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Halsey Garton
Property Ltd

Report and financial statements

Year ended 31 March 2018

Company registration number: 09089937

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Contents

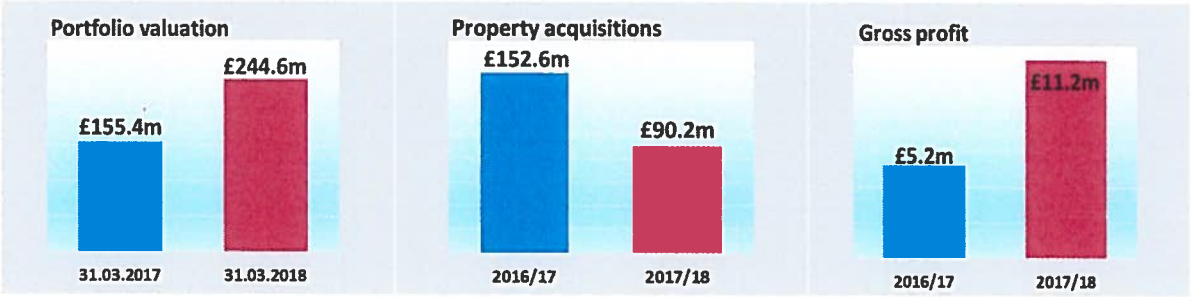
Strategic report

for the year ended 31 March 2018

The directors present their Strategic report with the consolidated and individual financial statements for the year ended 31 March 2018.

Group highlights

- Property portfolio of £244.6m (31 March 2017: £155.4m)
- Property acquisitions totalling £90.2m in 2017/18 (2016/17: £152.6m)
- Gross profit of £11.2m for 2017/18 (2016/17: £5.2m)
- Profit before tax and fair value adjustments of £2.1m for 2017/18 (2016/17: £1.1m)
- Dividend proposed of £1.6m for the year to 31 March 2018 (2016/17: £0.75m)



Business Model

Our strategy is to build a diversified property portfolio, let to reliable tenants in good locations, to deliver income returns over the long term to our shareholder (Surrey County Council) for the benefit of Surrey residents.

Debt finance is secured solely from Surrey County Council and during the financial year 2017/18 Halsey Garton paid £9.0m in interest payments to the council (2016/17: £3.9m).

Financial summary

Over the last three years Halsey Garton has worked at pace to build a property portfolio now valued at £244.6m. The group made a £1.2m profit before tax this year and a gross profit of £11.2m, up 114% from last year. The increase in gross profit was achieved because of the significant acquisitions made during 2017/18 and due to the full year impact of rental income from acquisitions made in the previous financial year. Based on the performance of the group in 2017/18 directors are recommending a dividend of £1.6m, which is up 113% from 2016/17.

The change in values of our investment properties is a key component of the group's profit before tax. This year there was a much smaller net deficit on revaluation of investment properties recorded of £0.9m, in comparison to £7.9m from the prior year. Further information on the annual property valuation is provided below.

As at 31st March 2018 £14.0m rental income was due to the group over the financial year 2018/19, under non-cancellable leases, and this is expected to grow with the portfolio.

The total capital of the group consists of shareholders' equity and net debt. Over the year our debt increased by £60.2m in line with the increase in the size of the portfolio. Our loan

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to value (LTV) ratio decreased from 76% to 73%, principally as a result of increases in the underlying values of our properties in addition to a lower LTV ratio for the Malvern purchase made during 2017/18.

Principal business risks

Property investment is subject to inherent market risks which can be mitigated to some degree by the creation of a balanced portfolio of investments. However the risk of tenant failure is increasing and will continue to do so if the general economic conditions in the UK over the longer term are negatively impacted by Brexit or other factors. Investments are evaluated carefully with due regard to risk and exposure to potential tenant voids and are managed to avoid, wherever possible, over-reliance upon single tenants or types of tenants in terms of their impact as a percentage of the total portfolio.

Tenant voids are currently 4.4% measured in terms of an estimate of market rent receivable as a percentage of the total open market rental value of the portfolio.

Financial risk management

Management reviews the group's exposure to price risk, credit risk, liquidity risk and cash flow risk. Our overall financial risk management strategy seeks to minimise the potential adverse effects of these on our financial performance. Available funds are closely monitored throughout the year. Each new investment is financed by a combination of equity and debt provided by the council, on a fixed rate of interest. There is also a short term loan facility available although to date that has not been required. Any cash investments are made via Surrey County Council in accordance with its Treasury management strategy, which prescribes investment limits according to the credit rating of the counterparty.

The overall credit risk of trade receivables is considered to be low – a credit report is obtained from an independent rating agency for each tenant prior to acquisition or upon agreement of a new lease. Tenants currently in administration represent just 0.6% of the current rent roll and tenants in known financial difficulties a further 2.1%.

Property review

As at 31 March 2018:

- 14 properties, comprising 1,217,000 square feet of space
- 45 commercial tenants providing a contractual annual rent roll of £14.0m
- Weighted average unexpired lease term (WAULT) of 9.7 years to lease breaks/expiry
- Future income stream from tenants under lease agreements of £164.4m.

Property valuation

The fair value of the group's investment property is measured annually at each reporting date with the changes in value reported in the consolidated profit and loss account as an unrealised gain or loss. The revaluation exercise completed as at 31 March 2018 has resulted in an **overall increase in underlying values of £3.5m** compared to the value of the assets last year or upon purchase for the two assets acquired this year. This increase is primarily the result of improving industrial asset values.

