

FAIRHOLD HOMES LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2008

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COMPANIES HOUSE

FAIRHOLD HOMES LIMITED

DIRECTOR AND OFFICERS

DIRECTOR

W K Procter

SECRETARY

A Wolfson

REGISTERED OFFICE

Molteno House
302 Regents Park Road
London N3 2JX

AUDITORS

Baker Tilly UK Audit LLP
Chartered Accountants
The Clock House
140 London Road
Guildford
Surrey GU1 1UW

FAIRHOLD HOMES LIMITED

DIRECTOR'S REPORT

The director submits his report and the audited financial statements for the year ended 31 October 2008.

Principal Activity

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

Business review and future developments

There were no changes in the company's investment property portfolio in the year. The director considers the financial position of the company at the year end to be satisfactory.

Results and Dividends

The loss for the year after taxation amounted to £757,361 (2007: £640,847). The director does not recommend the payment of a dividend.

Investment properties

The investment properties have been valued on an actuarial basis at £44,600,000 (2007: £47,700,000). The decrease in value in the year amounted to £3,100,000 (2007: £3,500,000 increase). Details of the investment properties are set out in note 7.

Director

The director who served during the year was as follows:

W K Procter

Statement of director's responsibilities

The director is responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the director to prepare financial statements for each financial year. Under that law the director has elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to 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 these financial statements, the director is required to:

- a. select suitable accounting policies and then apply them consistently;
- b. make judgements and 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 director is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable him to ensure that the financial statements comply with the requirements of the Companies Act 1985. He is also responsible for safeguarding the assets of the company and hence taking reasonable steps for the prevention and detection of fraud and other irregularities.

FAIRHOLD HOMES LIMITED

DIRECTOR'S REPORT

Statement as to disclosure of information to auditors

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

Auditors

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

This report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

By order of the Board:



W K Procter

Director

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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF FAIRHOLD HOMES LIMITED

We have audited the financial statements on pages 5 to 12.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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.

Respective responsibilities of directors and auditors

The director's responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Director's Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Director's Report is consistent with the financial statements.

In addition, we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding director's remuneration and other transactions is not disclosed.

We read the Director's Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the director in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs at 31 October 2008 and of its result for the year then ended and have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Director's Report is consistent with the financial statements.

Baker Tilly UK Audit LLP

BAKER TILLY UK AUDIT LLP

Registered Auditor
Chartered Accountants
The Clock House
140 London Road
Guildford
Surrey GU1 1UW

24 August 2009

FAIRHOLD HOMES LIMITED**PROFIT AND LOSS ACCOUNT****FOR THE YEAR ENDED 31 OCTOBER 2008**

	Notes	2008 £	2007 £
Rent receivable		715,829	715,698
Administrative expenses		(89,935)	(74,832)
Other operating income	1	350,807	446,781
Operating profit		976,701	1,087,647
Interest receivable and similar income	2	698,809	610,231
Interest payable and similar charges	3	(2,432,871)	(2,338,365)
Loss on ordinary activities before taxation	4	(757,361)	(640,487)
Tax on loss on ordinary activities	6	-	-
Loss on ordinary activities after taxation	13	£ (757,361)	£ (640,487)

The operating profit for the year derives from continuing operations.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**FOR THE YEAR ENDED 31 OCTOBER 2008**

		2008 £	2007 £
Loss for the financial year		(757,361)	(640,487)
Unrealised (deficit)/surplus on revaluation of investment properties	7	(3,100,000)	3,500,000
Total recognised gains and losses		£ (3,857,361)	£ 2,859,513

FAIRHOLD HOMES LIMITED

BALANCE SHEET

AT 31 OCTOBER 2008

	Notes	2008 £	2007 £
Tangible fixed assets			
Investment properties	7	44,600,000	47,700,000
Current assets			
Debtors due within one year	8	24,208,314	24,083,966
Debtors due after more than one year	8	10,615,044	11,338,815
Cash at bank and in hand		301,820	309,779
		35,125,178	35,732,560
Creditors: Amounts falling due within one year	9	(814,955)	(659,793)
Net current assets		34,310,223	35,072,767
Total assets less current liabilities		78,910,223	82,772,767
Creditors: Amounts falling due after more than one year	10	(39,251,977)	(39,257,160)
Net assets		£ 39,658,246	£ 43,515,607
Capital and reserves			
Called up share capital	12	2	2
Revaluation reserve	13	37,792,984	40,892,984
Profit and loss account	13	1,865,260	2,622,621
Shareholders' funds	13	£ 39,658,246	£ 43,515,607

The financial statements on pages 5 to 12 were approved by the board of directors and authorised for issue on 18/03/2009 and are signed on its behalf by:


W K Procter
 Director

FAIRHOLD HOMES LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2008

ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets, and in accordance with applicable accounting standards.

