Company Registration No: 08447905

FAIRTHATCH GR LIMITED

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

FAIRTHATCH GR LIMITED

DIRECTORS AND OFFICERS

DIRECTORS

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

SECRETARY

D T Lau

REGISTERED OFFICE

Berkeley House
304 Regents Park Road
London
N3 2JX

AUDITOR

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

DIRECTORS' REPORT

The directors present their report together with the audited financial statements for the year ended 31 December 2020.

Principal Activity

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

Results and dividends

The statement of comprehensive income is set out on page 8 and shows the results for the year. The Company's profit for the year amounted to £46,378,362 (2019: £119,699,075). The directors do not recommend the payment of a dividend for the current year and no dividend was paid in the prior year.

Business review and future developments

The directors are satisfied with the financial position of the Company at the year end.

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 1.9.

Investment properties

The group's investment properties have been valued at £211,351,493 (2019: £154,923,940). The resultant fair value gain in the period amounted to £58,433,553 (2019: £144,659,940). Details of the investment properties are set out in note 7.

Public pledge for leaseholders

In June 2019 a number of residential real estate developers and freeholders, including the group, of which the Company is a member, 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.

Directors

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

P A Hallam
W K Procter
C C McGill
M D Watson (appointed 22nd 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.

Statement as to disclosure of information to auditor

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

Insurance of Officers

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

Auditor

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

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

On behalf of the Board:

P A Hallam
Director
27/9/ 2021

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

Opinion

We have audited the financial statements of Fairthatch GR Limited for the year ended 31 December 2020 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2020 and of the profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Emphasis of matter – Valuation of investment properties

We draw attention to the disclosures made in the accounting policies on page 12 and in note 7 to the financial statements concerning the fair values of the Company's investment properties which are valued on an actuarial basis. The investment properties totalling £211.4m (2019: £154.9m) included in the financial statements at 31 December 2020 were valued by the directors, having regard to a 31 December 2019 valuation and sensitivity analysis performed by the independent actuaries, and market changes in the intervening period. As indicated in the notes, considerable volatility exists in these valuations as demonstrated by the increase in valuation of £58.4m in the current year when compared to the valuation at 31 December 2019 and as detailed in note 7 where the impact of changes in the underlying assumptions are detailed. We also draw attention to the disclosures in note 16, Contingent Liabilities, which details matters that could impact these valuations and create additional liabilities in the future. The ultimate outcome of these matters cannot presently be determined, and no provision for any liability that may result has been made in the financial statements. Our opinion is not modified in respect of this matter.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

- adequate accounting records have not been kept, 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.
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report or in preparing the directors' report.

Responsibilities of directors

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

The extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the audit engagement team:

- obtained an understanding of the nature of the industry and sector, including the legal and regulatory framework that the Company operates in and how the Company is complying with the legal and regulatory framework;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud

As a result of these procedures we consider the most significant laws and regulations that have a direct impact on the financial statements are FRS 102, the Companies Act 2006, tax compliance regulations and property laws and regulations. We performed audit procedures to detect non-compliances which may have a material impact on the financial statements which included reviewing financial statement disclosures, evaluating advice received from tax advisors and reviewing client information with respect to ongoing legal matters and reviewing and monitoring government releases regarding leasehold reforms. Potential changes to property laws and regulations and their impact on these financial statements are further discussed in the accounting policies on pages 14 and 15.

The audit engagement team identified the risk of management override of controls as the area where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed included but were not limited to testing manual journal entries and other adjustments and evaluating the business rationale in relation to significant, unusual transactions and transactions entered into outside the normal course of business.

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

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

Use of our report

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

RSM UK Audit LLP

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

27th September 2021

FAIRTHATCH GR LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 £	2019 £
Turnover	2	2,261,907	4,244,609
Administrative expenses		(159,020)	(329,587)
Operating profit		2,102,887	3,915,022
Fair value gain on investment properties	7	58,433,553	144,659,940
Interest payable and similar expenses	3	(216,078)	(5,248,861)
Profit before taxation	4	60,320,362	143,326,101
Taxation	6	(13,942,000)	(23,627,026)
Profit for the financial year		46,378,362	119,699,075

FAIRTHATCH GR LIMITED

STATEMENT OF FINANCIAL POSITION (Company Registration Number: 08447905)