An unrealised loss is an accounting adjustment that does not impact upon Halsey Garton's ability to provide a dividend since it is something that has not happened nor will happen unless the group decides to sell the asset. Halsey Garton is free to determine when to sell an asset

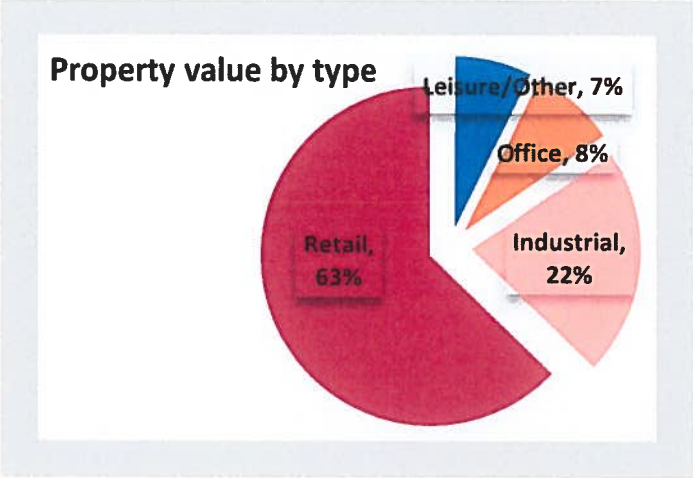
and therefore it is unlikely that there will be a realised loss since assets will generally only be sold when it is beneficial to do so. Similarly an unrealised gain cannot be used to provide a bigger dividend than that permissible from the underlying profits generated by the group.

As we are required to ensure that the balance sheet value is as per the valuation, this also requires the write-down of any transaction costs associated with the purchase. Transaction costs include stamp duty of 5% and other fees and hence it is unlikely that increases in value will offset the costs of purchase in the early years. This means that, as expected, a write-off of purchase transaction costs incurred during the year resulting in a net deficit upon revaluation of £0.9m reported in the group's accounts for the year (2016/17: £7.9m).

All valuations are carried out externally, in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors, known as a 'red book' valuation.

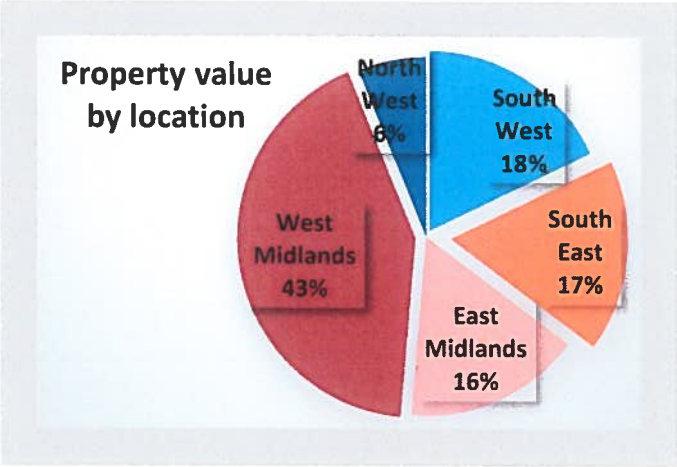
Portfolio overview

The Halsey Garton group property portfolio sits within the investment portfolio of SCC as a whole, which seeks to build a diversified portfolio of assets in order to manage risks and secure long term income returns for the council. This year we have significantly grown our property portfolio through two acquisitions totalling £90.2m. As at 31 March 2018 our portfolio consisted of 14 properties across England, as detailed below.



The Halsey Garton group portfolio is currently heavily weighted towards the retail sector, and for SCC as a whole the portfolio is under weighted in the industrial sector. Planned acquisitions will redress this balance.

Properties are geographically spread across England – new acquisitions will seek to maintain such a spread across the SCC investment portfolio as a whole.



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Portfolio detail

Property	Type	Description	Acquisition Date	Asset Value £000
Hampton Park West, Melksham	Industrial	Manufacturing and warehouse facility	Nov-15	11,300
Hawkley Drive, Bristol	Industrial	Manufacturing and warehouse facility	Apr-16	12,600
Washford Mills, Redditch	Retail	Retail warehouse units	May-16	8,200
Manton Wood, Worksop	Industrial	Distribution warehouse	May-16	9,000
Aztec West, Bristol	Office	Single tenanted office	Jun-16	19,840
Wiggs House, Salford	Industrial	Distribution warehouse	Jul-16	8,500
Willowbrook, Loughborough	Retail	Retail units (out of town location)	Nov-16	18,850
Birmingham Road (Travelodge), Stratford Upon Avon	Leisure / Retail	Hotel and retail units	Nov-16	9,200
Friar Street (Vue Cinema), Worcester	Leisure / Retail	Cinema and retail / restaurant units	Nov-16	11,800
Oakgrove Retail Park, Milton Keynes	Retail	Retail units (out of town location)	Dec-16	27,350
Stratham Street, Macclesfield	Retail	Retail warehouse unit	Dec-16	6,635
High Street, Winchester	Retail	High Street department store	Mar-17	15,000
Malvern Shopping Park	Retail	Retail units (out of town location)	Sep-17	74,650
Blenheim Park, Nottingham	Industrial	Distribution warehouse	Mar-18	11,700
Total Asset Value				244,625

Key performance indicators (KPIs)

Objective	KPI	Performance 2017/18	Performance 2016/17
Maximise income returns from our property portfolio	Underlying revenue profit (before tax and fair value adjustments)	Profit of £2.1m achieved, outperforming target by £0.5m	Profit of £1.1m achieved, outperforming target by £0.3m
	Tenant voids percentage (based on open market rental value)	Tenant voids at 4.4% as at 31 March 2018, outperforming target by 2.7%	Tenant voids at 0.0% as at 31 March 2017, outperforming target by 6.9%
Secure long term income stream	WAULT to lease breaks/expiries	9.7 years, outperforming target by 1.1 years	11.2 years, outperforming target by 2.1 years

Business conduct

The Halsey Garton group operates in accordance with its shareholder's values and policies, including its responsible investment policy. This policy ensures that the decision making process for all new investments involves consideration of a range of environmental, social and governance factors. The group seeks to establish strong business relationships with its advisors and suppliers and to pay them within agreed payment terms.

