

Company Registration No: 03087367

**FAIRHOLD (MIDLANDS) LIMITED**  
**REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

TUESDAY



\*L7F75I35\*

LD5

25/09/2018

#131

COMPANIES HOUSE

**FAIRHOLD (MIDLANDS) LIMITED**

**DIRECTORS AND OFFICERS**

---

**DIRECTORS**

W K Procter  
C C McGill

**SECRETARY**

P A Hallam

**REGISTERED OFFICE**

Molteno House  
302 Regents Park Road  
London  
N3 2JX

**AUDITOR**

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

## **FAIRHOLD (MIDLANDS) LIMITED**

### **DIRECTORS' REPORT**

---

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

#### **Principal Activities**

The principal activity of the company during the year was property investment.

#### **Business review and future developments**

Following a refinancing exercise in December 2017 all previous outstanding third party debts, claims and prior guarantees that the company had given, including those in respect of contingent swap liabilities, were settled in December 2017. As a result, the Fairhold Holdings Limited group, of which this company is a member, is now entirely financed by related party debt and has no third party borrowings or guarantees. The directors are therefore satisfied with the financial position of the company at the year end.

#### **Subsequent events**

Subsequent to the year end, in September 2018, investment properties with a carrying value of £209,953 at 31 December 2017 and annual ground rent income of £400 were transferred to a related party group as part of a refinancing exercise. After transfer the properties remain under the ultimate ownership of the Euro Investments Overseas Incorporated group and form part of the security for a third-party loan facility.

#### **Investment properties**

The investment properties have been valued by the directors at £5,970,000 (2016: £6,070,000). The resultant fair value loss in the year amounted to £100,000 (2016: £1,465,000 gain). Details of the investment properties are set out in note 7.

#### **Results and dividends**

The loss for the year amounted to £36,626 (2016: £1,299,755 profit). The directors do not recommend the payment of a dividend (2016: £Nil).

#### **Directors**

The following directors have held office during the year and up until the date of signing the financial statements:

W K Procter  
C C McGill

## **FAIRHOLD (MIDLANDS) LIMITED**

### **DIRECTORS' REPORT (Continued)**

---

#### **Statement of directors' responsibilities**

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

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

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

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

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

#### **Statement as to disclosure of information to auditor**

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

#### **Insurance of Company Officers**

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

#### **Auditor**

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

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

By order of the Board:

  
**C C McGill**  
Director

24/9/ 2018

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FAIRHOLD (MIDLANDS) LIMITED**

### **Opinion**

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

In our opinion, the financial statements:

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

### **Basis for opinion**

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

### **Emphasis of matter – Valuation of investment properties**

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosures made in the accounting policies on page 10 and in note 7 to the financial statements concerning the fair values of the company's investment properties which are valued on an actuarial basis. The investment properties totalling £5.97m (2016: £6.1m) included in the financial statements at 31 December 2017 were valued by the directors having regard to a valuation carried out by a leading independent firm of actuaries at 31 May 2013. As indicated in the notes, considerable volatility exists in these valuations as demonstrated by the decrease in valuation of £0.1m in the current year when compared to the directors' valuation at 31 December 2016, which in turn had increased by £1.5m when compared to the directors' valuation at 31 December 2015, and as detailed in note 7 where the impact of a small change in the underlying assumption is detailed.

### **Conclusions relating to going concern**

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

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

### **Other information**

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

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

We have nothing to report in this regard.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FAIRHOLD (MIDLANDS) LIMITED**  
(continued)

**Opinions on other matters prescribed by the Companies Act 2006**

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

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

**Matters on which we are required to report by exception**

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

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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; or
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report or in preparing the directors' report.

**Responsibilities of directors**

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

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

**Auditor's responsibilities for the audit of the financial statements**

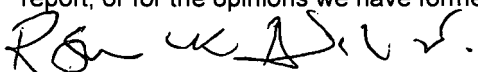
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee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

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

This description forms part of our auditor's report.

**Use of our report**

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



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

24 September 2018

**FAIRHOLD (MIDLANDS) LIMITED**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

	<b>Notes</b>	<b>2017 £</b>	<b>2016 £</b>
<b>Turnover</b>	<b>2</b>	<b>82,479</b>	<b>73,755</b>
Administrative expenses		(37,379)	(30,324)
<b>Operating profit</b>		<b>45,100</b>	<b>43,431</b>
Fair value (loss)/gain on investment property	<b>7</b>	(100,000)	1,465,000
Interest payable and similar charges	<b>3</b>	(1,726)	(2,713)
<b>(Loss)/profit before taxation</b>	<b>4</b>	<b>(56,626)</b>	<b>1,505,718</b>
Taxation	<b>6</b>	20,000	(205,963)
<b>(Loss)/profit after taxation and (loss)/profit for the financial year</b>		<b>(36,626)</b>	<b>1,299,755</b>
Other comprehensive income		-	-
<b>Total comprehensive income for the year</b>		<b>(36,626)</b>	<b>1,299,755</b>

