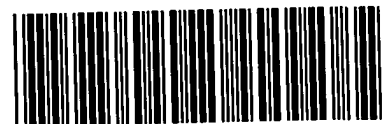


Company Registration No: 03037726

FAIRHOLD (HUDDERSFIELD) LIMITED

**REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

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FAIRHOLD (HUDDERSFIELD) LIMITED

COMPANY INFORMATION

Directors	W K Procter C C McGill P Hallam M D Watson
Company secretary	D T Lau
Registered number	03037726
Registered office	Berkeley House 304 Regents Park Road London N3 2JX
Independent auditor	RSM UK Audit LLP Chartered Accountants 3rd Floor One London Square Cross Lanes Guildford Surrey GU1 1UN

FAIRHOLD (HUDDERSFIELD) LIMITED

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FAIRHOLD (HUDDERSFIELD) LIMITED

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022**

The directors present their report and the financial statements for the year ended 31 December 2022.

Principal activity

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

Business review and future developments

The directors are satisfied with the financial position of the company at the year end subject to the potential legislative changes disclosed in the critical accounting estimates and assumptions section of note 2.10 which potentially could lead to a significant adverse impact on the business such that it may impair the company's ability to continue as a Going Concern.

Considering the general uncertainty surrounding leasehold reform, the impact of building safety legislation and its effect on leaseholder behaviour referred to in that note, no adjustments have been made to the financial statements to reflect this.

Investment properties

At 31 December 2022 the investment properties have been valued at £13,200,065 (2021 restated: £40,754,065). The resultant fair value loss in the year amounted to £27,212,777 (2021 restated: £2,667,050). Details of the investment properties are set out in note 8.

In previous years, ground rents acquired by the company were classified as stock, which was accounted for at the lower of purchase cost and estimated selling price. It has been identified by management during the current year that these ground rents should have been classified as investment properties to reflect their intended use. Therefore, we have recognised prior period adjustments to reflect this change. Please see note 18 for further details.

Results and dividends

The loss for the year, after taxation, amounted to £19,950,875 (2021 restated - loss £4,563,903).

The statement of comprehensive income is set out on page 9 and shows the results for the year.

The directors do not recommend the payment of a dividend (2021 - £nil).

Directors

The directors who served during the year were:

W K Procter
C C McGill
P Hallam
M D Watson

Statement as to disclosure of information to auditor

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

FAIRHOLD (HUDDERSFIELD) LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022**

Insurance of company officers

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

Auditor

The auditor, RSM UK Audit LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

Small companies note

In preparing this report, the directors have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006.

This report was approved by the board and signed on its behalf.

DocuSigned by:

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P Hallam
Director

Date: 31 January 2024

FAIRHOLD (HUDDERSFIELD) LIMITED

**DIRECTORS' RESPONSIBILITIES STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2022**

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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). 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;
- 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 to 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.

FAIRHOLD (HUDDERSFIELD) LIMITED

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

Opinion

We have audited the financial statements of Fairhold (Huddersfield) Limited (the 'Company') for the year ended 31 December 2022, which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 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 2022 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.

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 United Kingdom, including the Financial Reporting Council'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 pages 14 and 15 and in note 8 to the financial statements concerning the carrying values of the company's investment properties. Investment properties are valued on an actuarial basis.

Investment properties totalling £13,200,065 (2021 restated: £40,754,065) are included in the financial statements at 31 December 2022 based on a valuation prepared by a firm of independent actuarial consultants at 31 December 2022. In the prior year the properties were valued by the directors having regard to an interim valuation prepared by the actuarial consultants in 2019.

As indicated in the notes, considerable volatility exists in all of these valuations. This is demonstrated by the decrease in total valuation of £27,212,777 in the current year when compared to the directors' valuation at 31 December 2021, which in turn had decreased by £2,667,050 when compared to the directors' valuation at 31 December 2020, and as detailed in note 8 where the impact of changes in the underlying assumptions are detailed. Additionally, as noted in the accounting policies, the directors also recognise, given the lack of a regular market for significant portfolios of such assets, that the carrying value of investment property would not be realised in full should the group seek to dispose of any or all of the properties.