AT 31 DECEMBER 2020

	Notes	2020 £	2019 £
Fixed assets			
Investment properties	7	211,351,493	154,923,940
Current assets			
Debtors	8	157,306	238,109
Creditors: amounts falling due within one year	9	(372,327)	(5,374,721)
Net current liabilities		(215,021)	(5,136,612)
Total assets less current liabilities		211,136,472	149,787,328
Creditors: amounts falling due in more than one year	10	(1,028,782)	-
Provisions for liabilities	11	(38,076,000)	(24,134,000)
Net assets		172,031,690	125,653,328
Capital and reserves			
Called up share capital	12	100	100
Profit and loss account		172,031,590	125,653,228
Total equity		172,031,690	125,653,328

The financial statements on pages 8 to 21 were approved by the board of directors and authorised for issue on 27/9/2021 and are signed on its behalf by:

P A Hallam

P A Hallam
Director

FAIRTHATCH GR LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2020

	Share capital £	Capital contribution £	Profit and loss account £	Total £
Balance at 1 January 2019	100	1,779,901	5,267,066	7,047,067
Profit and total comprehensive income for the year	-	-	119,699,075	119,699,075
Unwinding of capital contribution	-	(1,092,814)	-	(1,092,814)
Reserve transfer	-	(687,087)	687,087	-
Balance at 31 December 2019	100	-	125,653,228	125,653,328
Profit and total comprehensive income for the year	-	-	46,378,362	46,378,362
Balance at 31 December 2020	100	-	172,031,590	172,031,690

1. Accounting policies

Company information

Fairthatch GR Limited ("the Company") is a private company limited by shares, domiciled and incorporated in England. The address of the Company's registered office and principal place of business is 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, including the provisions of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, and under the historical cost convention as modified to include investment properties at fair value.

1.2 Company 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 33 'Related Party Disclosures' – Compensation for key management personnel.

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

1.3 Going concern

In preparing the accounts on the going concern basis the directors have given consideration to the Company's result for the year and the Company's net asset position.

The directors have taken into account the potential legislative changes disclosed in the critical accounting estimates and assumptions section of note 1.9 and believe that the Company is expected to have adequate financial resources to continue as a going concern for a period of one year from the date of signing the financial statements. This is on the grounds that the loan facility drawn down in 2019 by the company's parent company, Vega GR Limited, is a 61 year fully amortising facility and there are reserves in place to ensure that the necessary liquidity is retained in the structure so that funds are available to meet debt service liabilities as they fall due for the upcoming 53 week period.

1.4 Functional and presentational currencies

The financial statements are presented in Sterling, which is also the functional currency of the Company.

1.5 Turnover

Turnover comprises rent receivable and other income arising from investment properties. Deed of variation fee income is recognised at the point that the underlying leases are varied.

Rental income is recognised in accordance with the terms of the lease. Inflationary uplifts to rental income are recognised when received. Non-inflationary uplifts are also recognised when received as the directors are of the opinion that to recognise the impact of those uplifts on a straight line basis over such long term leases (up to 999 years) would not give a true and fair view as the period between recognition and actual collection would be of sufficient length to cause uncertainty over the value to be collected.

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

1.6 Investment properties

The Company's holding of investment properties is comprised of freehold reversionary interests and these 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. As such these assets generate income in the form of annual ground rents along with other ancillary fixed 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 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. Current tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by the reporting date.

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

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

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

Current and deferred tax is charged or credited in the statement of comprehensive income, 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 Financial instruments

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

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

Financial assets

Debtors

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

1.8 Financial instruments (continued)

Financial liabilities

Creditors

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

Borrowings

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

Derecognition of financial assets and liabilities

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

1.9 Critical accounting estimates and areas of judgement

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

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. The company uses periodic external professional actuarial valuations as a basis for determining the directors' estimation of the fair value of the investment properties. However, the valuation of the company's investment 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 Competitions 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, 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

1.9 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. Further information on the CMA's review is provided in note 16 Contingent Liabilities on page 21.

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 raised above may affect these forecasts to the extent that the underlying assumption is no longer valid.

Similarly, the debt service requirements of the group of which the Company is a member, are primarily dependent upon this continuing rental income and these potential legislative changes, if introduced in their current form, could affect the group's ability to meet its obligations in the long term.

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 and that the ability to meet the long-term obligations is not compromised.

Further details of the valuation of the investment properties are set out in note 7.

Current taxation

In arriving at the tax charge for the year the directors have been required to consider legislation introduced by HMRC in respect of Corporate Interest Restrictions and restrictions on the use of losses from 1 April 2017.

These rules are complex and may have a material impact on the group's tax charge. The assumptions made by the directors are as follows. The directors have assumed that a restriction arising from the corporate interest restriction calculation of £6.7m (2019: £Nil) will be applied within the Turing GR Limited group. Total interest restrictions of £6.7m (2019: £Nil) have been made to date and are available to carry forward against future profits of the wider Euro Investments Overseas Incorporated group. No deferred tax asset has been recognised in respect of the restricted corporate interest due to uncertainty of recovery.