Investment properties

In accordance with Statement of Standard Accounting Practice 19:

- investment properties, comprising of freehold reversionary interests, are revalued annually to open market value on an actuarial basis and the aggregate surplus or deficit is transferred to a revaluation reserve; and
- no depreciation or amortisation is provided in respect of freehold investment properties and leasehold investment properties with over 20 years to run.

Freehold reversionary interests are more akin to financial investments, as they generate income in the form of annual ground rents and 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 the director is of the opinion that the best approximation to an open market value for these properties as required under SSAP 19 is provided by an actuarial valuation of the income streams generated by these assets. The actuarial valuation of the entire freehold reversionary interest portfolio is undertaken annually by independent actuaries.

This treatment, as regards the company's investment properties, is a departure from the requirements of the Companies Act concerning depreciation of fixed assets. However, these properties are not held for consumption but for investment and the director considers that systematic annual depreciation would be inappropriate. The accounting policy adopted is therefore necessary for the accounts to give a true and fair view. Depreciation or amortisation is only one of the many factors reflected in the annual valuation and the amount which might otherwise have been shown cannot be separately identified or quantified.

Deferred tax

Deferred taxation is calculated on the liability method. It is provided to the extent that it is considered, with reasonable probability, that a liability will become payable within the foreseeable future.

No provision is made for any liability to tax that would arise in the event of the sale of the investment property at the value at which it is stated in the financial statements. An estimate of this liability is set out in note 11.

Cash flow statement

The company is exempt from the requirement to prepare a cash flow statement as it is entitled to the exemptions for small companies accounts set out in section 246 to 249 of the Companies Act 1985.

Rent receivable

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

Finance costs

Finance costs are amortised on a straight line basis over the term of the loan to which they relate.

FAIRHOLD HOMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 OCTOBER 2008

1. Other operating income	2008	2007
	£	£
Transfer fees	252,121	346,233
Insurance commission	98,686	100,548
	<u>£ 350,807</u>	<u>£ 446,781</u>
2. Interest receivable and similar income	2008	2007
	£	£
Bank interest	20,858	31,639
Interest receivable from parent company	657,833	578,592
Other interest receivable	20,118	-
	<u>£ 698,809</u>	<u>£ 610,231</u>
3. Interest payable and similar charges	2008	2007
	£	£
Interest on parent company loan	1,627,694	1,596,507
Other interest	338,628	275,559
Amortisation of finance costs	466,549	465,921
Bank interest	-	378
	<u>£ 2,432,871</u>	<u>£ 2,338,365</u>
4. Loss on ordinary activities before taxation		
Loss on ordinary activities before taxation is stated after charging:	2008	2007
	£	£
Auditors' remuneration	<u>£ 8,500</u>	<u>£ 8,000</u>
5. Employees and director		

Other than the director, who received no remuneration, no persons were employed during the year.

FAIRHOLD HOMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 OCTOBER 2008

6. Taxation	2008 £	2007 £
Current tax:		
UK corporation tax on profits of the year	-	-
Total current tax	-	-
Factors affecting tax charge for the year:		
Loss on ordinary activities before tax	757,361	(640,487)
Loss on ordinary activities multiplied by the standard rate of Corporation tax in the UK of 28% (2007: 30%).	(212,061)	(192,146)
Effects of:		
Non-deductible expenses	-	30
Utilisation of group relief	(114,153)	(79,641)
Losses (utilised)/available to carry forward	-	(103,978)
UK transfer pricing adjustment	326,214	375,735
Current tax charge for the year	£ -	£ -

The company has estimated losses of £Nil (2007: £Nil) available to carry forward against future trading profits.

7. Tangible fixed assets

Investment properties	Freehold reversionary interests £
Valuation	
At 1 November 2007	47,700,000
Revaluation deficit	(3,100,000)
At 31 October 2008	£ 44,600,000

As at 1 April 2009 a leading independent firm of financial and actuarial consultants valued the properties on an actuarial basis at £44,600,000 (2007: £47,700,000). The director considers that the value of the investment properties at the balance sheet date is not materially different from that value.

The basis of this valuation was to project risk adjusted income streams generated by the portfolio over 50 years, discounted by a risk free rate of return.

The historical cost of the properties at 31 October 2008 was £6,807,016 (2007: £6,807,016).

