

FAIRTHATCH GR LIMITED
ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016



Company No: 08447905

FAIRTHATCH GR LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2016

The directors present their report together with the audited financial statements of Fairthatch GR Limited (the "Company") for the year ended 31 December 2016.

This report has been prepared in accordance with the special provisions relating to small companies within Part 15 of the Companies Act 2006. As such, the Company has taken advantage of the exemption not to produce a strategic report.

Incorporation and activity in the year

The Company was formed on 15 March 2013 and commenced operations on this date. The Company's UK registration number is 08447905.

The Company has entered into a Purchase Pipeline and Funding Agreement with the John Lewis Partnership Pension Trust ('JLPPT'). This agreement grants JLPPT the rights to any dividend, monies due or assets paid or distributed in relation to the Company's issued share capital. The consideration provided was a payment of £1. Under the terms of the agreement the seller would sell the shares on the condition that the Company has acquired sufficient number of the approved properties, at any time on or after the second anniversary of the date of the agreement, such that the Company is entitled to receive 90% of ground rent generated by the total approved properties. If this condition has not been met the seller would also sell the shares if JLPPT notifies the seller in writing that it wishes to purchase the shares provided that there is no issue of default under the Pipeline Purchase agreement and Funding Agreement. In the event of a default JLPPT can inform the seller in writing that it wishes to purchase either the shares of the Company or the approved properties owned by the Company at that time, subject to tenant rights to acquire the properties. The acquisition price of the approved properties is specified under the agreement.

Principal activities

The principal activity of the Company continues to be that of property investment.

Results and Dividends

The results for the year are set out on page 5. The loss for the year was £6,430 (2015: loss of £130). The directors do not recommend the payment of a dividend (2015: £nil).

Directors

The directors of the Company who were in office during the year and up to the date of signing the financial statements were as follows:

W.K. Procter
C.C. McGill

Secretary

The secretary who served during the year and up to the date of signing the financial statements was as follows:

P. Hallam

Independent auditors

BDO Limited has indicated its willingness to be reappointed as the Company's auditor for another term and is deemed to be reappointed accordingly.

FAIRTHATCH GR LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

Registered Office

Molteno House
302 Regents Park Road
London
N3 2JX
United Kingdom

Directors Indemnity

As permitted by the Articles of Association, the directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial period and is currently in force. The Company also purchased and maintained throughout the financial period directors' and officers' liability insurance in respect of itself and its directors.

Going concern basis

The Company's total current liabilities exceeded its total current assets by £4,975,431 (2015: £4,276,657) at the Balance Sheet date. Although the Company has a net current liabilities position at the Balance Sheet date, the financial statements have been prepared on a going concern basis as the ultimate controlling party has agreed to provide financial support to meet its liabilities as and when they fall due.

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 period. Under that law the directors have prepared the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 The Financial Reporting Standard Applicable in the UK and Republic of Ireland, Section 1A Small Entities ('FRS 102').

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 these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, including FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 102 used in the preparation of financial statements; and
- 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.

FAIRTHATCH GR LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

Disclosure of information to Auditors

In accordance with Section 418, directors' reports shall include a statement, in the case of each director in office at the date the directors' report is approved, that:

- (a) so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware.
- (b) the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

By order of the board



Director

Date: 31 March 2017

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FAIRTHATCH GR LIMITED

We have audited the financial statements of Fairthatch GR Limited for the year ended 31 December 2016 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 19. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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.

Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2016 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

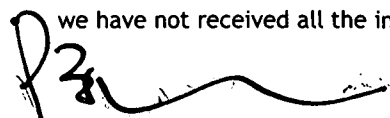
In our opinion the information given in directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

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



Philip Braun (senior statutory auditor)
For and on behalf of BDO Limited, statutory auditor
Jersey, Channel Islands
31 March 2017

FAIRTHATCH GR LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	Year ended 31 December 2016 £	Year ended 31 December 2015 £
Turnover	5	599,169	462,319
Administration expenses	6	(195,693)	(63,512)
Operating profit	7	403,476	398,807
Loss on revaluation of investment properties	11	(144,735)	(325,340)
Profit on ordinary activities before interest and taxation		258,741	73,467
Interest receivable and similar income	8	1,701	642
Interest payable and similar charges	8	(380,374)	(317,581)
Net interest expense	8	(378,673)	(316,939)
Loss on ordinary activities before taxation		(119,932)	(243,472)
Tax on ordinary activities	10	113,502	243,342
Loss for the financial year		(6,430)	(130)
Other comprehensive income for the year:		-	-
Total comprehensive deficit for the year		(6,430)	(130)

The notes on pages 8 to 18 form an integral part of these financial statements.