1.9 Critical accounting estimates and areas of judgement (continued)

Current taxation (continued)

Furthermore, the directors have assumed that no group relief (2019: £Nil) will be available to claim in the Turing GR Limited group from parties external to that group. This assumption is based on estimates made by entities in the wider Euro Investments Overseas Incorporated group.

Whilst the directors believe their assumptions to be reasonable, the complex nature of the rules and their impact on the wider Euro Investments Overseas Incorporated group could mean the assumptions prove to be inaccurate.

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.

2. Turnover

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

	2020	2019
	£	£
Rent receivable	608,882	558,530
Other operating income	232,190	271,964
Deed of variation fee and legal fee income	1,420,835	3,414,115
	2,261,907	4,244,609

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

During the previous year the Company began the process of varying leases with "10-year doubling" rental uplift clauses to rental uplifts every 10 years calculated by reference to the RPI.

3. Interest payable and similar expenses

	2020	2019
	£	£
Interest payable on Group loans	214,513	248,256
Finance cost re-charged	-	605
Finance costs	1,565	5,000,000
	216,078	5,248,861

The finance costs in 2019 represent a release fee from previous financing arrangements, payable to the previous lenders to the Company.

4. Profit before taxation

	2020	2019
	£	£
The profit before taxation is stated after charging:		
- Auditor's remuneration	16,320	16,000

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 £40,624 (2019: £245,996) also includes a recharge of administration costs borne by Fairhold Services Limited on behalf of the Company and it is not possible to identify separately the amount relating to the directors' remuneration.

6. Taxation

	2020	2019
	£	£
Current tax		
UK corporation tax	-	-
Prior year over provision	-	(315,957)
Total current tax	-	(315,957)
Deferred tax:		
Movement on potential chargeable gain liability	13,942,000	23,942,983
Total deferred tax	13,942,000	23,942,983
Total tax on profit	13,942,000	23,627,026

Factors affecting the tax charge for the year.

The tax assessed for the year is lower than the effective rate of corporation tax in the UK 19% (2019: 19%). The differences are explained below:

	2020	2019
	£	£
Profit before tax	60,320,362	143,326,101
Profit multiplied by the standard rate of corporation tax in the UK of 19% (2019: 19%).	11,460,869	27,231,959
Effects of:		
Group relief received without charge	-	(112,056)
Effect of movement in value of investment properties	(11,102,375)	(27,485,389)
Tax losses (utilised)/carried forward	(40,313)	514,007
Adjustments for prior periods	-	(315,957)
Movements in deferred tax on investment properties	13,942,000	23,942,983
Chargeable gain received transferred to related party	(257,875)	-
Other timing differences	(60,306)	(148,521)
Tax expense	13,942,000	23,627,026

The Company has estimated non-trading losses of £2,493,125 (2019: £2,705,299) available to carry forward against future profits. No deferred tax asset has been recognised in respect of these losses due to uncertainty of recovery.

7. Investment properties

	Freehold reversionary interests	
	2020	2019
	£	£
Fair Value		
As at 1 January	154,923,940	14,700,000
Fair value gain	58,433,553	144,659,940
Disposals	(2,006,000)	(4,436,000)
As at 31 December	211,351,493	154,923,940

The investment properties represent a portfolio of freehold reversionary interests that generate ground rents as the principal income stream.

The investment properties were valued on an actuarial basis by a leading firm of independent financial and actuarial consultants as at 31 December 2019. The directors have reviewed the actuarial valuation as at 31 December 2019 and based on market changes in the intervening period, along with other known changes, have determined their own valuation at 31 December 2020.

The directors, in carrying out their valuation at 31 December 2020, have reviewed the basis of the 31 December 2019 actuarial valuation and concluded that there have been changes in the key valuation drivers since the actuarial valuation. Accordingly, the directors have assessed these changes to the valuation drivers and, based on the sensitivities noted in the 2019 valuation, consider the updated valuation of the investment properties of £211,351,493 at 31 December 2020 (2019: £154,923,940) is appropriate for adoption for the purposes of these financial statements.

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

The principal assumptions used in the independent actuarial valuation were:

RPI basis for inflation assumptions	-	implied inflation vector taken from the Bank of England website;
Residential property inflation	-	derived from market rental yields as found in the ARLA report and the UK Government gilt curve;
Risk free discount rate	-	a series of rates reflecting the UK government gilt curve as applicable to each cashflow date;
Incidence rates for lease extensions and the price charged	-	historic rates and FTT valuation;
Taxation	-	no allowance has been made for taxation in projecting the future revenue flow;
Lease with "10-year doubling" rental uplift clauses	-	all such leases have been rebased to uplift clauses linked to the RPI. Expected deed of variation fee receipts will offset reduced rental income.