FAIRHOLD HOMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 OCTOBER 2008

8. Debtors

	2008 £	2007 £
Amounts due within one year		
Trade debtors	62,624	57,060
Amounts owed by group undertakings	20,101,148	20,101,148
Amounts owed by parent undertaking	3,509,656	3,292,117
Prepayments and accrued income	534,886	633,641
	<u>24,208,314</u>	<u>24,083,966</u>
Amounts due after one year		
Amounts owed by parent undertaking	6,434,910	6,633,459
Prepayments and accrued income	4,180,134	4,705,356
	<u>10,615,044</u>	<u>11,338,815</u>
	<u>£ 34,823,358</u>	<u>£ 35,422,781</u>

9. Creditors - Amounts falling due within one year

	2008 £	2007 £
Amounts due to group undertakings	11,488	11,488
Amounts due to related parties	-	5,141
Accruals and deferred income	803,467	643,164
	<u>£ 814,955</u>	<u>£ 659,793</u>

10. Creditors - Amounts falling due after more than one year

	2008 £	2007 £
Other loan	2,487,123	2,487,123
Amounts due to parent undertaking	36,247,633	36,247,633
Accruals and deferred income	517,221	522,404
	<u>£ 39,251,977</u>	<u>£ 39,257,160</u>

The amounts due to parent undertaking represent intercompany loans entered into with Fairhold Finance Limited. The intercompany loans are split into two tranches, Tranche A (£32,734,529) and Tranche B (£3,513,104), which are not due for repayment until the loans mature in October 2017. Interest payable on these loans is fixed at 4.147% plus margins of 0.25% and 1.27% respectively, which represent the interest rate hedge transacted on the lender's cost of borrowing together with a further margin of 0.01%.

The other loan represents the company's share of a joint loan totalling £25m, and is due for repayment on the termination date in January 2092. Interest on this loan accrues at 12% and is payable out of surplus funds or otherwise on the termination date. Total accrued interest on the joint loan as at 31 October 2008 was £4,215,320 (2007: £2,769,865).

FAIRHOLD HOMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 OCTOBER 2008

11. Deferred taxation

The potential deferred taxation liability, which has not been provided in the accounts, is estimated as follows:

	2008 £	2007 £
Tax on revaluation surplus	£ 9,782,000	£ 10,767,000

12. Share capital

	2008 £	2007 £
Authorised: 1,000 ordinary shares of £1 each	£ 1,000	£ 1,000
Allotted, issued and fully paid: 2 ordinary shares of £1 each	£ 2	£ 2

13. Reserves and reconciliation of movements in shareholders' funds

	Revaluation reserve £	Share capital £	Profit and loss account £	Total shareholders' funds £
Opening shareholders' funds	40,892,984	2	2,622,621	43,515,607
Loss for the year	-	-	(757,361)	(757,361)
Revaluation deficit	(3,100,000)	-	-	(3,100,000)
Closing shareholders' funds	37,792,984	2	1,865,260	£ 39,658,246

14. Contingent liabilities

The company has given guarantees in respect of a funding loan agreement entered into between its parent company, Fairhold Finance Limited, and Fairhold Securitisation Limited, a stand alone securitisation vehicle, which has issued fixed rate bonds quoted on the Dublin stock exchange. The funding loan has been on lent to the property owning subsidiaries of Fairhold Finance Limited, which includes the company. The company's element of the borrowings is set out in note 10. The guarantees are supported by a debenture and a charge over the company's investment properties. At 31 October 2008 the total amount outstanding to Fairhold Securitisation Limited subject to these guarantees was £443,500,000 (2007: £443,500,000).

The company is also party to a joint loan agreement with other property owning subsidiaries of the parent company, Fairhold Finance Limited. The total amount of this loan is £25,000,000 (2007: £25,000,000) plus accrued interest of £4,215,320 (2007: £2,769,865). The company's share of the loan is set out in note 10.

FAIRHOLD HOMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 OCTOBER 2008

15. United Kingdom holding company

The company is a wholly owned subsidiary undertaking of Fairhold Finance Limited, which is registered in England and Wales. This parent undertaking is the holding company of both the largest and smallest group for which consolidated accounts are prepared and of which the company is a member. Copies of the financial statements are available from Companies House, Crown Way, Maindy, Cardiff, CF4 3UZ.

16. Ultimate holding company

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

17. Ultimate controlling party

The ultimate controlling party is the Investec Trust (Guernsey) Limited as trustees of the Tchenguiz Family Trust.

18. Related party transactions

The company has taken advantage of the exemption within Financial Reporting Standard 8 not to disclose intra-group related party transactions between group undertakings where more than 90% of the voting rights are controlled within the group and where group accounts are publicly available.

At 31 October 2008, Estates and Management Limited a related party by virtue of common control had lent the company £Nil (2007: £5,141). No interest has been charged on this balance.

During the year the company was charged management fees totalling £56,542 (2007: £62,007) in connection with the collection of rent receivable and other operating income by Peverel Management Services Limited, a related party by virtue of common control.