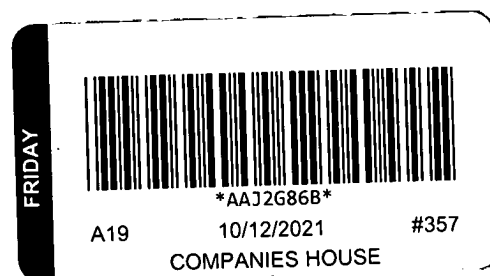


Company Registration No: 05698244

FAIRBAR LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020



FAIRBAR LIMITED

DIRECTORS AND OFFICERS

DIRECTORS

W K Procter
C C McGill
P A Hallam
M D Watson

SECRETARY

D Lau

REGISTERED OFFICE

Berkeley House
304 Regents Park Road
London
N3 2JX

FAIRBAR LIMITED

DIRECTORS' REPORT

The directors submit their report and the financial statements for the year ended 31 December 2020.

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 9.

The directors do not expect there to be significant future developments which could adversely impact the business however notice should be taken of the potential legislative changes disclosed in the critical accounting estimates and assumptions section of note 1.8.

Public pledge for leaseholders

In June 2019 a number of residential real estate developers and freeholders signed a government-backed public pledge in relation to leaseholders. This pledge is a crucial step towards positive change in the residential leasehold market and reflects our commitment to promoting good practice. The company's appointed agent, Estates & Management Limited, a company related by virtue of common control and directors, also signed this pledge.

The pledge sets out a number of principles which will assist existing and future leaseholders in ensuring the leasehold system is as fair and transparent as possible. It also includes undertakings to work with other freeholders and stakeholders to develop a comprehensive Code of Practice which establishes the responsibilities of freeholders and enshrines the highest standards for the management and maintenance of properties.

Investment properties

The investment properties have been valued by the directors at £23,404,000 (2019: £19,839,000). The resultant fair value gain in the year amounted to £3,565,044 (2019: £896,000). Details of the investment properties are set out in note 7.

Results and dividends

The profit for the year amounted to £2,967,305 (2019: £913,560). 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 2020:

W K Procter
C C McGill
P A Hallam
M D Watson (appointed 22 February 2021)

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

25 / 11 / 2021

FAIRBAR LIMITED**STATEMENT OF COMPREHENSIVE INCOME****FOR THE YEAR ENDED 31 DECEMBER 2020**

	Notes	2020 £	2019 £
Turnover	2	160,224	142,556
Administrative expenses		(82,735)	(34,660)
Profit on sale of investment property		505,214	1,820
Operating profit		<u>582,703</u>	<u>109,716</u>
Fair value gain on investment property	7	3,565,044	896,000
Interest receivable and similar income	3	58,360	73,780
Profit on before taxation	4	<u>4,206,107</u>	<u>1,079,496</u>
Taxation	6	(1,238,802)	(165,936)
Profit on after taxation		<u>2,967,305</u>	<u>913,560</u>
Total comprehensive income for the year		<u><u>2,967,305</u></u>	<u><u>913,560</u></u>

FAIRBAR LIMITED**STATEMENT OF FINANCIAL POSITION (Company Registration Number: 05698244)****AT 31 DECEMBER 2020**

	Notes	2020 £	2019 £
Fixed assets			
Investment properties	7	23,404,000	19,839,000
Current assets			
Debtors	8	4,774,307	4,133,200
Creditors: amounts falling due within one year	9	(156,738)	(34,936)
Net current assets		4,617,569	4,098,264
Total assets less current liabilities		28,021,569	23,937,264
Provisions for liabilities	10	(4,417,000)	(3,300,000)
Net assets		23,604,569	20,637,264
Capital and reserves			
Called up share capital	11	1	1
Profit and loss account		23,604,568	20,637,263
Total equity		23,604,569	20,637,264

For the year ending 31 December 2020 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 25/11/2021 and are signed on its behalf by:



P A Hallam
Director

FAIRBAR LIMITED**STATEMENT OF CHANGES IN EQUITY****FOR THE YEAR ENDED 31 DECEMBER 2020**

	Share capital £	Profit and loss account £	Total £
Balance at 1 January 2019	1	19,723,704	19,723,705
Profit for the year	-	913,560	913,560
Balance at 31 December 2019	<u>1</u>	<u>20,637,263</u>	<u>20,637,264</u>
Profit for the year	-	2,967,305	2,967,305
Balance at 31 December 2020	<u>1</u>	<u>23,604,568</u>	<u>23,604,569</u>

FAIRBAR LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

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.

FAIRBAR LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

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 properties and are initially measured at cost and subsequently measured at fair value where a reliable measure of fair value is available. Changes in fair value are recognised in the statement of comprehensive income.

These assets represent interests held in the freehold land on which third party developers have built and sold long leasehold properties. These assets generate income in the form of ancillary income streams.

Recognising the nature of these investment properties and the lack of a regular market for significant portfolios of such assets, the directors are of the opinion that the best approximation to fair value for these properties is provided by a discounted cash flow 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 lack of a regular market for significant portfolios of such assets, that these fair values may not be realised should the company seek to dispose of any or all of the investment properties.

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.

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

In preparing these financial statements, the directors have made 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 fair value of the investment properties. However, the valuation of the group's investment properties is inherently subjective, as it is made on the basis of valuation assumptions which may in future prove not to be accurate, the risk of which is heightened due to the potential legislative changes and regulatory activity noted below.

The Government, through the Department for Communities and Local Government, now known as the Department for Levelling Up, Housing and Communities (DLHC), the Competition and Markets Authority (CMA) and the Law Commission, has undertaken a series of consultations on and reviews of the residential property market with a focus on the legal framework surrounding the freehold and leasehold classes of property interests. In January 2021, an announcement was released by the DLHC on a number of proposed changes to the law governing leasehold enfranchisement. These proposals, which have not yet been enacted but some of which are included in the Leasehold Reform (Ground Rent) Bill published on 11 June 2021, include changes to the rights of leaseholders in relation to leasehold extensions and freehold purchases as well as changes to the manner in which ground rent would subsequently be determined. The implementation of legislative changes arising from these reforms could materially reduce the level of income generated by the portfolio of investment properties.

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, if introduced in total, would be very damaging to the residential property market and against the interests of consumers and other property owners. The directors have engaged actively in the consultations and with other stakeholders and interested parties in order to convey the group's opposition to the current proposals. Public announcements by government and in the Law Commission's report have recognised that any proposals to make wholesale reforms retrospectively pose real problems with respect to the contravention of human rights legislation. As such the impact of reforms is likely to be greatest for future leases and not those already in existence.

The Competition and Markets Authority (CMA) is reviewing potential breaches of consumer protection law in the leasehold market. This review is ongoing and covers developers and investment firms, including the group. The group is cooperating with the CMA. On 19 March 2021 the CMA issued consultation letters to two developers outlining the CMA's specific concerns about the terms that double ground rents every 10 or 15 years. The CMA has also written to the group setting out its concerns and requesting it to remove doubling ground rent terms from its contracts. The group has been given the opportunity to respond to the CMA. The group is already working with leaseholders to vary such lease terms to RPI based review calculations. A significant number of such leases across the group have already been varied in this way.

An intrinsic element of the long-term forecasts is the continuing rental income and lease extension premiums generated by the property assets held by these subsidiaries. The potential legislative changes and regulatory activity raised above may affect these forecasts to the extent that the underlying assumption is no longer valid.

However, the likelihood of the changes, as proposed in their current form, coming into effect is believed to be low and the financial consequences of any changes are too uncertain to enable the directors to reasonably estimate the impact of such changes on their forecasts. It is assumed that the current methodology continues to reasonably approximate a fair value of these assets.