7. Investment properties (continued)

The input with the most significant impact on the valuation is the discount rate used. Per the 31 December 2019 actuarial valuations, a 50-basis point increase or decrease in this rate reduces or increases the valuation by 21% and 34% respectively.

During the year deed of variation fees have been received of £1,420,835 (2019: £3,414,115), as shown in note 2, for varying certain leases with the "10-year doubling" rental uplift clauses to rental uplifts every 10 years calculated by reference to the RPI. As these amounts included within turnover have now been realised, the future expected income streams which form the basis of the investment property valuation have reduced by these amounts.

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

	Freehold reversionary interests	
	2020	2019
	£	£
Historic cost	11,515,803	12,269,486

The Company's investment property is subject to a debenture and charge in connection with a guarantee provided to the Company in respect of the indebtedness of the holding company and other related parties (see note 13).

8. Debtors

	2020	2019
	£	£
Trade debtors	19,353	15,963
Other debtors	956	100
Prepayments and accrued income	110,845	195,894
Corporation tax recoverable	26,152	26,152
	157,306	238,109

9. Creditors: amounts falling due within one year

	2020	2019
	£	£
Accruals and deferred income	372,327	283,186
Amounts owed to parent undertaking	-	5,091,535
	372,327	5,374,721

10. Creditors: amounts falling due in more than one year

	2020	2019
	£	£
Amount owed to parent undertaking	1,028,782	-

The loan from the parent company is due for repayment in 2085. Interest is charged at 6-month Libor +2.48%.

11. Provision for liabilities

	Deferred taxation
	£
1 January 2020	24,134,000
Increase in provision in the year	13,942,000
31 December 2020	38,076,000

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

	2020	2019
	£	£
Deferred tax arising on assets measured at fair value	38,076,000	24,134,000

12. Share capital and reserves

Share capital

	2020	2019
	£	£
Allotted, issued and fully paid:		
100 ordinary shares of £1	100	100

Ordinary share rights
The Company's ordinary shares, which carry no right to fixed income, each carry the right to one vote at general meetings of the Company. In the event of a wind up the shareholders receive dividends and distribution pro rata to the number of shares held.

Reserves

Reserves of the Company represent the following:

Profit and loss account
Cumulative profit and loss net of distributions to owners.

13. Guarantees

The Company has given an unlimited guarantee in respect of some of the indebtedness of its holding company Vega GR Limited. The guarantee is supported by a debenture and a charge over the group's property holdings including the Company's investment properties. At 31 December 2020 the total amount outstanding subject to that guarantee was £295.4m (2019: £213.8m).

The Company is included in a group registration for VAT purposes and is therefore jointly and severally liable for all other participating group undertakings' unpaid debts in this connection.

14. Immediate parent company, ultimate parent company and ultimate controlling party

The Company's immediate parent company is Vega GR Limited which is the smallest group for which group accounts containing the Company are prepared. Vega GR Limited is domiciled and incorporated in the UK. The ultimate UK parent company is Turing GR Limited, which is the largest group for which group accounts containing the Company are prepared. Copies of the financial statements are available from Companies House, Crown Way, Cardiff CF14 3UZ.

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

The ultimate controlling party is the Tchenguiz Family Trust.

15. 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 £40,624 (2019: £245,996) were charged to the Company in the year by Estates & Management Limited, a company related by virtue of common control and common directors.

Legal fees of £63,600 (2019: £102,200) were charged to the Company by Estates & Management Limited, a company related by virtue of common control and directors, in relation to the deeds of variation processed in the year.

Investment property totalling £2,006,000 (2019: £4,436,000) was transferred to a related party group as part of a refinancing exercise with no gains or losses arising on sale.

16. Contingent Liabilities

The Competition and Markets Authority (CMA) is continuing with its review into potential breaches of consumer protection law in the leasehold market. This review includes a number of investors, including the group, which this Company is a member of, who own relevant leases (being leases where the rent doubles more frequently than every 20 years). Depending on the outcome of the CMA's process it is possible that there will be an impact on the value of the group's investment properties and the potential to lead to liabilities that could be material. It is not possible at this time to quantify these potential liabilities or the impact on the value of the group's investment properties due to the complexity of the issues involved and the uncertainty of the outcome of the CMA process.