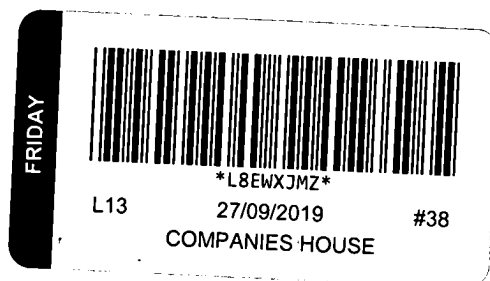


Company Registration No: 05698244

**FAIRBAR LIMITED**  
**REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**



**FAIRBAR LIMITED**

**DIRECTORS AND OFFICERS**

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**DIRECTORS**

W K Procter  
C C McGill  
P A Hallam

**SECRETARY**

D Lau

**REGISTERED OFFICE**

Berkeley House  
304 Regents Park Road  
London  
N3 2JX

## **FAIRBAR LIMITED**

### **DIRECTORS' REPORT**

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The directors submit their report and the financial statements for the year ended 31 December 2018.

#### **Principal Activities**

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

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

The directors are satisfied with the financial position of the company at the year end subject to the matters discussed in the accounting policies on page 8 which may have an impact on the company's ability to continue as a going concern.

#### **Investment properties**

The investment properties have been valued by the directors at £18,943,000 (2017: £15,595,000). The resultant fair value gain in the year amounted to £3,348,000 (2017: £1,693,000). Details of the investment properties are set out in note 7.

#### **Results and dividends**

The profit for the year amounted to £2,919,422 (2017: £1,517,992). The directors do not recommend the payment of a dividend.

#### **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.

#### **Directors**

The following directors have served since 1 January 2018:

W K Procter  
C C McGill  
P A Hallam (Appointed 10<sup>th</sup> July 2019)

**DIRECTORS' REPORT (Continued)**

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**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.

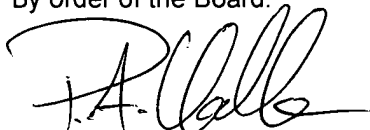
In preparing those financial statements, the directors are required to:

- 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.

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:



**P A Hallam**  
Director

26 September 2019

**FAIRBAR LIMITED****STATEMENT OF COMPREHENSIVE INCOME****FOR THE YEAR ENDED 31 DECEMBER 2018**

	Notes	2018 £	2017 £
<b>Turnover</b>	2	141,131	110,171
Administrative expenses		(77,707)	(18,384)
Profit on sale of investment property		44,838	12,850
<b>Operating profit</b>		<u>108,262</u>	<u>104,637</u>
Fair value gain on investment property	7	3,348,000	1,693,000
Interest receivable and similar income	3	65,099	50,145
<b>Profit on before taxation</b>	4	<u>3,521,361</u>	<u>1,847,782</u>
Taxation	6	(601,939)	(329,790)
<b>Profit on after taxation</b>		<u>2,919,422</u>	<u>1,517,992</u>
Other comprehensive income		-	-
<b>Total comprehensive income for the year</b>		<u><u>2,919,422</u></u>	<u><u>1,517,992</u></u>

**FAIRBAR LIMITED**

**STATEMENT OF FINANCIAL POSITION (Company Registration Number: 05698244)**

**AT 31 DECEMBER 2018**

	Notes	2018 £	2017 £
<b>Fixed assets</b>			
Investment properties	7	18,943,000	15,595,000
<b>Current assets</b>			
Debtors	8	4,012,434	3,839,073
<b>Creditors:</b> amounts falling due within one year	9	(62,729)	(29,790)
<b>Net current assets</b>		3,949,705	3,809,283
<b>Total assets less current liabilities</b>		22,892,705	19,404,283
<b>Provisions for liabilities</b>	10	(3,169,000)	(2,600,000)
<b>Net assets</b>		19,723,705	16,804,283
<b>Capital and reserves</b>			
Called up share capital	11	1	1
Profit and loss account		19,723,704	16,804,282
<b>Total equity</b>		19,723,705	16,804,283

For the year ending 31 December 2018 the company was entitled to exemption from audit under section 477 of the Companies Act 2006 relating to small companies and its members have not required the company to obtain an audit of its financial statements for the year in question in accordance with section 476.