Halsey Garton reviews its health and safety obligations in relation to its property portfolio on a regular basis. As part of an agreed approach with our managing agents, we have undertaken a detailed health and safety risk assessment of all our properties with a view to identifying any remedial actions required. Following the Grenfell Tower fire tragedy we took the opportunity to further remind both Tenants and the Halsey Garton team of the health and safety responsibilities of all parties. We await the outcome of the Grenfell Tower public inquiry and any recommendations from the Department for Communities and Local Government which might impact upon our property portfolio.

This report was approved by the Board on 20.07.18 and signed on its behalf by:

Edward Hawkins, Director John Stebbings, Director Susan Smyth, Director

Halsey Garton Property Ltd
Registered and domiciled in England and Wales
Registration number: 09089937
Registered office: County Hall, Penrhyn Road, Kingston Upon Thames, Surrey, KT1 2DN

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Directors' report

for the year ended 31 March 2018

The directors present their report with the consolidated and individual financial statements for the year ended 31 March 2018.

Principal activities

The principal activities of the group in the period under review were investment and property rental.

Directors

The directors shown below have held office during the whole of the year from 1 April 2017 to 31 March 2018:

S Smyth
J Stebbings

The following director was appointed on 5 February 2018:

E Hawkins

Directors' indemnities

The council has agreed to indemnify each Director against any liability incurred in relation to acts or omissions arising in the course of their ordinary duties, assuming that they acted reasonably and in good faith.

Political and charitable donations

None.

Business structure

Halsey Garton group comprises Halsey Garton Property Ltd and three property subsidiary companies as set out in the diagram below. Halsey Garton Residential Ltd and Halsey Garton Property Developments Ltd are not yet active or trading.

Additional disclosures

The following directors' report disclosures have been made elsewhere in this report and financial statements:

- Recommended dividend (Strategic report page 3)
- Financial risk management policies and objectives (Strategic report page 4)
- Information on exposure to price risk, credit risk, liquidity risk and cashflow risk (Strategic report page 4)
- Future developments in the business of the company (Strategic report pages 3-7)
- Post balance sheet events (financial statements page 24 and page 35).

Consolidated financial statements

The consolidated financial statements and supporting notes on pages 14 to 24 include the results for all Halsey Garton group companies as listed above.

Company financial statements

The company financial statements and supporting notes on pages 25 to 35 include the results for Halsey Garton Property Ltd only.

Statement of directors' responsibilities

The directors are responsible for preparing the Strategic report, 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), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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 group and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group 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.

Provision of information to auditor

The directors confirm that:

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- so far as that each director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the directors 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 the company's auditor is aware of that information.

Auditor

The auditor, Grant Thornton UK LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the Board on 20.07.18 and signed on its behalf by:

Edward Hawkins, Director John Stebbings, Director Susan Smyth, Director

Halsey Garton Property Ltd
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Independent auditor's report to the members of Halsey Garton Property Limited

Opinion

We have audited the financial statements of Halsey Garton Property Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 March 2018 which comprise the consolidated profit and loss account, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated statement of cashflows, the company profit and loss account, the company balance sheet, the company statement of changes in equity, the company statement of cashflows 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 Financial Reporting Standard 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 group's and of the parent company's affairs as at 31 March 2018 and of the group's and parent company's profit/loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- 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 group and the parent 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.

Who we are reporting to

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.

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 group's or the parent 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.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. 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 strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matter on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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.

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement set out on page 8, 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 group's and the parent 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 group or the parent company or to cease operations, or have no realistic alternative but to do so.

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: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Richard Hagley

Richard Hagley BSc FCA
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London

20 July 2018

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Consolidated profit and loss account

for year ended 31 March 2018

	Note	**2018** £	2017 £
Turnover	7	12,073,701	5,536,149
Cost of sales		(885,955)	(308,913)
Gross profit		**11,187,746**	**5,227,236**
Administrative expenses		(285,795)	(216,185)
Net deficit on revaluation of investment properties	14	(921,588)	(7,872,041)
Operating profit/(loss)		**9,980,363**	**(2,860,990)**
Interest receivable and similar income	10	186,022	963
Interest payable and similar charges	11	(8,979,121)	(3,940,780)
Profit/(loss) on ordinary activities before taxation		**1,187,264**	**(6,800,807)**
Tax on profit on ordinary activities	12	(401,198)	(295,531)
Profit/(loss) for the financial year		**786,066**	**(7,096,338)**

Consolidated balance sheet

as at 31 March 2018

	Note	2018 £	2017 £
Fixed assets			
Investment property	14	244,625,000	155,375,000
Total fixed assets		**244,625,000**	**155,375,000**
Current assets			
Debtors due after one year	15	1,309,896	682,723
Debtors due within one year	15	461,291	181,137
Investments		0	0
Cash at bank and in hand		3,240,527	1,689,574
Total current assets		**5,011,714**	**2,553,434**
Creditors: amounts falling due within one year	16	(8,645,328)	(2,564,114)
Net current (liabilities)/assets		**(3,633,614)**	**(10,680)**
Total assets less current liabilities		**240,991,386**	**155,364,320**
Creditors: amounts falling due after one year	17	(178,955,432)	(118,708,432)
Net assets		**62,035,954**	**36,655,888**
Capital and Reserves			
Share capital	19	69,426,000	44,082,000
Fair value reserve	20	(9,152,248)	(8,230,660)
Profit and loss account		1,762,202	804,548
Total equity attributable to owners of the parent company		**62,035,954**	**36,655,888**

