

Company Registration No. 00678356 (England and Wales)

THE PAVOT PROPERTY INVESTMENT COMPANY LIMITED

UNAUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017

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THE PAVOT PROPERTY INVESTMENT COMPANY LIMITED

COMPANY INFORMATION

Directors	Mr T Hauser Mr M Kobsa
Secretary	Ms E Renaud
Company number	00678356
Registered office	66 Prescott Street London E1 8NN
Accountants	Carter Backer Winter LLP 66 Prescott Street London E1 8NN
Business address	Hauser & Hauser Talacker 35 Zurich Switzerland CH-8001

THE PAVOT PROPERTY INVESTMENT COMPANY LIMITED

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THE PAVOT PROPERTY INVESTMENT COMPANY LIMITED

BALANCE SHEET

AS AT 31 MARCH 2017

	Notes	2017 £	£	2016 £	£
Fixed assets					
Tangible assets	3		2,246		2,808
Investment properties	4		39,806,000		39,542,380
			<u>39,808,246</u>		<u>39,545,188</u>
Current assets					
Debtors	5	71,288		918,569	
Cash at bank and in hand		1,076,563		466,638	
		<u>1,147,851</u>		<u>1,385,207</u>	
Creditors: amounts falling due within one year	6	(4,060,818)		(3,534,242)	
Net current liabilities			<u>(2,912,967)</u>		<u>(2,149,035)</u>
Total assets less current liabilities			36,895,279		37,396,153
Creditors: amounts falling due after more than one year	7		(3,173,544)		(4,929,000)
Provisions for liabilities			<u>(4,451,400)</u>		<u>(4,487,675)</u>
Net assets			<u>29,270,335</u>		<u>27,979,478</u>
Capital and reserves					
Called up share capital	8		100		100
Equity reserve			850,456		-
Profit and loss reserves	9		28,419,779		27,979,378
Total equity			<u>29,270,335</u>		<u>27,979,478</u>

The directors of the company have elected not to include a copy of the profit and loss account within the financial statements.

For the financial year ended 31 March 2017 the company was entitled to exemption from audit under section 477 of the Companies Act 2006 relating to small companies.

The directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of financial statements.

The members have not required the company to obtain an audit of its financial statements for the year in question in accordance with section 476.

These financial statements have been prepared and delivered in accordance with the provisions applicable to companies subject to the small companies' regime.

THE PAVOT PROPERTY INVESTMENT COMPANY LIMITED

BALANCE SHEET (CONTINUED)

AS AT 31 MARCH 2017

The financial statements were approved by the board of directors and authorised for issue on 11 December 2017 and are signed on its behalf by:

Mr T Hauser
Director

Company Registration No. 00678356

THE PAVOT PROPERTY INVESTMENT COMPANY LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2017

	Share capital	Equity reserves	Profit and loss reserves	Total
Notes	£	£	£	£
Balance at 1 July 2015	100	-	5,792,167	5,792,267
Effect of transition to FRS 102	-	-	19,916,411	19,916,411
As restated	100	-	25,708,578	25,708,678
Period ended 31 March 2016:				
Profit and total comprehensive income for the period	-	-	2,296,725	2,296,725
Dividends	-	-	(25,925)	(25,925)
Balance at 31 March 2016	100	-	27,979,378	27,979,478
Period ended 31 March 2017:				
Profit and total comprehensive income for the period	-	-	381,526	381,526
Dividends	-	-	(64,503)	(64,503)
Transfers	-	-	123,378	123,378
Other movements	-	850,456	-	850,456
Balance at 31 March 2017	100	850,456	28,419,779	29,270,335

THE PAVOT PROPERTY INVESTMENT COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017

1 Accounting policies

Company information

The Pavot Property Investment Company Limited is a private company limited by shares incorporated in England and Wales. The registered office is 66 Prescott Street, London, E1 8NN.

1.1 Accounting convention

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 as applicable to companies subject to the small companies regime. The disclosure requirements of section 1A of FRS 102 have been applied other than where additional disclosure is required to show a true and fair view.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of freehold properties and to include investment properties and certain financial instruments at fair value. The principal accounting policies adopted are set out below.

These financial statements for the year ended 31 March 2017 are the first financial statements of The Pavot Property Investment Company Limited prepared in accordance with FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland. The date of transition to FRS 102 was 1 July 2015. An explanation of how transition to FRS 102 has affected the reported financial position and financial performance is given in note 12.

1.2 Going concern

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

1.3 Turnover

Turnover represents amounts receivable for rents and service charges, excluding value added tax. Rental income is recognised on a straight-line basis over the lease term.

1.4 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Fixtures, fittings & equipment	20% reducing balance
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The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

1.5 Investment properties

Investment property, which is property held to earn rentals and/or for capital appreciation, is initially recognised at cost, which includes the purchase cost and any directly attributable expenditure. Subsequently it is measured at fair value at the reporting end date. The surplus or deficit on revaluation is recognised in the profit and loss account.

THE PAVOT PROPERTY INVESTMENT COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2017

1 Accounting policies

(Continued)

1.6 Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.7 Cash at bank and in hand

Cash at bank and in hand are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

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 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

THE PAVOT PROPERTY INVESTMENT COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2017

1 Accounting policies

(Continued)

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, 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.

Classification of financial liabilities

Financial liabilities and equity instruments are classified 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.

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Derecognition of financial liabilities

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

1.9 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs.

Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1.10 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

THE PAVOT PROPERTY INVESTMENT COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2017

1 Accounting policies

(Continued)

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.11 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

2 Employees

The average monthly number of persons (including directors) employed by the company during the year was 2 (2016 - 2).