Given the uncertainties relating to the volatility in the valuations and the wider impact of the Leasehold Reform (Ground Rent) Act 2022 and the Leasehold and Freehold Reform Bill (see note 2.3) and The Building Safety Act 2022 (see note 15) the ultimate outcome of these matters cannot presently be determined, and no provision for any impairment in the carrying value of the investment properties that may result has been made in the financial statements. Our opinion is not modified in respect of this matter.

FAIRHOLD (HUDDERSFIELD) LIMITED

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

Emphasis of Matter – Amounts due to and from group and related party undertakings and investment carrying values

We draw attention to the disclosures made in the notes to the financial statements concerning the accounting for amounts due to and from group and related party undertakings and investment carrying values. As set out in notes 2.10 and 10 the group has significant debtors totalling £3,883,185 (2021: £3,137,606) with various group and related party undertakings and holds investments in subsidiary companies with a carrying value of £0.6m (2021: £0.6m). As disclosed, the ultimate holding company of the undertakings with the most significant group and related party debtor and creditor balances, Euro Investments Overseas Incorporated (BVI), has confirmed in writing that it will ensure that none of the balances will be called, either debtor or creditor, for a period of at least 12 months from the date of approval of these financial statements if hardship would be caused to the counterparties by so doing. Therefore, none of the group or related party debtors or creditors are expected to be received or paid in the short term and this has been considered in the directors assessment of going concern in note 2.3. Our opinion is not modified in respect of this matter.

Emphasis of matter – Contingent liabilities

We also draw attention to the disclosures in note 15, Contingent Liabilities, which details matters that could create additional liabilities in the future as a consequence of the Building Safety Act 2022. 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.

Material uncertainty related to going concern

We draw your attention to the going concern accounting policy in note 2.3 of these financial statements, which indicates that company may be adversely affected by the uncertainty surrounding enacted changes to legislation and potential future changes to legislation as a result of the Leasehold Reform (Ground Rent) Act 2022, the Leasehold and Freehold Reform Bill 2022 and The Building Safety Act 2022 and the potential impact on the company and its future cashflows. As stated in the going concern accounting policy, these events or conditions, along with the other matters as set forth in the going concern accounting policy, indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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

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

FAIRHOLD (HUDDERSFIELD) LIMITED

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FAIRHOLD (HUDDERSFIELD) 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; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies exemptions in preparing the Directors' Report and from the requirement to prepare a Strategic 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.

FAIRHOLD (HUDDERSFIELD) LIMITED

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FAIRHOLD (HUDDERSFIELD) 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 frameworks that the company operates in and how the company is complying with the legal and regulatory frameworks;
- 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 tax computations and financial statement disclosures, making inquiries regarding external tax correspondences, and reviewing client information with respect to ongoing legal matters and reviewing and monitoring government releases regarding leasehold reforms and Building Safety legislation. Potential changes to property laws and regulations and their impact on these financial statements are further discussed in the accounting policies on pages 17 and 18.

FAIRHOLD (HUDDERSFIELD) LIMITED

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

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 any 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: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditor's Report.

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.

Caroline Watson

Caroline Watson ACA (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
Date:

31/01/24

FAIRHOLD (HUDDERSFIELD) LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022**

	Note	2022 £	2021 restated £
Turnover		637,784	776,301
Gross profit		637,784	776,301
Administrative expenses		(563,038)	(538,541)
Operating profit		74,746	237,760
Gain/(Loss) on sale of investment properties		235,882	(681,335)
Fair value loss on investment property	8	(27,212,777)	(2,667,050)
Interest receivable and similar income	4	88,311	29,226
Loss before tax	5	(26,813,838)	(3,081,399)
Taxation	7	6,862,963	(1,482,504)
Loss for the financial year		(19,950,875)	(4,563,903)

There was no other comprehensive income for 2022 (2021:£NIL).