Approved by the Board on 20.07.18 and signed on its behalf by:

Edward Hawkins, Director John Stebbings, Director Susan Smyth, Director

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Consolidated statement of changes in equity

for the year ended 31 March 2018

	Note	Share capital	Profit and loss account	Fair value reserve	Total
		£	£	£	£
Balance at 31 March 2016		**2,543,000**	**(53,929)**	**(275,845)**	**2,213,226**
(Loss) for the year and total comprehensive income		0	(7,096,338)	0	(7,096,338)
Transfer to fair value reserve	20	0	7,954,815	(7,954,815)	0
Issue of shares		41,539,000	0	0	41,539,000
Balance at 31 March 2017		**44,082,000**	**804,548**	**(8,230,660)**	**36,655,888**
Profit for the year and total comprehensive income		0	786,066	0	786,066
Transfer to fair value reserve	20	0	921,588	(921,588)	0
Issue of shares		25,344,000	0	0	25,344,000
Dividends paid	13	0	(750,000)	0	(750,000)
Balance at 31 March 2018		**69,426,000**	**1,762,202**	**(9,152,248)**	**62,035,954**

Consolidated statement of cashflows

for the year ended 31 March 2018

	Note	**2018 £**	2017 £
Net cash inflow from operating activities	9	**11,333,394**	**6,574,597**
Taxation paid		(146,624)	0
Net cash generated from operating activities		**11,186,770**	**6,574,597**
Investing activities:			
Interest received		9	1,036
Investment property acquisitions		(85,497,705)	(152,577,264)
Movement in short term investments		0	650,000
Net cash (outflow) from investing activities		**(85,497,696)**	**(151,926,228)**
Financing activities:			
Interest paid		(8,979,121)	(3,940,778)
Dividends paid		(750,000)	0
Issue of ordinary share capital		25,344,000	41,539,000
New long term loans		60,247,000	108,843,000
Net cash inflow from financing activities		**75,861,879**	**146,441,222**
Net increase in cash and cash equivalents		**1,550,953**	**1,089,591**
Cash and cash equivalents at beginning of the year		1,689,574	599,983
Cash and cash equivalents at the end of the year		**3,240,527**	**1,689,574**

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Notes to the consolidated financial statements

for the year ended 31 March 2018

1. Company information

Halsey Garton group comprises Halsey Garton Property Ltd and three property subsidiary companies as set out on page eight of this report. All four companies are private companies, limited by shares, and domiciled in England and Wales. The registered offices are County Hall, Penrhyn Road, Kingston Upon Thames, Surrey, KT1 2DN.

2. Basis of preparation

These financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard (FRS) 102 and with the Companies Act 2006. There were no material departures from this standard.

The dormant subsidiaries Halsey Garton Residential Ltd and Halsey Garton Property Developments Ltd are exempt from the requirement to prepare and file accounts under sections 394(A) and 448(A) of the Companies Act 2006.

The financial statements have been prepared on a historical cost basis except for the modification to a fair value basis for investment properties as specified below.

The Financial statements are presented in sterling (£).

3. Going concern

After reviewing the group's forecast and projections, the directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. As at 31st March 2018 there was an overall net current liability of £3.6m recorded in the accounts, however £4.7m relates to a capital creditor for the final stage of the Nottingham acquisition which was financed by £4.6m loan and equity received in April 2018 plus available cash. A further £2.5m is deferred income mainly relating to rent received for the period 1st April to 23rd June 2018. The group therefore continues to adopt the going concern basis in preparing its consolidated financial statements.

4. Accounting policies

4.1 Basis of consolidation

The consolidated financial statements present the results of Halsey Garton Property Ltd and its subsidiaries ("the group") as if they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

4.2 Turnover

The turnover shown in the profit and loss account represents rents and income from other property services earned during the period, exclusive of VAT.

4.3 Recognition of income and expenditure

Revenue (income) from rents and other property related services, is recognised when the property or service is provided, rather than when payments are received.

Expenses in relation to services received are recorded as expenditure when the services are received rather than when payments are made.

Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the balance sheet.

4.4 Investment properties

Investment property is initially measured at cost, including transaction costs. Investment property is carried at fair value determined annually by external valuers and derived from the current market rents and investment property yields for comparable real estate, adjusted if necessary for any difference in the nature, location or condition of the specific asset. No depreciation is provided. Changes in fair value are recognised in profit or loss and transferred to the fair value reserve.

4.5 Loans between group companies

Loans from Surrey County Council are measured at amortised cost.

4.6 Leased assets – lessor

Rent received under operating leases is credited to profit and loss on a straight line basis over the term of the lease. Incentives for the agreement of a new or renewed operating lease are recognised as a reduction in the rental income over the lease term, irrespective of the incentive's nature or form, or the timing of any payments.

4.7 Current Taxation

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to calculate the amount are those enacted by the balance sheet date.

4.8 Deferred Taxation

The tax expense recorded in the profit and loss account represents the sum of tax currently payable and deferred tax. Deferred tax is the tax expected to be payable or recoverable based on timing differences between the company's net profits recorded in the financial statements and taxable profits for tax computation purposes.

5. Judgements in applying accounting policies and key sources of uncertainty

In preparing these financial statements, the directors have made the following judgements:

- Determined if leases entered into by the company are operating leases or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee.
- Investment properties are professionally valued annually using a yield methodology. This uses market rental values capitalised at a market capitalisation rate but there is an inevitable degree of judgement involved in that each property is unique and value can ultimately only be reliably tested in the market itself.
- That there are unlikely to be sufficient capital gains in the foreseeable future to enable the utilisation of a potential deferred tax asset on property revaluations. This judgement has been made in light of prevailing property market conditions, the continued expansion of the property portfolio and our experience that significant capital

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transaction costs on purchase are not offset by increases in underlying property values in the early years after purchase.

