

FAIRHOLD (HUDDERSFIELD) LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

THURSDAY



LD3 *L4E6GLSI* 20/08/2015 #75
COMPANIES HOUSE

DIRECTORS AND OFFICERS

DIRECTORS

W K Procter
C C McGill

SECRETARY

P A Hallam

REGISTERED OFFICE

Molteno House
302 Regents Park Road
London
N3 2JX

AUDITOR

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

DIRECTORS' REPORT

The directors submit their report and the financial statements for the year ended 31 December 2014.

Principal activities

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

Review of the business 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 7 which may have an impact on the company's ability to continue as a going concern.

As discussed in the accounting policies on page 7, the company is party to a group cross collateralised funding structure along with a number of other companies under common control.

Subsequent to the year end the group's bankers have advised that an element of the interest rate swap that the company was party to had been terminated prior to the year-end giving rise to an to pay break costs totalling £6.1m. This has been provided for in the relevant related party entities' financial statements (see note 13).

Properties held for resale

The properties held for resale as stock and included in the financial statements at a cost of £3,078,668 (2013: £3,124,522) were valued by the directors' at £7,760,000 (2013: £6,500,000) as at 31 December 2014 on the basis of future income streams expected to be generated by these assets.

Results and dividends

The profit for the year amounted to £451,348 (2013: £505,601). The directors do not recommend the payment of a dividend.

Directors and their interests

The directors who have held office since 1 January 2014 were:

W K Procter
C C McGill

DIRECTORS' REPORT (Continued)

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.

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:



W K Procter

Director

17 / 08 / 2015

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FAIRHOLD (HUDDERSFIELD) LIMITED

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

As more fully explained 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. 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 Auditing Practices Board's (APB'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 Financial Reporting Council'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 2014 and of its profit 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.

Emphasis of matter – Going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosures made in the accounting policies on page 7 of the financial statements which set out some possible events which could result from the company's United Kingdom group's cross collateralised borrowings from its principal lender not being refinanced which may have an impact on the company's ability to continue as a going concern. These events indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

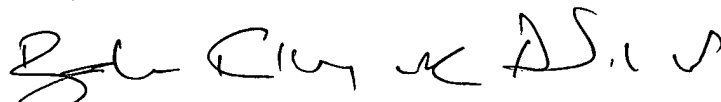
Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the 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; or
- 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.



Colin Roberts FCA (Senior Statutory Auditor)

For and on behalf of BAKER TILLY UK AUDIT LLP, Statutory Auditor

Chartered Accountants

3rd Floor

One London Square

Cross Lanes

Guildford

Surrey

GU1 1UN

18 August 2015

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	2014 £	2013 £
Turnover		311,464	403,202
Cost of sales		(45,854)	(91,575)
Gross profit		265,610	311,627
Administrative expenses		(568,585)	(446,533)
Other operating income	1	767,257	665,181
Operating profit		464,282	530,275
Interest payable and similar charges	2	(12,934)	(24,674)
Profit on ordinary activities before taxation	3	451,348	505,601
Tax on profit on ordinary activities	5	-	-
Profit on ordinary activities after taxation	12	451,348	505,601

The operating profit for the year arises from the company's continuing operations.

No separate Statement of Total Recognised Gains and Losses has been presented as all such gains and losses have been dealt with in the Profit and Loss Account.

BALANCE SHEET (Company Registration Number: 03037726)

AT 31 DECEMBER 2014

	Notes	2014	2013
		£	£
Fixed assets			
Investments	6	648,214	648,214
Current assets			
Stock	7	3,078,668	3,124,522
Debtors	8	266,696	195,281
		<u>3,345,364</u>	<u>3,319,803</u>
Creditors: amounts falling due within one year	9	(42,564)	(45,740)
Net current assets		<u>3,302,800</u>	<u>3,274,063</u>
Total assets less current liabilities		<u>3,951,014</u>	<u>3,922,277</u>
Creditors: amounts falling due after more than one year	10	(411,612)	(834,223)
Net assets		<u>3,539,402</u>	<u>3,088,054</u>
Capital and reserves			
Called up share capital	11	2	2
Profit and loss account	12	3,539,400	3,088,052
Shareholders' funds	12	<u>3,539,402</u>	<u>3,088,054</u>

The financial statements on pages 5 to 12 were approved by the board of directors and authorised for issue on 17 / 08 / 2015 and are signed on its behalf by:



W K Procter
Director

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014**ACCOUNTING POLICIES**

Accounting policies

The following accounting policies have been used consistently in dealing with items which are considered material in relation to the financial statements.

Basis of accounting

The accounts present information about the company as an individual undertaking and not about its group. The company has not prepared consolidated accounts as the company is itself a wholly owned subsidiary undertaking of a United Kingdom company preparing group accounts.