Further 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 2020**

2. Turnover

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

	2020 £	2019 £
Other income	160,224	142,556
	<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

	2020 £	2019 £
Interest on parent company loan	58,360	73,780
	<u> </u>	<u> </u>

4. Profit on ordinary activities before taxation

	2020 £	2019 £
The profit on ordinary activities before taxation is stated after charging:		
- Management fee	82,382	34,218
	<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 2020 amounted to £82,382 (2019: £34,218) 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 2020

6. Taxation	2020	2019
	£	£
Current tax		
UK corporation tax	121,802	34,936
Total current tax	<u>121,802</u>	<u>34,936</u>
Deferred tax:		
Movement on potential chargeable gain	1,117,000	131,000
Total deferred tax	<u>1,117,000</u>	<u>131,000</u>
Total tax on profit on ordinary activities	<u>1,238,802</u>	<u>165,936</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% (2019: effective rate 19%). The differences are explained below:

	2020	2019
	£	£
Profit before tax	4,206,107	1,079,871
Profit multiplied by the standard rate of corporation tax in the UK of 19% (2019: 19%)	<u>799,160</u>	<u>205,175</u>
Effects of:		
Fair value gain on investment property	(677,358)	(170,240)
Deferred tax movement	1,117,000	131,000
Tax expense	<u>1,238,802</u>	<u>165,935</u>

7. Investment properties

	Freehold Reversionary Interests	
	2020	2019
	£	£
Fair Value		
As at 1 January	19,839,000	18,943,000
Disposals	(44)	-
Fair value gain	3,565,044	896,000
As at 31 December	<u>23,404,000</u>	<u>19,839,000</u>

7. Investment properties (Continued)

The investment properties represent a portfolio of ground rents.

The valuation of the freehold reversionary interest investment properties of £20,485,956 at 31 December 2020 (2019: £19,839,000) 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 19% and 25% respectively.

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

	Freehold reversionary interests	
	2020	2019
	£	£
Cost	157,147	157,147

FAIRBAR LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

8. Debtors

	2020 £	2019 £
Amount owed by group undertaking	4,760,621	4,133,200
Prepayments	13,686	-
	<u>4,774,307</u>	<u>4,133,200</u>

9. Creditors: amounts falling due within one year

	2020 £	2019 £
Corporation tax	156,738	34,936
	<u>156,738</u>	<u>34,936</u>

10. Provision for liabilities

	Deferred taxation £
1 January 2020	3,300,000
Increase in provision in the year	1,117,000
31 December 2020	<u>4,417,000</u>

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

	2020 £	2019 £
Deferred tax on assets measured at fair value	<u>4,417,000</u>	<u>3,300,000</u>

FAIRBAR LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

11. Share capital and reserves

Share capital

	2020	2019
	£	£
Allotted, issued and fully paid:		
1 ordinary share of £1	1	1
	<u> </u>	<u> </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 £82,382 (2019: £34,218) were charged to the company in the year by Estates & Management Limited, a company related by virtue of common directors.

FAIRBAR LIMITED**DETAILED PROFIT AND LOSS ACCOUNT****FOR THE YEAR ENDED 31 DECEMBER 2020**

	2020 £	2019 £
Turnover		
Administration fees	2,110	15,615
Insurance commission	1,328	14,417
Lease extensions	156,786	112,524
	<u>160,224</u>	<u>142,556</u>
Administration costs		
Management charge	(82,382)	(34,218)
Companies house late filing penalty	-	(375)
Maintenance	(353)	-
Insurance	-	(66)
	<u>(82,735)</u>	<u>(34,659)</u>
Profit on sale of investment property	505,214	1,820
Operating profit	<u>582,703</u>	<u>109,716</u>
Fair value on investment property and financial instruments		
Fair value gain on investment property	3,565,044	896,000
Interest receivable and similar income		
Interest on parent company loan	58,360	73,780
Profit on ordinary activities before taxation	<u><u>4,206,107</u></u>	<u><u>1,079,496</u></u>

This page does not form part of the statutory financial statements.