6. Average number of persons employed

During the year the group did not employ any persons directly.

7. Turnover

Turnover, analysed by category was as follows:

	2018	2017
	£	£
Rents received from investment properties	**11,495,893**	5,335,423
Landlord services – service charges	**351,092**	92,606
Landlord services – property insurance	**226,716**	108,120
Total	**12,073,701**	5,536,149

8. Profit on ordinary activities before taxation

The profit on ordinary activities before taxation is stated after:

	2018	2017
	£	£
Audit fees	**12,450**	12,793
Tax compliance services	**7,115**	6,850

9. Reconciliation of operating profit

Reconciliation of operating loss to cash utilised in operations.

	2018	2017
	£	£
Profit/(loss) on ordinary activities before taxation	**1,187,264**	(6,800,807)
Interest payable	**8,979,121**	3,940,780
Interest receivable	**(186,022)**	(963)
Unrealised loss on revaluation of investments	**921,588**	7,872,041
Net decrease in working capital	**1,058,616**	2,119,447
Net (increase) in lease incentives	**(627,173)**	(555,901)
Net cash inflow from operating activities	**11,333,394**	6,574,597

10. Interest receivable and similar income

During 2017/18 £186,013 interest was receivable on advanced payments made to the developer of Blenheim Park, Nottingham as part of a development funding agreement.

	2018	2017
	£	£
Interest on advanced payments	**186,013**	0
Bank interest	**9**	963
Total	**186,022**	963

11. Interest payable and similar charges

Interest is payable on intragroup loans between Surrey County Council and Halsey Garton Property Ltd.

	2018	2017
	£	£
Interest on loan	**8,978,871**	3,940,578
Bank charges	**250**	202
Total	**8,979,121**	3,940,780

12. Taxation

The tax charge on the profit on ordinary activities for this period was as follows:

	2018	2017
	£	£
UK Corporation tax	**295,552**	138,602
Deferred tax	**105,646**	156,929
Tax on profit on ordinary activities	**401,198**	295,531

Factors affecting the tax charge/(credit):	**2018**	2017
	£	£
Profit/(loss) on ordinary activities before taxation	**1,187,264**	(6,800,807)
Rate of tax for period	**19%**	20%
Profit/(loss) on ordinary activities before taxation multiplied by the rate of tax for period	**225,580**	(1,360,162)
Expenses not deductible for tax purposes	**197,047**	1,600,586
Chargeable gains/(losses)	**(458,873)**	(1,655,683)
Adjustments in respect of prior periods	**(48,700)**	76,166
Adjust closing deferred tax to average rate	**192,950**	235,617
Adjust opening deferred tax to average rate	**(152,898)**	0
Deferred tax not recognised	**446,092**	1,399,007
Tax on profit on ordinary activities	**401,198**	295,531

Expenses not deductible for tax purposes comprise the net deficit from changes in the fair value of investments plus revenue expenses relating to the acquisition of properties.

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Factors that may affect future tax charges: Halsey Garton Property Ltd has tax adjusted non-trade losses of £41,622 (2017: £41,622) available for carry forward against future non-trading profits.

13. Dividends

	2018	2017
	£	£
Paid during the year	**750,000**	0
Declared post year end	**1,600,000**	750,000

14. Fixed assets – investment properties

The group's investment properties are valued annually on 31 March at fair value, determined by an independent, professionally qualified valuer, GVA. The valuations are undertaken in accordance with the Royal Institution of Chartered Surveyors' Appraisal and Valuation Manual. Details on the assumptions made and the key sources of estimation uncertainty are given in note 5.

The net deficit on revaluation of investment property arising of £921,588 as at 31 March 2018 has been debited to the profit and loss for the year and transferred to the fair value reserve. The net deficit comprises an increase in the underlying values of properties of £3,456,542 offset by the writing down of property purchase transaction costs of £4,378,130.

	2018	2017
	£	£
Fair value at 1 April 2017	**155,375,000**	10,691,121
Additions	**90,171,588**	152,555,920
Disposals	**0**	0
Fair value adjustments	**(921,588)**	(7,872,041)
Fair value at 31 March 2018	**244,625,000**	155,375,000

15. Debtors

	2018	2017
	£	£
Debtors due after more than one year		
Accrued income – unamortised lease incentive	**1,309,896**	682,723
Sub-Total	**1,309,896**	682,723
Debtors due within one year		
Amounts owed by parent entity	**0**	0
Deferred tax asset	**0**	0
Trade debtors	**274,368**	180,362
VAT	**0**	0
Other debtors	**186,923**	775
Sub-Total	**461,291**	181,137
Total	**1,771,187**	863,860

All amounts shown fall due for payment within one year except for the unamortised lease incentive which is due in accordance with the terms of the lease.

16. Creditors: amounts falling due within one year

	2018	2017
	£	£
Amounts owed to parent entity	**31,734**	26,780
Corporation tax	**296,118**	147,190
Deferred tax provision	**177,820**	72,174
Deferred Income	**2,526,027**	1,743,066
Trade Creditors	**59,866**	29,002
VAT	**726,089**	420,450
Other creditors	**4,827,674**	125,452
Total	**8,645,328**	2,564,114

Other creditors falling due within one year includes £4,679,758 related to Blenheim Park, Nottingham which completed on 29 March 2018.

17. Creditors: amounts falling due after more than one year

	2018	2017
	£	£
Amounts owed to parent entity	**178,955,432**	118,708,432
Total	**178,955,432**	118,708,432

Intragroup loans totalling £178,955,432 have been provided by Surrey County Council to Halsey Garton Property Ltd. These are maturity loans at interest rates ranging from 5.5% to 6.6% and all are due to be repaid in full, ten years from the original loan draw down. The carrying amount as at 31 March 2018 is included at amortised cost.