The notes on pages 12 to 26 form part of these financial statements.

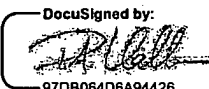
FAIRHOLD (HUDDERSFIELD) LIMITED
REGISTERED NUMBER: 03037726

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022

	Note	2022 £	2021 restated £
Fixed assets			
Investments	9	648,214	648,214
Investment property	8	13,200,065	40,754,065
Current assets			
Debtors: amounts falling due within one year	10	4,064,772	3,330,956
		<u>4,064,772</u>	<u>3,330,956</u>
Current liabilities			
Creditors: amounts falling due within one year	11	(12,348)	(18,694)
		<u>4,052,424</u>	<u>3,312,262</u>
Net current assets			
Provisions for liabilities			
Deferred tax	12	(2,148,144)	(9,011,107)
		<u>15,752,559</u>	<u>35,703,434</u>
Net assets			
Capital and reserves			
Called up share capital	13	2	2
Profit and loss account		15,752,557	35,703,432
		<u>15,752,559</u>	<u>35,703,434</u>
Total equity			
		<u>15,752,559</u>	<u>35,703,434</u>

The Company's financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime.

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

DocuSigned by:

 97DB064D6A94426...
P Hallam
 Director

Date: 31 January 2024

The notes on pages 12 to 26 form part of these financial statements.

FAIRHOLD (HUDDERSFIELD) LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022**

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 January 2021 (as previously stated)	2	6,063,791	6,063,793
Prior year adjustment - change in accounting policy	-	34,203,544	34,203,544
At 1 January 2021 (restated)	2	40,267,335	40,267,337
Loss and total comprehensive income for the year (Previously £551,908 profit)	-	(4,563,903)	(4,563,903)
At 31 December 2021 (restated)	2	35,703,432	35,703,434
Loss and total comprehensive income for the year	-	(19,950,875)	(19,950,875)
At 31 December 2022	2	15,752,557	15,752,559

The notes on pages 12 to 26 form part of these financial statements.

FAIRHOLD (HUDDERSFIELD) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

1. General information

Fairhold (Huddersfield) 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 dealing.

2. Accounting policies**2.1 Basis of preparation of financial statements**

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 as applicable to companies subject to the small companies' regime, and under the historical cost convention, modified to include the revaluation of investment properties. The disclosure requirements of section 1A of FRS 102 have been applied other than where additional disclosure is required to show a true and fair view.

2.2 Change in accounting policies

In the current year, there has been a change in accounting policy to reclassify stock to investment property. Historically ground rents acquired by the company were classified as stock, which was accounted for at the lower of purchase cost and estimated selling price. It has been identified by management during the current year that these ground rents should have been classified as investment properties to reflect their intended use, initially measured at cost upon acquisition 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. This has resulted in a prior period adjustment (see note 18 for further details).

2.3 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 enacted and potential legislative changes disclosed in the critical accounting estimates and assumptions section of note 2.10 and believe that the company has adequate financial resources to continue as a going concern for a period of one year from the date of signing the financial statements. If necessary, a related party, Fairhold Services Limited, has agreed to provide limited financial support to enable the company to meet day to day running costs incurred in the ordinary course of business for a period of up to twelve months from the date of signing these financial statements. The parent company has also agreed not to demand repayment of the amount due to it (see note 10) within one year unless the company has funds available to do so as well as being able to meet its obligations in the normal course of business.

In addition to the matters described above, in arriving at their conclusion the Directors have also considered Leasehold Reform and Building Safety legislation.