**FAIRHOLD (MIDLANDS) LIMITED****STATEMENT OF FINANCIAL POSITION (Company Registration Number: 03087367)****AT 31 DECEMBER 2017**

	Notes	2017 £	2016 £
<b>Fixed assets</b>			
Investment properties	7	5,970,000	6,070,000
<b>Current assets</b>			
Debtors	8	8,460	8,342
<b>Creditors: amounts falling due within one year</b>	9	(98,617)	(141,873)
<b>Net current liabilities</b>		<u>(90,157)</u>	<u>(133,531)</u>
<b>Total assets less current liabilities</b>		<u>5,879,843</u>	<u>5,936,469</u>
<b>Provisions for liabilities</b>	10	(933,000)	(953,000)
<b>Net assets</b>		<u>4,946,843</u>	<u>4,983,469</u>
<b>Capital and reserves</b>			
Called up share capital	11	2	2
Profit and loss account		4,946,841	4,983,467
<b>Total equity</b>		<u>4,946,843</u>	<u>4,983,469</u>

The financial statements on pages 6 to 19 were approved by the board of directors and authorised for issue on 24/9/2018 and are signed on its behalf by:



**C C McGill**  
Director



**FAIRHOLD (MIDLANDS) LIMITED**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

---

	Share capital £	Profit and loss account £	Total £
<b>Balance at 1 January 2016</b>	2	3,683,712	3,683,714
Profit and total comprehensive income for the year	-	1,299,755	1,299,755
<b>Balance at 31 December 2016</b>	<u>2</u>	<u>4,983,467</u>	<u>4,983,469</u>
Loss and total comprehensive income for the year	-	(36,626)	(36,626)
<b>Balance at 31 December 2017</b>	<u>2</u>	<u>4,946,841</u>	<u>4,946,843</u>

---

**FAIRHOLD (MIDLANDS) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

---

**1. Accounting policies**

**Company information**

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

**1.1 Basis of accounting**

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

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

**1.2 Reduced disclosures**

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

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

**1.3 Going concern**

In preparing the accounts on the going concern basis the directors have given consideration to the company's loss for the year and the company's statement of financial position. The loss for the year is due to the accounting treatment of revaluation gains and deficits on investment properties and without this charge the company would be profitable.

The company is a wholly owned subsidiary of Fairhold Holdings Limited who on 9 December 2017 entered into a new inter group financing agreement, whereby all outstanding third party debts, claims and prior guarantees the company had given were settled. As a result, the group is now entirely financed by related party debt and has no third party borrowings.

Prior to 9 December 2017 the company was part of a different cross collateralised funding structure.

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

See also subsequent events in note 15.

**FAIRHOLD (MIDLANDS) LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2017**

---

**1.4 Functional and presentational currencies**

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

**1.5 Turnover**

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

Rental income is recognised in accordance with the terms of the lease.

Turnover is recognised at the fair value of the consideration received or receivable for rental income charged to external customers in the ordinary nature of the business. Turnover is shown net of value added tax.

**1.6 Investment properties**

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

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

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

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

Further details are given in note 7.

**FAIRHOLD (MIDLANDS) LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2017**

---

**1.7 Taxation**

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

Current tax is based on taxable profit for the year. Taxable profit differs from total comprehensive income because it excludes items of income or expense that are taxable or deductible in other periods. Current tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates that have been enacted or substantively enacted by the reporting date. Deferred tax is not discounted.

Deferred tax liabilities are recognised in respect of all timing differences that exist at the reporting date. Timing differences are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in different periods from their recognition in the financial statements. Deferred tax assets are recognised only to the extent that it is probable that they will be recovered by the reversal of deferred tax liabilities or other future taxable profits.

For non-depreciable assets measured using the revaluation model and investment properties measured at fair value (except investment property with a limited useful life held by the Company to consume substantially all of its economic benefits), deferred tax is measured using the tax rates and allowances that apply to the sale of the asset or property.

Current and deferred tax is charged or credited in profit or loss, except when it relates to items charged or credited to other comprehensive income or equity, when the tax follows the transaction or event it relates to and is also charged or credited to other comprehensive income, or equity.