18. Deferred tax provision

	2018	2017
	£	£
Opening balance at 1 April 2017	**72,174**	(84,755)
Accelerated capital allowances	**70,125**	79,250
Deferred tax asset for unrelieved tax losses	**0**	(7,076)
Adjustments in respect of prior periods	**35,521**	84,755
Deferred tax asset for loss on revaluation	**0**	0
Closing balance at 31 March 2018	**177,820**	72,174

There is a potential deferred tax asset on property revaluations of £1,817,901 which has not been recognised in the accounts due to uncertainty about the availability of sufficient capital profits in the foreseeable future to utilise the losses against. This is because the group is continuing to grow its property portfolio, thereby incurring significant transaction costs and its strategy is to hold properties for long term income returns and not capital gains. It is also unlikely that any property will be sold until such time as it is beneficial to do so.

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19. Called up share capital

Authorised, allotted and fully paid:

	2018	2017
	£	£
1 founders' shares of £1,000 each	**1,000**	1,000
69,425 ordinary shares of £1,000 each	**69,425,000**	44,081,000
Total	**69,426,000**	44,082,000

20. Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of investment property assets until they are sold or an asset is impaired. A potential deferred tax asset on revaluations of £1,817,901 has not been recognised in 2018 – see also note 18 above. The reserve is used to distinguish unrealised profits/(losses) from realised profits/(losses) which are held in the profit and loss account.

	Fair value reserve	
	2018	2017
	£	£
Reserve at 1 April 2017	**(8,230,660)**	(275,845)
Fair value adjustments (Note 14)	**(921,588)**	(7,872,041)
Deferred tax asset for loss on revaluation	**0**	(82,774)
Reserve at 31 March 2018	**(9,152,248)**	(8,230,660)

21. Leases

The minimum lease payments due to Halsey Garton group under non-cancellable leases in future years are:

	2018	2017
	£	£
Not later than one year	**13,989,047**	8,890,971
Later than one year but not later than five years	**53,785,888**	37,046,787
Later than five years	**96,653,928**	75,447,120
Total	**164,428,863**	121,384,878

All leases entered into by the group are considered to be operating leases.

22. Related party disclosures

Halsey Garton group is 100% owned by Surrey County Council (SCC), the ultimate controlling party. SCC draws up consolidated financial statements for the group and its principal place of business is County Hall, Penrhyn Road, Kingston Upon Thames, Surrey, KT1 2DN. The only related party transactions were intra-group transactions between Halsey Garton and SCC and these have not been disclosed in line with section 33.1A of FRS 102.

23. Post balance sheet events

No material non-adjusting post balance sheet events have occurred.

Company profit and loss account

for year ended 31 March 2018

	Note	**2018** £	2017 £
Turnover		0	0
Cost of sales		0	0
Gross profit		**0**	**0**
Administrative expenses		(52,143)	(39,740)
Other operating income		0	0
Net deficit on revaluation of investments	13	(921,588)	(7,872,041)
Operating (loss)		**(973,731)**	**(7,911,781)**
Investment income	12	850,000	0
Interest receivable and similar income	9	8,969,365	3,931,072
Interest payable and similar charges	10	(8,979,008)	(3,940,671)
(Loss) on ordinary activities before taxation		**(133,374)**	**(7,921,380)**
Tax on loss on ordinary activities	11	0	(72,644)
(Loss) for the financial year		**(133,374)**	**(7,994,024)**

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Company balance sheet

as at 31 March 2018

Company number: 09089937

	Note	**2018** £	2017 £
Fixed assets			
Investments	13	60,273,754	35,851,342
Total fixed assets		**60,273,754**	**35,851,342**
Current assets			
Debtors due after more than one year	14	178,797,000	118,550,000
Debtors due within one year	14	9,007	8,573
Cash at bank and in hand		113,622	76,802
Total current assets		**178,919,629**	**118,635,375**
Creditors: amounts falling due within one year	15	(9,870)	(10,830)
Net current assets		**178,909,759**	**118,624,545**
Total assets less current liabilities		**239,183,513**	**154,475,887**
Creditors: amounts falling due after one year	16	(178,955,432)	(118,708,432)
Net assets		**60,228,081**	**35,767,455**
Capital and Reserves			
Share capital	18	69,426,000	44,082,000
Fair value reserve	19	(9,152,248)	(8,230,660)
Profit and loss account		(45,671)	(83,885)
Total equity attributable to owners of the parent company		**60,228,081**	**35,767,455**

Approved by the Board on 20.07.18 and signed on its behalf by:

Edward Hawkins, Director John Stebbings, Director Susan Smyth, Director

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Company statement of changes in equity

for the year ended 31 March 2018

	Note	Share capital	Profit and loss account	Fair value reserve	Total equity
		£	£	£	£
Balance at 31 March 2016		**2,543,000**	**(44,676)**	**(275,845)**	**2,222,479**
(Loss) for the year and total comprehensive income		0	(7,994,024)	0	(7,994,024)
Transfer to fair value reserve	19	0	7,954,815	(7,954,815)	0
Issue of shares		41,539,000	0	0	41,539,000
Balance at 31 March 2017		**44,082,000**	**(83,885)**	**(8,230,660)**	**35,767,455**
(Loss) for the year and total comprehensive income		0	(133,374)	0	(133,374)
Transfer to fair value reserve	19	0	921,588	(921,588)	0
Issue of shares		25,344,000	0	0	25,344,000
Dividends paid	12	0	(750,000)	0	(750,000)
Balance at 31 March 2018		**69,426,000**	**(45,671)**	**(9,152,248)**	**60,228,081**