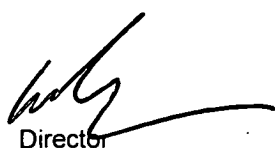
FAIRTHATCH GR LIMITED

BALANCE SHEET (Company Registration Number: 08447905)

AT 31 DECEMBER 2016

	Notes	31 December 2016 £	31 December 2015 £
Fixed assets			
Investment properties	11	17,221,062	15,485,000
Current assets			
Cash in hand and at bank		142,249	115,243
Debtors	12	473,648	326,483
		615,897	441,726
Creditors: amounts falling due within one year	13	(5,591,328)	(4,718,383)
Net current liabilities		(4,975,431)	(4,276,657)
Total assets less current liabilities		12,245,631	11,208,343
Creditors: amounts falling due after more than one year	14	(7,916,342)	(6,754,162)
Provision for other liabilities	15	(633,356)	(751,818)
Net assets		3,695,933	3,702,363
Capital and reserves			
Called-up share capital	16	100	100
Retained earnings		3,695,833	3,702,263
Total equity		3,695,933	3,702,363

The financial statements on pages 5 to 18 were approved and authorised for issue by the board of directors on 31 March 2017 and were signed on its behalf by:


Director

The notes on pages 8 to 18 form an integral part of these financial statements.

FAIRTHATCH GR LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2016

	Called-up Share capital £	Retained earnings £	Total £
Balance as at 1 January 2015	100	3,702,393	3,702,493
Loss for the year	-	(130)	(130)
Other comprehensive income for the year	-	-	-
Total comprehensive loss for the year	-	(130)	(130)
 Balance as at 31 December 2015	 100	 3,702,263	 3,702,363
Loss for the year	-	(6,430)	(6,430)
Other comprehensive income for the year	-	-	-
Total comprehensive deficit for the year	-	(6,430)	(6,430)
 Balance as at 31 December 2016	 100	 3,695,833	 3,695,933

The notes on pages 8 to 18 form an integral part of these financial statements.

FAIRTHATCH GR LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

NOTES TO THE FINANCIAL STATEMENTS

1. General information

Fairthatch GR Limited (the "Company") operates in the United Kingdom. The Company is in the business of property investment.

The Company is a private company limited by shares and is incorporated and domiciled in England. The address of its registered office is Molteno House, 302 Regents Park Road, London.

2. Statement of compliance

The individual financial statements of Fairthatch GR Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland", Section 1A Small Entities, ("FRS 102") and the Companies Act 2006.

3. Summary of significant accounting policies which have been consistently applied

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied across the years presented, unless otherwise stated. The Company has adopted FRS 102 in these financial statements.

(a) Basis of preparation

These financial statements are prepared on a going concern basis, under the historical cost convention, as modified by the revaluation of land and buildings and certain financial assets and liabilities, measured at fair value through profit and loss.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

(b) Going concern basis

The Company's total current liabilities exceeded its total current assets by £4,975,431 (2015: £4,276,657) at the Balance Sheet date. Although the Company has a net current liabilities position at the Balance Sheet date, the financial statements have been prepared on a going concern basis as the ultimate controlling party has agreed to provide financial support to meet its liabilities as and when they fall due.

(c) Exemptions for qualifying entities under FRS 102

FRS 102 allows a qualifying entity certain disclosure exemptions. As a qualifying entity, the Company has taken advantage of the following exemptions, under FRS 102:

- the requirement to prepare a Statement of Cash Flows,
- the requirement to prepare a Strategic Report.

(d) Turnover

Turnover is in relation to long term contracts which comprises rent receivable and other operating income arising from investment properties.

Rental income from operating leases is net of sales taxes and VAT and is accounted for on an accruals basis.

(e) Administration costs

Administration expenses are recognised on an accruals basis.

(f) Interest payable / receivable and similar charges / income

Interest payable / receivable are recognised on an accruals basis.

3. Summary of significant accounting policies which have been consistently applied (continued)

(g) Taxation

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the Statement of Comprehensive Income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, tax is also recognised in other comprehensive income or directly in equity respectively.

Current or deferred taxation assets and liabilities are not discounted.

Current tax

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

The Company is subject to UK corporation tax at the main rate of 20% (2015: 20.25%).

Current tax is provided at amounts expected to be paid (or recovered) using the United Kingdom's tax rates and laws that have been enacted, or substantively enacted, by the balance sheet date.

Deferred tax

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements.

Deferred tax is recognised on all timing differences at the reporting date except for certain exceptions. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

(h) Investment Properties

The Company's holdings of Freehold reversionary interests and long leasehold interests are classified as Investment Properties and accounted for in accordance with FRS 102.

