,197,756	5,176,698
		<hr/>	<hr/>
	Tax and social welfare included in other creditors: VAT	4,153,578	37,271
		<hr/>	<hr/>
		4,153,578	37,271
		<hr/>	<hr/>

Amounts owed to group and connected companies are unsecured, on demand with no interest.

6	Called up share capital	2021	2020
		£	£
	Authorised		
	1,000 ordinary shares of £1 each	1,000	1,000
		<hr/>	<hr/>
	Allotted, called up and partly paid		
	100 "A" ordinary shares of £1 each	100	100
	3 "B" ordinary shares of £1 each	3	3
		<hr/>	<hr/>
		103	103
		<hr/>	<hr/>

The rights of "A" and "B" shares are set out in the Memorandum and Articles of Association.

Chesterfield (The Pavements) Subsidiary Limited

Notes (continued)

7 Contingencies

The company together with Abey Developments Limited, Dellway Investments Limited, Chesterfield (The Pavements) Limited, Formcrest Construction Limited, Pavements (UK) No.1 Limited, Quail (Chesterfield) Limited ("the group"), provided an intercompany cross guarantee to Bank of Ireland in respect of all facilities provided by Bank of Ireland to the group, which were £886k at 30 September 2021 (2020: £19.75m).

The liabilities due to Bank of Ireland are supported by a debenture on all the assets and undertakings of all companies within the group.

The company has also provided an intercompany cross guarantee to Bank of Ireland in respect of all facilities provided by the bank to the Belfast Office Properties Limited group, which were £108m at 30 September 2021 (2020: £109.75m).

8 Related party transactions

Formcrest Construction Limited

During the year, the company repaid net funds of £4,963,786 (2020: £357,777) to its ultimate parent company, Formcrest Construction Limited. At the year end, the company owed Formcrest Construction Limited £Nil (2020: £4,963,786).

Chesterfield (The Pavements) Limited

During the year, the company paid dividends of £16,287,224 to Chesterfield (The Pavements) Limited. At year end, Chesterfield (The Pavements) Limited owed the company £Nil (2020: £194,592). Chesterfield (The Pavements) Limited is the parent company of Chesterfield (The Pavements) Subsidiary Limited.

Garvagh Property Management Ltd

During the year, the company was charged management fees from Garvagh Property Management Ltd totalling £150,000 (2020: £40,600). At the year end, the company owed Garvagh Property Management Ltd £25,200 (2020: £40,600).

Abey Developments Limited

During the year, the company advanced amounts totalling £Nil (2020: £2,000) to Abey Developments Limited. At year end, Abey Developments Limited owed the company £21,414. (2020: £21,414).

Belfast Office Properties Limited

During the year, the company advanced amounts totalling £46,093 (2020: £Nil) to Belfast Office Properties Limited. At year end, Belfast Office Properties Limited owed the company £46,093 (2020: £Nil) and this amount has been fully provided for.

Forge Limited Partnership

During the year, the company advanced amounts totalling £28,647 (2020: £Nil) to Forge Limited Partnership. At year end, Forge Limited Partnership owed the company £28,647. (2020: £Nil).

Chesterfield (The Pavements) Subsidiary Limited

Notes (continued)

9 Ultimate parent undertaking/controlling party

Chesterfield (The Pavements) Limited is the immediate parent undertaking. The ultimate parent company is Formcrest Construction Limited, a company registered in Northern Ireland. The registered office address is 8A Garvagh Road, Donaghmore, Dungannon, Tyrone, BT70 3LS. Formcrest Construction Limited is controlled by Mr Padraig Drayne and Mr Patrick McKillen.

10 Accounting estimates and judgements

In the application of the accounting policies, which are described in note 1, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Key source of estimation uncertainty

Valuation of investment property

Determining whether investment property is valued at market value requires estimates based on rental income (based on current and projected rent and occupancy levels) and yield (based on the nature and locations of each property).

11 Operating leases

The investment properties are let under operating leases. The future minimum lease payments receivable under non-cancellable leases are as follows:

	2021 £'000	2020 £'000
Less than one year	-	698
Between one and five years	-	2,583
More than five years	-	-
	<hr/>	<hr/>

12 Post balance sheet events

There have been no significant events since the balance sheet which would require disclosure in or amendment of these financial statements.

13 Approval of financial statements

The financial statements were approved by the board of directors on 25 May 2022.

Chesterfield (The Pavements) Subsidiary Limited

Notes *(continued)*

14 Audit report

On 27 May 2022, KPMG reported, as statutory auditors of Chesterfield (The Pavements) Subsidiary Limited, to the members of the company on the financial statements for the year ended 30 September 2021 and the report was unqualified and contains an other matter in respect of a material uncertainty related to going concern.

We draw attention to note 1 in the financial statements which indicates that the company is a joint and several guarantor to other connected parties' debt obligations. These events and conditions, along with the other matters explained in note 1, constitute a material uncertainty that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

The audit report was signed by Séamus Abraham (Senior Statutory Auditor) for and on behalf of KPMG, Chartered Accountants, Statutory Audit Firm.