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Company statement of cashflows

for the year ended 31 March 2018

	Note	**2018** £	2017 £
Net cash (outflow) from operating activities	8	**(53,537)**	**(37,043)**
Investing activities:			
Interest received		8,969,365	3,931,072
Dividends received		850,000	0
Purchase of investments		(25,344,000)	(41,539,000)
Issue of new long term loans		(60,247,000)	(108,843,000)
Net cash (outflow) from investing activities		**(75,771,635)**	**(146,450,928)**
Financing activities:			
Interest paid		(8,979,008)	(3,940,671)
Dividends paid		(750,000)	0
Issue of ordinary share capital		25,344,000	41,539,000
New long term loans		60,247,000	108,843,000
Net cash inflow from financing activities		**75,861,992**	**146,441,329**
Net (decrease)/increase in cash and cash equivalents		**36,820**	**(46,642)**
Cash and cash equivalents at beginning of the year		76,802	123,444
Cash and cash equivalents at the end of the year		**113,622**	**76,802**

Notes to the company financial statements

for the year ended 31 March 2018

1. Company information

Halsey Garton Property Ltd is a private company, limited by shares, domiciled in England and Wales, registration number 09089937. The registered office is County Hall, Penrhyn Road, Kingston Upon Thames, Surrey, KT1 2DN.

2. Basis of preparation

These financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard (FRS) 102 and with the Companies Act 2006. There were no material departures from this standard.

The financial statements have been prepared on a historical cost basis except for the modification to a fair value basis for investments as specified below.

The Financial statements are presented in sterling (£).

3. Going concern

After reviewing the company's forecast and projections, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The company therefore continues to adopt the going concern basis in preparing its financial statements.

4. Accounting policies

4.1 Recognition of income and expenditure

Expenses in relation to services received are recorded as expenditure when the services are received rather than when payments are made.

Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the balance sheet.

4.2 Investments in subsidiaries

Investments in shares of subsidiaries are initially measured at cost, including applicable transaction costs. Investments are carried at fair value where they can be measured reliably, otherwise they are included at cost less impairment. Changes in fair value are recognised in profit or loss and transferred to the fair value reserve.

4.3 Loans between group companies

Loans between group companies are measured at amortised cost.

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4.4 Current Taxation

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to calculate the amount are those enacted by the balance sheet date.

4.5 Deferred Taxation

The tax expense recorded in the profit and loss account represents the sum of tax currently payable and deferred tax. Deferred tax is the tax expected to be payable or recoverable based on timing differences between the company's net profits recorded in the financial statements and taxable profits for tax computation purposes.

5. Judgements in applying accounting policies and key sources of uncertainty

In preparing these financial statements, the directors have made the following judgements:

- In determining the value of investments, the company applies the overriding concept that fair value is the amount for which an asset can be exchanged between knowledgeable willing parties in an arm's length transaction. The nature, facts and circumstance of the investment drives the valuation methodology.
- Investments in subsidiaries (Halsey Garton Property Investments Ltd) are carried at fair value and this has been determined with reference to the underlying investment property asset held by the subsidiary. Investment property held by Halsey Garton Property Investments Ltd is professionally valued every year using a yield methodology. This uses market rental values capitalised at a market capitalisation rate but there is an inevitable degree of judgement involved in that each property is unique and value can ultimately only be reliably tested in the market itself.
- That there are unlikely to be sufficient capital gains in the foreseeable future to enable the utilisation of a potential deferred tax asset on investment revaluations. This judgement has been made in light of prevailing property market conditions, the continued expansion of the property portfolio and our experience that significant capital transaction costs on purchase are not offset by increases in underlying property values in the early years after purchase.

6. Average number of persons employed

During the year Halsey Garton Property Ltd did not employ any persons directly.

7. Profit on ordinary activities before taxation

The profit on ordinary activities before taxation is stated after:

	2018	2017
	£	£
Audit fees	**3,735**	3,860
Tax compliance services	**2,065**	2,000

8. Reconciliation of operating loss

Reconciliation of operating loss to cash utilised in operations.

	2018	2017
	£	£
(Loss) on ordinary activities before taxation	**(133,374)**	(7,921,380)
Interest payable	**8,979,008**	3,940,671
Interest receivable	**(8,969,365)**	(3,931,072)
Dividends received	**(850,000)**	0
Unrealised loss on revaluation of investments	**921,588**	7,872,041
Net (increase)/decrease in working capital	**(1,394)**	2,697
Net cash (outflow) from operating activities	**(53,537)**	(37,043)

9. Interest receivable and similar income

Interest is receivable on long term intragroup loans between Halsey Garton Property Ltd and Halsey Garton Property Investments Limited.

	2018	2017
	£	£
Interest on loans	**8,969,365**	3,931,072
Total	**8,969,365**	3,931,072

10. Interest payable and similar charges

Interest is payable on long term intragroup loans between Surrey County Council and Halsey Garton Property Limited.

	2018	2017
	£	£
Interest on loans	**8,978,871**	3,940,578
Bank charges	**137**	93
Total	**8,979,008**	3,940,671

11. Taxation

The tax charge/(credit) on the loss on ordinary activities for this period was as follows:

	2018	2017
	£	£
UK Corporation tax	**0**	(3,054)
Deferred tax	**0**	75,698
Tax on loss on ordinary activities	**0**	72,644

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Factors affecting the tax charge/(credit):	**2018**	2017
	£	£
(Loss) on ordinary activities before taxation	**(133,374)**	(7,921,380)
Rate of tax for period	**19%**	20%
(Loss) on ordinary activities before taxation multiplied by the rate of tax for period	**(25,341)**	(1,584,276)
Expenses not deductible for tax purposes	**175,103**	1,574,407
Exempt ABGH distributions	**(161,500)**	0
Chargeable gains/(losses)	**(458,873)**	(1,655,683)
Adjustment in respect of prior periods	**0**	79,720
Group relief surrendered	**11,739**	9,868
Adjust closing deferred tax to average rate	**214,703**	249,601
Adjust opening deferred tax to average rate	**(166,401)**	0
Deferred tax not recognised	**410,570**	1,399,007
Tax on loss on ordinary activities	**0**	72,644

Expenses not deductible for tax purposes comprise the net deficit from changes in the fair value of investments.