Leasehold Reform

Parliament has enacted legislation, the Leasehold Reform (Ground Rent) Act 2022, which prevents the inclusion of a ground rent in excess of a peppercorn on new residential long leases. The Act came into force on 30 June 2022 for leases on non-retirement properties and on 1 April 2023 for leases on retirement properties. This legislation does not apply retrospectively although it does restrict the ability of the group, of which the company is a member, to generate rental income beyond the existing term of current leases.

FAIRHOLD (HUDDERSFIELD) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

2. Accounting policies (continued)

2.3 Going concern (continued)

As such, the impact of preventing the creation of future ground rents under the Act is not expected, on its own, to have a material effect on the ability of the group, of which this company is a member, to meet its liabilities as they fall due for a reasonably foreseeable period.

On 27 November 2023 the Leasehold and Freehold Reform Bill was introduced to Parliament. The element of the Bill as initially published that is likely to have the most significant financial effect on the company should it become enacted relates to the changes that reduce the premium that will be available to the property owner when leaseholders exercise their statutory rights to enfranchisement or lease extension. In addition, a consultation has been issued by the Government to obtain information relating to five options that have been proposed to cap the amount of ground rent that can be charged on a lease. The Government has stated that it is its intention to add provisions to the Bill to introduce a rent cap into law.

Due to uncertainties as to the final provisions to be included in the Bill, material aspects impacting the premium calculation that will only come into effect with secondary legislation under delegated authority to the Secretary of State and the impact on leaseholder behaviour it is not possible to determine the exact impact of the Bill should it pass into law. However, should the Bill pass into law the forecast cash flows that the company relies upon will be materially reduced.

The directors have also given consideration to media reports indicating that industry freeholders are likely to challenge the government through legal process claiming compensation for the expropriation of the freeholders' assets. Media reports indicate that across the industry, these compensation payments could amount to more than £30 billion payable by the government. Any compensation received by the company or its group through a legal process may materially improve the company's financial position.

Building Safety legislation

The Building Safety Act was given Royal Assent on 28 April 2022. The Act introduced the responsibility on the freeholder to fund the remediation of certain defects on relevant buildings should the original developer or other responsible party not be available to provide funding.

On buildings over 11 metres or 5 storeys in height the developer is expected to be primarily responsible for funding the necessary remediation. Where the original developer is not available to meet this funding requirement the Government will provide funding to ensure the needed remediation of the external wall systems on any affected buildings. In these cases the freeholder may now be primarily responsible for funding remediation outside the scope of the Government funding with limited recourse to cost recovery from leaseholders.

It is not yet possible to establish the level of contribution that may be required by the group, of which the company is a member, across its portfolio. However, it is expected that a risk-based phasing of works will be required to ensure that both financial and non-financial resource will be available to successfully manage a programme of works. Should this new requirement on the freeholder to fund the remediation of building defects create financial hardship for the group and other freeholders, it will prevent the achievement of the Government's policy objectives to resolve the building safety crisis and further Governmental measures will be needed.

FAIRHOLD (HUDDERSFIELD) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

2. Accounting policies (continued)**2.3 Going concern (continued)***Conclusion*

The directors have given consideration to the provisions of the Leasehold Reform (Ground Rent) Act 2022, the Leasehold and Freehold Reform Bill and The Building Safety Act 2022 and their potential impact on the company and its future cashflows. The directors acknowledge the fact that the enacted legislation and further potential legislative changes creates material uncertainty over future cash flows and therefore material uncertainty over the ability of the company to continue as a going concern in the future. Notwithstanding this, the directors believe that the company will continue to be able to meet its liabilities as they fall due for a reasonably foreseeable period of time, being as a minimum for a period of at least 12 months from the date of sign-off of these financial statements.

2.4 Functional and presentational currencies

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

2.5 Turnover

Turnover comprises rent receivable and other income arising from investment properties. Profit or loss on the sale of such properties is recognised on agreement of the sale. Turnover is shown net of value added tax.

Rental income 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 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.

Other income represents lease extension premiums and other ancillary income received on leases held by the company.