These assets, as their name implies, represent interests held in the freehold land on which other 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 and other ancillary income streams.

The Company has entered into a Purchase Pipeline and Funding Agreement with the John Lewis Partnership Pension Trust ('JLPPT'). This agreement grants JLPPT the rights to any dividend, monies due or assets paid or distributed in relation to the Company's issued share capital. The consideration provided was a payment of £1.

Under the terms of the agreement the seller would sell the shares on the condition that the Company has acquired a sufficient number of the approved properties, at any time on or after the second anniversary of the date of the agreement, such that the Company is entitled to receive 90% of ground rent generated by the total approved properties.

3. Summary of significant accounting policies which have been consistently applied (continued)

(h) Investment Properties (continued)

If this condition has not been met the seller would also sell the shares if JLPPT notifies the seller in writing that it wishes to purchase the shares provided that there is no issue of default under the Pipeline Purchase agreement and Funding Agreement. In the event of a default JLPPT can inform the seller in writing that it wishes to purchase either the shares of the Company or the approved properties owned by the Company at that time, subject to tenant rights to acquire the properties. The acquisition price of the approved properties is specified under the agreement.

The valuation of the entire portfolio was based on market value and was undertaken by approved external valuers in accordance with the Royal Institute of Chartered Surveyors (RICS) Valuation – Professional Standards (January 2014) (the “Red Book”). Any surplus or deficit identified over the cost of the asset is accounted for through the Statement of Comprehensive Income.

No depreciation or amortisation was provided in respect of investment properties.

(i) Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in Statement of Comprehensive Income in the year in which they are incurred.

(j) Impairment of non-financial assets

At each balance sheet date, non-financial assets not carried at fair value are assessed to determine whether there is an indication that the asset may be impaired. If an asset does not generate its own independent cashflows, impairment is assessed on the basis of the smallest cash generating unit which does. If there is such an indication the recoverable amount of the asset is compared to the carrying amount of the asset.

The recoverable amount of the asset is the higher of the fair value less costs to sell and value in use. Value in use is defined as the present value of the future cash flows before interest and tax obtainable as a result of the asset's continued use. These cash flows are discounted using a pre-tax discount rate that represents the current market risk-free rate and the risks inherent in the asset.

If the recoverable amount of the asset is estimated to be lower than the carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognised in the Statement of Comprehensive Income unless the asset has been revalued when the amount is recognised in other comprehensive income to the extent of any previously recognised revaluation. Thereafter any excess is recognised in the Statement of Comprehensive Income.

If an impairment loss is subsequently reversed the carrying amount of the asset is increased to the revised estimate of the recoverable amount, but only to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised in prior periods. A reversal of an impairment loss is recognised in the Statement of Comprehensive Income.

(k) Debtors

Debtors are stated at cost less any impairment provision for doubtful debts.

3. Summary of significant accounting policies which have been consistently applied (continued)

(l) Cash and cash equivalents

Cash and cash equivalents include cash in hand and deposits held at call with banks. Cash held and managed with company agents are disclosed separately within debtors.

(m) Deferred income

Deferred income relates to rent billed in advance. Rental income is recognised or released in the Statement of Comprehensive Income in the period in which the rental income becomes due.

(n) Financial instruments

The Company has chosen to adopt Section 11 of FRS 102 in respect of financial instruments.

Financial assets

Basic financial assets, including trade and other receivables, cash and bank balances are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period, financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in the Statement of Comprehensive Income.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not been previously recognised. The impairment reversal is recognised in the Statement of Comprehensive Income.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

Financial liabilities

Basic financial liabilities, including trade and other payables, loans from fellow group companies are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest. Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are initially recognised at transaction price and subsequently measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

FAIRTHATCH GR LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. Summary of significant accounting policies which have been consistently applied (continued)

(o) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(p) Related party transactions

The Company discloses transactions with related parties which are not wholly owned with the same group. It does not disclose transactions with members of the same group that are wholly owned.

4. Critical accounting judgements and estimation uncertainty

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 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 addressed below.

(a) Impairment of debtors

The Company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the current credit rating of the debtor, the ageing profile of debtors and historical experience. See note 12 for the net carrying amount of the debtors and associated impairment provision.

(b) Valuation of Investment Properties

The John Lewis Partnership Pension Trust has engaged CBRE Limited to carry out independent valuations of the property interests. The valuations are carried out each quarter on an open market basis and in accordance with the Royal Institute of Chartered Surveyors (RICS) Valuation – Professional Standards (January 2014) (the “Red Book”). In determining the valuation, CBRE Limited have made certain assumptions. Please see note 11 for details of these assumptions.