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

These accounts have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime

The financial statements on pages 4 to 15 were approved by the board of directors and authorised for issue on 26/09/2019 and are signed on its behalf by:



**P A Hallam**  
Director

**FAIRBAR LIMITED**

**STATEMENT OF CHANGES IN EQUITY**

**FOR THE YEAR ENDED 31 DECEMBER 2018**

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	<b>Share capital £</b>	<b>Profit and loss account £</b>	<b>Total £</b>
<b>Balance at 1 January 2017</b>	1	15,286,290	15,286,291
Profit for the year	-	1,517,992	1,517,992
<b>Balance at 31 December 2017</b>	<u>1</u>	<u>16,804,282</u>	<u>16,804,283</u>
Profit for the year	-	2,919,422	2,919,422
<b>Balance at 31 December 2018</b>	<u>1</u>	<u>19,723,704</u>	<u>19,723,705</u>

# **FAIRBAR LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED 31 DECEMBER 2018**

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#### **1. Accounting policies**

##### **Company information**

Fairbar Limited ("the Company") is a limited company domiciled and incorporated in England. The address of the Company's registered office and principal place of business is Berkeley House, 304 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, and under the historical cost convention as modified to include investment properties at fair value.

##### **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**

The company is financed by its parent company who has indicated that its funding is long term in nature. The directors have assessed the operation of the company and have determined that on that basis 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.

##### **1.4 Functional and presentational currencies**

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



**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2018**

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**1.5 Turnover**

Turnover comprises other income arising from investment properties.

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.

**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 where a reliable measure of fair value is available without undue cost or effort. Changes in fair value are recognised in profit or loss.

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.

The Companies Act 2006 requires all properties to be depreciated. However, this requirement conflicts with the generally accepted accounting principle set out in FRS 102. The directors consider that, because investment properties are not held for consumption, but for their investment potential, to depreciate them would not give a true and fair view.

If this departure from the Companies Act 2006 had not been made in order to give a true and fair view, the loss for the financial year would have been reduced by depreciation. However the amount of depreciation cannot reasonably be quantified, because depreciation is only one of many factors reflected in the annual valuation and the amount relating to the depreciation of the property cannot be separately identified.

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.

**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 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.

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2018**

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**1.7 Taxation (continued)**

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.

**1.8 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.

**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*

The key accounting estimate in preparing these financial statements relates to the carrying value of the investment property which is stated at fair value, as valued by the directors. 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 December 2017 the Department for Communities and Local Government, now known as the Ministry for Housing, Communities and Local Government (MHCLG) published the outcome of the 'Tackling unfair practices in the leasehold market' consultation it had conducted during the year.

Since this date the Government, through the MHCLG, is undertaking a series of further consultations on the residential property market with a focus on the legal framework surrounding the freehold and leasehold classes of property interests. In addition, the MHCLG has asked the Law Commission to advise on potential changes to the existing law with the purpose of making enfranchisement and lease extensions easier and cheaper for leaseholders.

In June 2019 the MHCLG published its summary of consultation responses and government response. Although there are a number of policy pronouncements that the directors believe would be damaging to the property market if enacted into law, the main implications will be to future leases. As such rental income is expected to be able to continue for the duration of existing leases. The Law Commission is, however, still to provide its advice to Government on options for changes to the enfranchisement and lease extension processes. Such changes could materially reduce the level of income generated by the portfolio and be a significant threat to the Company.

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2018**

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

*Valuation of investment properties (continued)*

The directors are of the view that the proposed changes (as currently formulated) would be very damaging to the residential property market and against the interests of consumers and other property owners. The directors are engaging actively in the consultations along with other stakeholders and interested parties in order to convey the Company's opposition to the current proposals. Recent public announcements by government and in symposiums held by the Law Commission, have recognised that the proposals to make wholesale reforms retrospectively and to transfer value from freeholders to leaseholders in the enfranchisement process poses real problems with respect to the contravention of human rights legislation. The directors are confident that their proposals in their current form are unlikely to be passed into law and that there will not be material adverse changes to the premiums payable by tenants on enfranchisement or extension of leases.

The Competition and Markets Authority (CMA) opened an investigation into the leasehold housing market in June 2019. The CMA stated it is concerned about potential leasehold mis-selling, and whether leasehold contract terms are onerous and unfair in relation to ground rent, permission and other charges. The Company is engaging with the CMA in its investigation. It is confident that it will demonstrate that there has been no breach of consumer protection law by the Company and the CMA will not take any action against the Company. Potential actions that the CMA could take in the event of an adverse finding include imposing fines and effectively amending economic contractual clauses in the Company's leases.

An intrinsic element of the valuation is the assumption of continuing rental income and lease extension premiums generated by the property assets held by the Company. The potential legislative and other changes raised above may affect the forecast income to the extent that the underlying assumption is no longer valid.

However, the likelihood of the changes coming in to effect and the financial consequences of those changes are too uncertain to enable the directors to reasonably estimate the impact of such changes on the forecasts and it is assumed that the current methodology continues to represent a fair value of these assets.

Details of the valuation of the investment property are set out in note 7.

*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.