THE PAVOT PROPERTY INVESTMENT COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2017

3 Tangible fixed assets

	Fixtures, fittings & equipment £
Cost	
At 1 April 2016 and 31 March 2017	59,012
Depreciation and impairment	
At 1 April 2016	56,204
Depreciation charged in the year	562
At 31 March 2017	56,766
Carrying amount	
At 31 March 2017	2,246
At 31 March 2016	2,808

4 Investment property

	2017 £
Fair value	
At 1 April 2016	39,542,380
Additions	477,001
Revaluations	(213,381)
At 31 March 2017	39,806,000

The fair value of the investment property has been arrived at on the basis of a valuation carried out at 12 December 2016 by Savills (UK) Limited Chartered Surveyors, who are not connected with the company. The valuation was made on an open market value basis by reference to market evidence of transaction prices for similar properties. The directors considered that the fair value had not materially changed from the date of the valuation to the year end date.

5 Debtors

	2017 £	2016 £
Amounts falling due within one year:		
Trade debtors	38,241	916,885
Other debtors	2,779	364
Prepayments and accrued income	30,268	1,320
	71,288	918,569

THE PAVOT PROPERTY INVESTMENT COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2017

6 Creditors: amounts falling due within one year

	2017 £	2016 £
Bank loans and overdrafts	3,116,755	3,000,000
Trade creditors	467,046	256,107
Corporation tax	173,602	41,849
Other creditors	303,415	236,286
	<u>4,060,818</u>	<u>3,534,242</u>

A loan of £3,000,000 was advanced by the Royal Bank of Canada (Channel Islands) Limited in November 2011. Interest is payable quarterly and charged at a fixed rate of 3.45%. Although the loan was repayable by November 2016, it was fully repaid on 5 April 2017.

This bank loan was secured by a first legal mortgage dated 11 November 2011 over certain of the company's properties and was satisfied in full on 7 April 2017.

7 Creditors: amounts falling due after more than one year

	2017 £	2016 £
Other creditors	<u>3,173,544</u>	<u>4,929,000</u>

The long term loan was secured by a mortgage debenture dated 13 December 2004 over certain of the company's properties and was satisfied in full on 7 April 2017.

8 Called up share capital

	2017 £	2016 £
Ordinary share capital		
Issued and fully paid		
1,800 A Ordinary shares of 5p each	90	90
200 B Ordinary shares of 5p each	10	10
	<u>100</u>	<u>100</u>

Ordinary A shareholders are entitled to dividends based on the remaining profits of the company after settling the entitlement of the ordinary B shareholders. In the event of a winding-up of the company, Ordinary A shareholders would be entitled to the remaining distributable assets after settling the entitlement of B shareholders.

Ordinary B shareholders are entitled to dividends based on the gross rental income from two specific properties. In the event of a winding-up of the company, Ordinary B shareholders are entitled to the proceeds of the sale of these two properties. Ordinary B shareholders are not entitled to receive notice of or attend or vote at any general meeting of the company.

THE PAVOT PROPERTY INVESTMENT COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2017

9 Profit and loss reserves

Included within Profit and loss reserves is an amount of £21,733,309 (2016: £21,910,415) relating to unrealised revaluation gains on investment properties. The amount is not available for distribution until the investment properties are disposed of after which it becomes realised.

10 Related party transactions

At the reporting date, the company has a loan from Salerno Properties Limited, the company's parent company, with a fair value of £3,173,544. This is included in creditors: amount falling due after more than one year. The equity value of this loan of £850,456 was included in the equity reserve. As at 31 March 2017 the aggregate value of the loan is £4,024,000 (2016: £4,403,000). This loan is interest free and repayable on or after 31 December 2024 and is secured by fixed charges on certain of the company's investment properties. The fair value and equity has been derived using a market level of interest, being 3.45% per annum.

A second unsecured loan from Salerno Properties Limited of £526,000 was repaid in the current year. All the loans are interest free.

During the year, Mr T Hauser, who is a director of the Company, was also a partner in a firm of lawyers, Hauser and Hauser. Pavot Property Investment Company Limited made payments to Hauser and Hauser during the year in the amount of £5,083 (2016: £3,525) for legal services.

11 Parent company

The company is controlled by Salerno Properties Limited, a company registered in the British Virgin Islands, by virtue of the fact it owns all the ordinary A shares in issue.

The ultimate controlling party of Salerno Properties Limited is the Pavot Trust whose trustee are the RBC Trustees(CI) Limited.

THE PAVOT PROPERTY INVESTMENT COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2017

12 Reconciliations on adoption of FRS 102

Reconciliation of equity

	Notes	1 July 2015 £	31 March 2016 £
Equity as reported under previous UK GAAP		5,792,267	6,069,063
Adjustments arising from transition to FRS 102:			
Fair value gain on investment property	1	23,995,676	26,398,090
Deferred tax charge on fair value gain	1	(4,079,265)	(4,487,675)
Equity reported under FRS 102		<u>25,708,678</u>	<u>27,979,478</u>

Reconciliation of profit for the financial period

	Notes	2016 £
Profit as reported under previous UK GAAP		302,721
Adjustments arising from transition to FRS 102:		
Fair value gain on investment property	1	2,402,414
Deferred tax charge on fair value gain	1	(408,410)
Profit reported under FRS 102		<u>2,296,725</u>

Notes to reconciliations on adoption of FRS 102

1. Investment Properties

On the adoption of FRS 102, gains or losses on the revaluation of investment properties, and any related deferred tax charge, are recognised in the profit and loss account and considered as being unrealised until the investment properties are disposed of.

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