5. Turnover

	Year ended 31 December 2016 £	Year ended 31 December 2015 £
Rent receivable	461,696	385,836
Other income	137,473	76,483
	<u>599,169</u>	<u>462,319</u>

FAIRTHATCH GR LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. Administration expenses

	Year ended 31 December 2016 £	Year ended 31 December 2015 £
Audit fees	12,750	11,975
Accountancy fees	4,650	5,000
Asset management charge	62,289	56,652
Management charge	105,808	57,025
Bank charges	87	-
Professional fees	-	(63,353)
Sundry expenses	-	(13,723)
Valuation expenses	10,109	9,936
	<u>195,693</u>	<u>63,512</u>

7. Operating profit

	Year ended 31 December 2016 £	Year ended 31 December 2015 £
Operating profit is stated after charging:		
Auditor's remuneration	12,750	11,975
Management charge	<u>105,808</u>	<u>57,025</u>

8. Net interest expense

	Year ended 31 December 2016 £	Year ended 31 December 2015 £
(a) Interest receivable and similar income		
Interest receivable	<u>1,701</u>	<u>642</u>
Total interest receivable and similar income	<u>1,701</u>	<u>642</u>
(b) Interest payable and similar charges		
Interest payable on Group loans	<u>(380,374)</u>	<u>(317,581)</u>
Total interest payable and similar charges	<u>(380,374)</u>	<u>(317,581)</u>
(c) Net interest expense		
Interest receivable and similar income	1,701	642
Interest payable and similar charges	<u>(380,374)</u>	<u>(317,581)</u>
Net interest expense	<u>(378,673)</u>	<u>(316,939)</u>

9. Employees and directors

There were no employees during the year.

The company directors did not receive any remuneration during the year.

FAIRTHATCH GR LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. Taxation

The tax currently payable is based on the taxable profit for the year. Taxable profit differs from profit before tax as reported in the Statement of Comprehensive Income because of items of income or expense that are taxable or deductible in other years or items that are never taxable or deductible. Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

The Company is subject to UK Corporation Tax at the main rate of 20% for the year ended 31 December 2016 (20.25% 31 December 2015).

In calculating deferred tax in respect of the revaluation surplus of the investment properties, the directors have applied a tax rate of 17%, which has been enacted and takes effect from 1 April 2020. It is the directors' belief that the investment properties will not be disposed of until after this date.

Tax expense included in the Statement of Comprehensive Income	Year ended 31 December 2016 £	Year ended 31 December 2015 £
Current tax:		
UK corporation tax on profit for the year	4,960	587
Adjustment in respect of prior periods	-	163
Total current tax	4,960	750
Deferred tax:		
Origination and reversal of timing differences	(76,694)	(81,967)
Effect of decreased tax rate on opening liability	(41,768)	(162,125)
Total deferred tax	(118,462)	(244,092)
Tax on profit on ordinary activities	(113,502)	(243,342)
Tax assessed on the profit on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 20% (2015: 20.25%). The differences are reconciled below:		
Reconciliation of tax charge		
Loss on ordinary activities before tax	(119,932)	(243,472)
Loss multiplied by the standard rate of corporation tax in the UK of 20% (2015: 20.25%)	(23,986)	(49,303)
Effects of:		
Losses utilised from prior periods	-	(16,578)
Losses available to carry forward or to surrender as group relief	-	-
Change in tax rate	(41,767)	(151,880)
Indexation on capital gains	(47,749)	(25,581)
Tax charge for the year	(113,502)	(243,342)

FAIRTHATCH GR LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11. Investment properties

Freehold / Long leasehold interests	Year ended 31 December 2016 £	Year ended 31 December 2015 £
Cost		
As at 1 January	11,031,085	9,074,085
Additions in the year	1,880,797	1,957,000
As at 31 December	12,911,882	11,031,085
Valuation		
As at 1 January	15,485,000	13,853,340
Additions in the year	1,880,797	1,957,000
Revaluation deficit	(144,735)	(325,340)
As at 31 December	17,221,062	15,485,000

In accordance with a Purchase Pipeline and Funding Agreement dated 22 May 2013, a total of 89 development schemes, some 2,922 units have been identified as Approved Properties for purchase by the Company. Acquisition costs incurred on investments purchased during the year was £146,199 (2015: £138,648).

Under the same document, the John Lewis Partnership Pension Trust acting as sole lender to the Company is only obliged to fund the purchase of an Approved Property if certain documentation and notices have been issued in a satisfactory form to them.