**\*FAIRBAR LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

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**2. Turnover**

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

	<b>2018</b> <b>£</b>	<b>2017</b> <b>£</b>
Other income	141,131	110,171
	<u>          </u>	<u>          </u>

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

**3. Interest receivable and similar income**

	<b>2018</b> <b>£</b>	<b>2017</b> <b>£</b>
Interest on parent company loan	65,099	50,145
	<u>          </u>	<u>          </u>

**4. Profit on ordinary activities before taxation**

	<b>2018</b> <b>£</b>	<b>2017</b> <b>£</b>
The profit on ordinary activities before taxation is stated after charging:		
- Management fee	70,725	15,103
	<u>          </u>	<u>          </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 2018 amounted to £70,725 (2017: £15,103) 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 director's remuneration.

FAIRBAR LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018

6. Taxation	2018 £	2017 £
<b>Current tax</b>		
UK corporation tax	32,939	29,790
<b>Total current tax</b>	<u>32,939</u>	<u>29,790</u>
<b>Deferred tax:</b>		
Movement on potential chargeable gain	569,000	300,000
<b>Total deferred tax</b>	<u>569,000</u>	<u>300,000</u>
<b>Total tax on profit on ordinary activities</b>	<u>601,939</u>	<u>329,790</u>

Factors affecting the tax charge for the year.

The tax assessed for the year is lower than the standard rate of corporation tax in the UK 19% (2017: effective rate 19.25%). The differences are explained below:

	2018 £	2017 £
Profit before tax	3,521,361	1,847,782
Profit multiplied by the standard rate of corporation tax in the UK of 19% (2017: 19.25%)	<u>669,059</u>	<u>355,698</u>
Effects of:		
Amounts relating to change in tax rates	-	-
Non deductible expenses	-	-
Chargeable gain adjustments	-	-
Fair value gain on investment property	(636,120)	(325,908)
Deferred tax movement	569,000	300,000
Profit on sale of investment property	-	-
<b>Tax expense</b>	<u>601,939</u>	<u>329,790</u>

7. Investment properties

	<b>Freehold Reversionary Interests</b>	
	2018 £	2017 £
<b>Fair Value</b>		
As at 1 January	15,595,000	13,902,000
Fair value gain	3,348,000	1,693,000
<b>As at 31 December</b>	<u>18,943,000</u>	<u>15,595,000</u>

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

**7. Investment properties (Continued)**

The investment properties represent a portfolio of ground rents.

The valuation of the freehold reversionary interest investment properties of £18,943,000 at 31 December 2018 (2017: £15,595,000) has been adopted by the directors for the purposes of these financial statements.

The basis of the valuation of the investment properties was to project and discount the income streams generated by the portfolio over 50 years. The principal assumptions used in these valuations were:

Freehold Reversionary Interests	- Projection of discounted income generated by the portfolio over 50 years, together with an assessment of the residual value of the assets at the end of that 50 year term;
Long leaseholds	- Projection of discounted income streams generated by the portfolio over the remainder of the lease term;
Discount rate	- The discount rate applied is obtained from the Bank of England swap curve with a premium of 140 or 200 basis points added.
RPI basis for inflation assumptions	- Inflation data taken from publicly available sources;
Incidence rates for lease extensions and the price charged	- Projected according to historical incidence rates depending on the length of ownership and lease term remaining.
Taxation	- No allowance has been made for taxation in projecting the future revenue flow;

The assumption with the most significant impact on the valuation is the discount rate used. A 100 basis point increase or decrease in this rate reduces or increases the valuation by 28% and 39% respectively.

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

	Freehold reversionary interests	
	2018	2017
	£	£
Cost	157,147	157,147

**FAIRBAR LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2018**

**8. Debtors**

	<b>2018</b> <b>£</b>	<b>2017</b> <b>£</b>
Amount owed by group undertaking	4,012,368	3,839,073
Prepayments	66	-
	<u>4,012,434</u>	<u>3,839,073</u>

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

	<b>2018</b> <b>£</b>	<b>2017</b> <b>£</b>
Corporation tax	62,729	29,790
	<u>62,729</u>	<u>29,790</u>

**10. Provision for liabilities**

	<b>Deferred taxation £</b>
1 January 2018	2,600,000
Increase in provision in the year	569,000
31 December 2018	<u>3,169,000</u>

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

	<b>2018</b> <b>£</b>	<b>2017</b> <b>£</b>
Deferred tax on assets measured at fair value	<u>3,169,000</u>	<u>2,600,000</u>

**FAIRBAR LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2018**

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**11. Share capital and reserves**

**Share capital**

	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
Allotted, issued and fully paid:		
1 ordinary share of £1	1	1
	<u>1</u>	<u>1</u>

*Ordinary share rights*

The company's ordinary share, which carries no right to fixed income, carries 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. Ultimate parent company and ultimate controlling party**

The company's immediate parent company is Beech (No.1) Limited and ultimate holding company is Beech Head (No.1) Limited, both of which are domiciled and incorporated in England.

The ultimate controlling party is Mr V Tchenguiz.

**13. 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 £70,725 (2017: £15,103) were charged to the company in the year by Estates & Management Limited, a company related by virtue of common control and common directors.