Current tax assets and current tax liabilities and deferred tax assets and deferred tax liabilities are offset, if and only if, there is a legally enforceable right to set off the amounts and the entity intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

# **FAIRHOLD (MIDLANDS) LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED 31 DECEMBER 2017**

---

#### **1.8 Financial instruments**

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

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

##### ***Financial assets***

###### ***Trade debtors***

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

##### ***Financial liabilities and equity***

###### ***Creditors***

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

###### ***Borrowings***

Borrowings are initially recognised at the transaction price, including transaction costs, and subsequently measured at amortised cost using the effective interest method. Interest expense is recognised on the basis of the effective interest method and is included in interest payable and other similar charges.

##### ***Derecognition of financial assets and liabilities***

A financial asset is derecognised only when the contractual rights to cash flows expire or are settled, or substantially all the risks and rewards of ownership are transferred to another party, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party. A financial liability (or part thereof) is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

#### **1.9 Critical accounting estimates and areas of judgement**

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

**FAIRHOLD (MIDLANDS) LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2017**

---

**1.9 Critical accounting estimates and areas of judgement (continued)**

***Critical accounting estimates and assumptions***

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

***Valuation of investment properties***

A key accounting estimate in preparing these financial statements relates to the carrying value of the investment property which is stated at fair value. The company uses external professional actuarial valuations as a basis for determining the directors' estimation of the fair value of the investment properties. However, the valuation of the company's investment property is inherently subjective, as it is made on the basis of valuation assumptions which may in future not prove to be accurate.

In the current year the directors refined the discount rate used in valuing future cash flows. Details of the principal assumptions applied in the valuation of the investment properties are set out in note 7.

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

***Deferred taxation***

Deferred tax liabilities are assessed on the basis of assumptions regarding the future, the likelihood that assets will be realised and liabilities will be settled, and estimates as to the timing of those future events and as to the future tax rates that will be applicable.

**FAIRHOLD (MIDLANDS) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

**2. Turnover**

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

	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>£</b>
Rent receivable	11,097	10,780
Other income	71,382	62,975
	<u>82,479</u>	<u>73,755</u>

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

**3. Interest payable and similar charges**

	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>£</b>
Interest on holding company loan	1,726	2,713
	<u>1,726</u>	<u>2,713</u>

**4. (Loss)/profit before taxation**

	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>£</b>
The (loss)/profit before taxation is stated after charging:		
- Auditor's remuneration	5,500	5,500
	<u>5,500</u>	<u>5,500</u>

**5. Employees and directors**

There were no employees during the year other than the directors. The directors are remunerated by the related party Fairhold Services Limited and this is recharged to the company as part of the management charge from Estates & Management Limited. This management charge, which in 2017 amounted to £24,677 (2016: £22,369) also includes a recharge of administration costs borne by Fairhold Services Limited on behalf of the company and it is not possible to identify separately the amount relating to the directors remuneration.

**6. Taxation**

	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>£</b>
<b>Current tax</b>		
UK corporation tax	-	-
<b>Total current tax</b>	<u>-</u>	<u>-</u>
<b>Deferred tax:</b>		
Movement on potential chargeable gain liability	(20,000)	205,963
<b>Total deferred tax</b>	<u>(20,000)</u>	<u>205,963</u>
<b>Total tax on (loss)/profit</b>	<u>(20,000)</u>	<u>205,963</u>

**FAIRHOLD (MIDLANDS) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

**6. Taxation (continued)**

Factors affecting the tax charge for the year.

The tax assessed for the year is lower than the effective rate of corporation tax in the UK 19.25% (2016: 20%). The differences are explained below:

	<b>2017</b> £	2016 £
(Loss)/profit before tax	(56,626)	1,505,718
(Loss)/profit multiplied by the effective rate of Corporation tax in the UK of 19.25% (2016: 20%).	(10,901)	301,144
Effects of:		
Movement on potential chargeable gain liability	(20,000)	205,963
Fair value indexation adjustment	19,250	(293,000)
Group relief received without charge	(8,349)	(8,144)
Tax charge/(credit)	(20,000)	205,963

**7. Investment properties**

	<b>2017</b> £	<b>Freehold reversionary interests</b> 2016 £
<b>Fair Value</b>		
As at 1 January	6,070,000	4,605,000
Fair value(loss)/gain	(100,000)	1,465,000
<b>As at 31 December</b>	<b>5,970,000</b>	<b>6,070,000</b>

The investment properties represent a portfolio of ground rents. The investment properties were valued on an actuarial basis by a leading firm of financial and actuarial consultants as at 31 May 2013. The directors have reviewed the actuarial valuation as at 31 May 2013 and based on market changes in the intervening period have determined their own valuations at 31 December 2017 and 31 December 2016.