At the balance sheet date, the Company held a portfolio of freehold / leasehold interests for 2,112 (2015: 1,823) units, which are all subject to long leases. The units are spread across England and Wales in a total of 62 (2015: 48) schemes, or phases of schemes with the majority of units being situated in a modern purpose built blocks of apartments or new housing estates.

The portfolio is a mixture of apartments and houses, with a small number of commercial properties, car parking spaces, retail and leisure accommodation.

Freehold and long leasehold interests are valued in accordance with Company policies set out in the principal accounting policies. The John Lewis Partnership Pension Trust has engaged CBRE Limited to carry out independent valuations of the property interests. The valuations are carried out each quarter on an open market basis and in accordance with the Royal Institute of Chartered Surveyors (RICS) Valuation – Professional Standards (January 2014) (the "Red Book"), and determined the value as £17,221,062 (31 December 2015: £15,485,000).

In determining the valuation, CBRE Limited have made the following assumptions:

- the valuation represents the amount that would appear in a hypothetical contract of sale at the valuation date. No adjustment has been made for any expenses of acquisition or realisation.
- without information to the contrary, the properties are assumed to be in good structural order, free from any contamination or environmental risk and any restrictive planning and legal covenants.

FAIRTHATCH GR LIMITED**FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****12. Debtors**

	31 December 2016 £	31 December 2015 £
Trade debtors	18,736	36,802
Funds held with asset manager	177,870	87,814
Funds held with property manager	271,693	193,874
Funds held with lawyers	5,349	7,993
	<u>473,648</u>	<u>326,483</u>

The funds held with the asset manager represents all receipts of rental and other property income, which has been collected, cleared and distributed by the property manager.

Trade debtors are stated after provisions for impairment of £nil (2015: £nil).

13. Creditors: amounts falling due within one year

	31 December 2016 £	31 December 2015 £
Trade creditors	262,610	196,098
Accruals and deferred income	161,161	182,626
Interest payable	199,266	84,659
Amounts due to John Lewis Partnership Pension Trust	<u>4,968,291</u>	<u>4,255,000</u>
	<u>5,591,328</u>	<u>4,718,383</u>

In accordance with the Purchase Pipeline and Funding Agreement dated 22 May 2013, the John Lewis Partnership Pension Trust has agreed to provide a debt facility to the Company, in order for the Company to acquire the pipeline properties.

Under the terms of the agreement, the Company is permitted to draw from the unsecured non-interest bearing element of the Facility, for the term of 10 years.

FAIRTHATCH GR LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

	31 December 2016 £	31 December 2015 £
Amounts falling due after more than five years		
Amounts due to John Lewis Partnership Pension Trust	<u>7,916,342</u>	<u>6,754,162</u>

In accordance with the Purchase Pipeline and Funding Agreement dated 22 May 2013, the John Lewis Partnership Pension Trust has agreed to provide a debt facility to the Company, in order for the Company to acquire the pipeline properties.

Under the terms of the agreement, the Company is permitted to draw from the Facility, both interest and non-interest bearing loan tranches, for the term of 10 years. The interest bearing tranche carries a fixed rate of 5.11% per annum, and is accrued on a 365 day basis.

15. Provision for other liabilities

The Company had the following provisions during the year.

	31 December 2016 £	31 December 2015 £
Deferred Tax		
Revaluation of investment properties	<u>633,356</u>	<u>751,818</u>
As at 1 January	751,818	995,910
Deferred tax credit in the Statement of Comprehensive Income	<u>(118,462)</u>	<u>(244,092)</u>
As at 31 December	<u>633,356</u>	<u>751,818</u>

16. Share capital

Ordinary shares of £1 each

	No.	£
Allotted and fully paid		
As at 1 January	<u>100</u>	<u>100</u>
As at 31 December	<u>100</u>	<u>100</u>

There is a single class of ordinary shares. There are no restrictions on the distribution of dividends and the repayment of capital.

17. Related party transactions

During the year the Company incurred management charges totalling £62,289 (2015: £56,652) in respect of asset management services provided by PGIM Limited, a related party by virtue of common directors.

Non-interest bearing loans to John Lewis Partnership Pension Trust, the ultimate controlling party, have been disclosed in note 13.

FAIRTHATCH GR LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

18. Controlling parties

The Company's ultimate controlling party is the John Lewis Partnership Pension Trust (an unlimited company), acting as Trustee of the John Lewis Partnership Trust for Pensions, resulting from its ability to receive all the economic benefit from the investment properties, and also its ability to control the financial and operating activities of the Company.

19. Subsequent events

In the Directors' opinions, there were no significant events that occurred after the end of the reporting period.