Factors that may affect future tax charges:

The company has tax adjusted non-trade losses of £41,622 (2017: £41,622) available for carry forward against future non-trading profits.

12. Dividends

From Halsey Garton Property Ltd to Surrey County Council:

	2018	2017
	£	£
Paid during the year	**750,000**	0
Declared post year end	**1,600,000**	750,000

From Halsey Garton Property Investments Ltd to Halsey Garton Property Ltd:

	2018	2017
	£	£
Received during the year	**850,000**	0
Declared post year end	**1,650,000**	850,000

13. Fixed assets – investments

Investments in subsidiaries are carried at fair value where this can be reliably measured and, for Halsey Garton Property Investments Ltd, this has been determined with reference to the underlying property assets held by the subsidiary. Details on the assumptions made and the key sources of estimation uncertainty are given in note 5.

The net deficit on revaluation of investments arising of £921,588 as at 31 March 2018 has been debited to the profit and loss for the year and transferred to the fair value reserve.

	Investments in subsidiaries	
	2018	2017
	£	£
Valuation at 1 April 2017	**35,851,342**	2,184,383
Additions	**25,344,000**	41,539,000
Fair value adjustments	**(921,588)**	(7,872,041)
Disposals	**0**	0
Valuation at 31 March 2018	**60,273,754**	35,851,342

Additions totalling £25,344,000 in 2018 represent additional capital invested in Halsey Garton Property Investments Ltd.

14. Debtors

	2018	2017
	£	£
Debtors due after more than one year		
Amounts owed by subsidiary undertaking	**178,797,000**	118,550,000
Sub-Total	**178,797,000**	118,550,000
Debtors due within one year		
Accrued income and prepayments	**0**	0
Amounts owed by parent company	**0**	0
Deferred tax asset	**7,076**	7,076
Trade debtors	**0**	0
VAT	**1,931**	1,497
Other debtors	**0**	0
Sub-Total	**9,007**	8,573
Total	**178,806,007**	118,558,573

Included within long term debtors are intragroup loans totalling £178,797,000 provided to Halsey Garton Property Investments Ltd. These are revolving facility, maturity loan agreements at interest rates ranging from 5.5% to 6.6%. All are due to be repaid in full ten years from the original loan draw down. The carrying amount as at 31 March 2018 is included at amortised cost.

15. Creditors: amounts falling due within one year

	2018	2017
	£	£
Amounts owed to group companies	**4,019**	3,249
Corporation tax	**0**	0
Other creditors	**5,851**	7,581
Total	**9,870**	10,830

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16. Creditors: amounts falling due after more than one year

	2018	2017
	£	£
Amounts owed to parent entity	**178,955,432**	118,708,432
Total	**178,955,432**	118,708,432

Intragroup loans totalling £178,955,432 have been provided by Surrey County Council to Halsey Garton Property Ltd. These are maturity loans at interest rates ranging from 5.5% to 6.6% and all are due to be repaid in full, ten years from the original loan draw down. The carrying amount as at 31 March 2018 is included at amortised cost.

17. Deferred tax provision

	2018	2017
	£	£
Opening balance at 1 April 2017	**(7,076)**	(82,774)
Deferred tax asset for unrelieved tax losses	**0**	(7,076)
Deferred tax asset for loss on revaluation	**0**	82,774
Closing balance at 31 March 2018	**(7,076)**	(7,076)

There is a potential deferred tax asset on investment revaluations of £1,817,901 which has not been recognised in the accounts due to uncertainty about the availability of sufficient capital profits in the foreseeable future to utilise the losses against. This is because the group is continuing to grow its property portfolio, thereby incurring significant transaction costs and its strategy is to hold investments for long term income returns and not capital gains. It is also unlikely that any investment will be sold until it is beneficial to do so.

18. Called up share capital

Authorised, allotted and fully paid:

	2018	2017
	£	£
1 founders' shares of £1,000 each	**1,000**	1,000
69,425 ordinary shares of £1,000 each	**69,425,000**	44,081,000
Total	**69,426,000**	44,082,000

19. Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of investment assets until they are sold or an asset is impaired. A potential deferred tax asset on revaluations of £1,817,901 has not been recognised in 2017 – see also note 17 above. The reserve is used to distinguish unrealised profits/(losses) from realised profits/(losses) which are held in the profit and loss account.

	Fair value reserve	
	2018	2017
	£	£
Reserve at 1 April 2017	**(8,230,660)**	(275,845)
Fair value adjustments (Note 13)	**(921,588)**	(7,872,041)
Deferred tax asset for loss on revaluation	**0**	(82,774)
Reserve at 31 March 2018	**(9,152,248)**	(8,230,660)

20. Related party disclosures

Halsey Garton Property Ltd is 100% owned by Surrey County Council (SCC) which is the ultimate controlling party. SCC draws up consolidated financial statements for the group and its principal place of business is County Hall, Penrhyn Road, Kingston Upon Thames, Surrey, KT1 2DN.

The only related party transactions were intra-group transactions between Halsey Garton Property Ltd and SCC and between Halsey Garton Property Ltd and Halsey Garton Property Investments Ltd and these have not been disclosed in accordance with section 33.1A of FRS 102.

21. Post balance sheet events

No material non-adjusting post balance sheet events have occurred.

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