The directors, in carrying out their valuations at 31 December 2017 and 31 December 2016, have reviewed the basis of the 31 May 2013 actuarial valuation and concluded that there have been changes in the key valuation drivers since the actuarial valuation. Accordingly the directors have assessed these changes to the valuation drivers and based on the sensitivities noted consider the updated valuation of the investment properties of £5,970,000 at 31 December 2017 (2016: £6,070,000) is appropriate for adoption for the purposes of these financial statements.



**FAIRHOLD (MIDLANDS) LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2017**

---

**7. Investment properties (continued)**

The basis of the independent valuation performed on an actuarial basis was to project risk adjusted income streams generated by the portfolio, over 150 years discounted by a risk free rate of return.

The principal assumptions used in the independent actuarial valuation were:

RPI basis for inflation assumptions	- Implied inflation vector taken from the Bank of England website;
Residential property inflation	- derived from market rental yields as found in the ARLA report and the UK Government gilt curve;
Risk free discount rate	- a series of rates reflecting the UK government gilt curve as applicable to each cash flow date;
Taxation	- no allowance has been made for taxation in projecting the future revenue flow;
Incidence rates for lease extensions and the price charged	- historic rates and FTT valuation.

The assumption with the most significant impact on the valuation is the discount rate used. The discount rates used have been refined in the year in line with detail contained in the independent actuaries report. A 100 basis point increase or decrease in this rate reduces or increases the valuation by 26% and 49% respectively and it is predominately the movement in this rate that has caused the marked change in value during the current year.

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

	<b>Freehold reversionary interests</b>	
	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>£</b>
Cost	289,466	289,466

See also subsequent events in note 15.

**FAIRHOLD (MIDLANDS) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

**8. Debtors**

	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>£</b>
Trade debtors	198	295
Prepayments and accrued income	8,262	8,047
	<u>8,460</u>	<u>8,342</u>

**9. Creditors: amounts falling due within one year**

	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>£</b>
Amount owed to holding company	98,617	141,873
	<u>98,617</u>	<u>141,873</u>

There are no fixed terms of repayment of the parent company loan. Interest is charged at 3 month Libor +1%. Despite the loan being repayable on demand it is not the intention for the loans to be repaid within one year.

**10. Provision for liabilities**

	<b>Deferred taxation £</b>
1 January 2017	953,000
Decrease in provision in the year	(20,000)
31 December 2017	<u>933,000</u>

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

	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>£</b>
Deferred tax arising on assets measured at fair value	933,000	953,000
	<u>933,000</u>	<u>953,000</u>

**FAIRHOLD (MIDLANDS) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

---

**11. Share capital and reserves**

**Share capital**

	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>£</b>
Allotted, issued and fully paid:		
2 ordinary shares of £1	2	2
	<u>2</u>	<u>2</u>

*Ordinary share rights*

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

**Reserves**

Reserves of the Company represent the following:

*Retained earnings*

Cumulative profit and loss net of distributions to owners.

**12. Guarantees and contingent liabilities**

As explained on page 10 all previous outstanding third party debts, claims and prior guarantees that the company had given, including those in respect of contingent swap liabilities, were settled in December 2017. As a result the Fairhold Holdings Limited group, of which this company is a member, is now entirely financed by related party debt and has no third party borrowings or guarantees.

**13. Ultimate parent company and ultimate controlling party**

The immediate parent company is Fairhold (Huddersfield) Limited, which is registered in England and Wales. The company's United Kingdom and closest holding company for which group accounts are drawn up is Fairhold Holdings Limited, which is registered in England and Wales. This undertaking is the holding company of both the largest and smallest group for which group accounts are prepared and of which the company is a member. Copies of the financial statements are available from Companies House, Crown Way, Cardiff, CF14 3UZ.

The directors regard the ultimate holding company to be Euro Investments Overseas Incorporated, a company incorporated in the British Virgin Islands.

The ultimate controlling party is the Tchenguiz Family Trust.

**14. Related party transactions**

The company has taken advantage of the exemptions provided by Section 33 of FRS 102 'Related Party Disclosures' and has not disclosed transactions entered into between two or more members of a group, provided that any subsidiary undertaking which is party to the transaction is wholly owned by a member of that group.

Management fees of £24,677 (2016: £22,369) were charged to the company in the year by a company related by virtue of common control and common directors.

Of the unlimited guarantee in respect of some of the indebtedness of the related parties set out in note 12, contingent amounts of £67,105,897 (2016: £59,415,439) are owed to a related party.

**FAIRHOLD (MIDLANDS) LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2017**

---

**15. Subsequent events**

Subsequent to the year end, in September 2018, investment properties with a carrying value of £209,953 at 31 December 2017 and annual ground rent income of £400 were transferred to a related party group as part of a refinancing exercise. After transfer the properties remain under the ultimate ownership of the Euro Investments Overseas Incorporated group and form part of the security for a third-party loan facility.