Going concern

The company is party to a group cross collateralised funding structure along with a number of other companies under common control. The directors have assessed the operation of the structure and have determined that the company has, or can expect to have, subject to the further matters set out hereafter, sufficient working capital for its needs for at least 12 months from the date of approval of these financial statements. In view of this the directors consider it appropriate for the financial statements to be prepared on a going concern basis.

The company is party to cross collateralised loans totalling £105,547,985 (2013: £105,547,985). The cross collateralised loan balance is itself comprised of a senior loan amount of £85,547,985 (2013: £85,547,985), which was due for repayment in January 2013 and a subordinated loan of £20,000,000 (2013: £20,000,000) due for repayment in December 2015.

The senior lender syndicated the senior loan to two parties in May 2006. The notes of the precedent loan note holder, which equate to 77% of the total senior loan balance themselves rank senior to the 23% minority loan note holder for debt repayment. The repayment of the senior loan was not made in January 2013 and in the absence of an extension, the senior loan fell into repayment default and a Special Servicer was appointed. The Special Servicer's role is to manage the senior loan on behalf of the senior secured creditors and take the actions it deems necessary to optimise recovery of the unpaid loan balance for those creditors. In addition, the senior loan has a fixed rate of interest, along with additional default interest of 2%, and the group is liable for the break costs of the interest rate swap that is part of the financing structure. In the event of a break an adverse mark to market value would be added to the group's liabilities and would become immediately repayable. The terms of the subordinated loan financing are such that it cannot be called for repayment ahead of the senior loan.

Subsequent to the year end the group's bankers have advised that the element of the interest rate swap relating to the minority loan notes had been terminated prior to the year end, giving rise to an obligation for break costs totalling £6.1m, as referred to in note 13. Consequently provision has been made in the relevant related party entities' financial statements for the year ended 31 December 2014 for this liability. The value of the swap remaining in effect as at 31 December 2014 was estimated by the directors to be a liability of approximately £27.9m (2013: £18.7m).

The group's advisors have established a positive working relationship with the Special Servicer who has indicated that the ultimate controlling party is best placed to manage initiatives to raise capital to enable repayment of the loans and interest rate swap, should the remaining swap be subject to a break. The directors consider that the Special Servicer will continue to be supportive of the group's efforts to generate sufficient funds to meet the repayment terms and recognises that this will not be in the short to medium term.

Accordingly the directors' opinion is that it is appropriate to prepare the financial statements on the going concern basis.

The financial statements have been prepared on the going concern basis which assumes that the group's loan facilities will not be withdrawn and that the Special Servicer continues to be supportive.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014**ACCOUNTING POLICIES (Continued)**

Going concern (Continued)

In the event that such support was to be withdrawn the principal direct and indirect effects of a demand for immediate repayment of the group's borrowings are that:

- i. the cross collateralised borrowings, as set out in note 13, totalling £105,547,985 (2013: £105,547,985) at the year end, become immediately repayable and further costs could arise in respect of the interest rate arrangements that fix the interest rates on those loans, the level of which would depend on the market rates of interest prevailing at the time of such a termination. At the year end the estimated liability was £27.9m (2013: £18.7m). In addition a further interest rate swap break liability of £6.1m has now crystallised. This has been provided for in the relevant related party financial statements; and
- ii. if not repaid when due, the senior lender to the company's United Kingdom holding company could exercise its share pledges over that holding company and its group companies and take control or could exercise its security direct over the company's properties. The senior lender may seek to sell the holding company, individual companies or dispose of assets separately or together and at a time of its own choosing. This process may not represent an orderly realisation in the normal course of business so the company's properties held for resale as stock could be realised at values less than their carrying value in the financial statements and would, probably, only be realised at values significantly less than the actuarial valuation stated in the directors' report on page 2.

Investments

Investments in subsidiary undertakings are stated at cost less provision for impairment.

Stocks

Properties acquired with a view to resale are identified as trading stock and stated at the lower of cost and net realisable value. Cost comprises the cost of acquisition including directly attributable fees and expenses, excluding finance costs which are written off to the profit and loss account.

Turnover and recognition of profit

Turnover comprises the sale proceeds of trading stocks.

Profit on the sale of properties is recognised on agreement of the sale.

Rent receivable

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

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements.

No provision is made for deferred tax on unrealised gains recognised on revaluing property to its market value.

Deferred tax is measured at the tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. An asset is not recognised to the extent that the transfer of economic benefits in future is uncertain. Deferred tax is measured on a non-discounted basis.

Cash flow statement

The company has taken advantage of the small company exemption from preparing a cash flow statement under the terms of Financial Reporting Standard 1.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

1. Other operating income	2014	2013
	£	£
Rent receivable	243,630	253,115
Other income	523,627	412,066
	<u>767,257</u>	<u>665,181</u>
2. Interest payable and similar charges	2014	2013
	£	£
Interest on United Kingdom holding company loan	12,934	22,780
United Kingdom holding company finance charges	-	1,894
	<u>12,934</u>	<u>24,674</u>
3. Profit on ordinary activities before taxation	2014	2013
	£	£
The profit on ordinary activities before taxation is stated after charging:		
Auditor's remuneration	5,350	6,500
	<u>5,350</u>	<u>6,500</u>
4. Employees and directors		
There were no employees during the year other than the directors, who received no remuneration for their services.		
5. Taxation	2014	2013
	£	£
Current tax:		
UK corporation tax on profits of the year	-	-
Total current tax	<u>-</u>	<u>-</u>
Factors affecting tax charge for the year		
Profit on ordinary activities before tax	451,348	505,601
Profit on ordinary activities multiplied by the standard rate of Corporation tax in the UK of 21% (2013: 23%).	94,783	116,288
Effects of:		
Group relief received without charge	(94,783)	(116,288)
Current tax charge for the year	<u>-</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

6. Fixed asset investments	Subsidiary undertakings £
Cost	
At 1 January 2014 and 31 December 2014	648,214

The company's wholly-owned subsidiary undertakings are West Lancashire Investments Limited and Fairhold (Midlands) Limited. Both companies are registered and have their place of business in, England and Wales, and are engaged in property dealing and property investment respectively.

7. Stocks	2014 £	2013 £
Properties held for resale	3,078,668	3,124,522
8. Debtors	2014 £	2013 £
Trade debtors	196,386	135,044
Prepayments and accrued income	70,310	60,237
	266,696	195,281
9. Creditors: Amounts falling due within one year	2014 £	2013 £
Accruals and deferred income	42,564	45,740
10. Creditors: amounts falling due after more than one year	2014 £	2013 £
United Kingdom holding company	411,612	834,223

There are no fixed terms of repayment of the holding company loan. Interest is charged at Libor+1%.

The amount due, subject to note 13, is unsecured and has no specific repayment date. Despite the loan being repayable on demand it is not the intention for the loan to be repaid within one year and it has therefore been treated as due after more than one year.

11. Share capital	2014 £	2013 £
Allotted, issued and fully paid:		
2 ordinary shares of £1 each	2	2

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

12. Reserves and reconciliation of movements in shareholders' funds

	Share capital £	Profit and loss account £	Total shareholders' funds £
Opening shareholders' funds	2	3,088,052	3,088,054
Profit for the financial year	-	451,348	451,348
Closing shareholders' funds	2	3,539,400	3,539,402

13. Contingent liability

The company has given an unlimited guarantee in respect of some of the indebtedness of its holding company Fairhold Holdings Limited and of the related parties Fairhold Holdings (2001) Limited, Linecroft Limited and Fairhold Holdings (2003) Limited. These parties are related as they are subject to common control and/or common directorship. The guarantee is supported by a debenture and a charge over the company's investment properties. At 31 December 2014 the total loan amount outstanding subject to the guarantee was £105,547,985 (2013: £105,547,985). Interest payable on this balance outstanding at 31 December 2014 totaled £8,514,365 (2013: £6,335,965).

The group, of which Fairhold (Huddersfield) Limited is a member, is liable for the break costs of the interest rate swap that is part of the financing structure. In the event of a break an adverse mark to market value would be added to the group's liabilities and would become immediately repayable. The value of the swap at 31 December 2014 was valued by the directors at approximately £27.9m (2013: £18.7m).

In addition to the contingent swap liabilities referred to above, a further interest rate swap break liability of £6.1m has now crystallised. This has been provided for in the relevant related party entities' financial statements and is subject to the same cross guarantees as referred to above.

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 and United Kingdom holding company

The immediate parent company is Owners Provident Limited a company incorporated in England and Wales. The company's United Kingdom and closest holding company for which group accounts are drawn up is Fairhold Holdings Limited, which is registered in England and Wales. This undertaking is the holding company of both the largest and smallest group for which group accounts are prepared and of which the company is a member. Copies of the financial statements are available from Companies House, Crown Way, Maindy, Cardiff, CF14 3UZ.

15. Ultimate holding company

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

16. Controlling party

The ultimate controlling party is the Tchenguiz Family Trust.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

17. Related party transactions

The company has taken advantage of the exemptions provided by Financial Reporting Standard Number 8 '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.

During the year the company incurred a management charge of £470,246 (2013: £386,548) from Estates & Management Limited, a related party by virtue of common control and common directors.