2.6 Fixed asset investments

Interests in subsidiaries are initially measured at cost and subsequently measured at cost less any accumulated impairment losses.

Interests in subsidiaries are assessed for impairment at each reporting date. Any impairment losses or reversals of impairment losses are recognised immediately in the statement of comprehensive income.

2.7 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.

FAIRHOLD (HUDDERSFIELD) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

2. Accounting policies (continued)

2.7 Investment properties (continued)

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 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 cashflow valuation of the income streams generated by these assets and for long leasehold houses, a constant multiple of the current rental value of the properties. The entire freehold reversionary interest portfolio has been valued in the current year based on an actuarial valuation carried out by a leading firm of third-party actuarial consultants. In the prior year the valuation of the portfolio was undertaken by the directors.

The directors also recognise, given the lack of a regular market for significant portfolios of such assets, that these values would not be realised should the company seek to dispose of any or all of the investment properties.

Further details are given in note 8.

2.8 Taxation

The tax expense represents the sum of the current tax expense and deferred tax expense. Current tax assets are recognised when tax paid exceeds the tax payable.

Current tax is based on taxable profit for the year. Taxable profit differs from profit before taxation because it excludes items of income or expense that are taxable or deductible in other periods. Current tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates that have been enacted or substantively enacted by the reporting date. Deferred tax 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 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.

FAIRHOLD (HUDDERSFIELD) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

2. Accounting policies (continued)

2.9 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, 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.

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.

Where the arrangement with a creditor constitutes a financing transaction, the creditor is initially and subsequently measured at the present value of future payments discounted at a market rate of interest for a similar instrument.

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.

2.10 Critical accounting estimates and areas of judgement

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies.

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.

FAIRHOLD (HUDDERSFIELD) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

2. Accounting policies (continued)*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 carrying value of the investment properties. In the current year an external professional actuarial valuation has been used as the basis for the fair value of the investment property. 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 enacted and further potential legislative changes noted below.

Parliament has enacted legislation, the Leasehold Reform (Ground Rent) Act 2022, which prevents the inclusion of a ground rent in excess of a peppercorn on new residential long leases. The Act came into force on 30 June 2022 for leases on non-retirement properties and on 1 April 2023 for leases on retirement properties. This legislation does not apply retrospectively although it does restrict the ability of the company to generate rental income beyond the existing term of current leases as it impairs the ability of the freeholder and leaseholder to agree for the continuation of ground rent in the extension period when extending the lease beyond the current lease term. Due to the lack of data available it is not possible at this time to assess how this change in law will impact the proportion of leases that retain rent beyond a lease extension.

On 27 November 2023 the Leasehold and Freehold Reform Bill was introduced to Parliament. The element of the Bill as initially published that is likely to have the most significant financial effect on the company should it become enacted relates to the changes that reduce the premium that will be available to the property owner when leaseholders exercise their statutory rights to enfranchisement or lease extension. In addition, a consultation has been issued by the Government to obtain information relating to five options that have been proposed to cap the amount of ground rent that can be charged on a lease. The Government has stated that it is its intention to add provisions to the Bill to introduce the rent cap into law.

Due to uncertainties as to the final provisions to be included in the Bill, material aspects impacting the premium calculation that will only come into effect with secondary legislation under delegated authority to the Secretary of State and the impact on leaseholder behaviour it is not possible to determine the exact impact of the Bill should it pass into law. However, it is clear that should the Bill pass into law the forecast cash flows that the company relies upon will be materially reduced. These factors create uncertainty surrounding the calculation of the Fair Value of the assets.

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 been advised that these proposals which make wholesale reforms pose real problems with respect to the contravention of human rights legislation.

In addition, there is a potential impact arising from the Building Safety legislation enacted in 2022, see note 15 for further details.

FAIRHOLD (HUDDERSFIELD) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

2. Accounting policies (continued)

An intrinsic element of the long-term forecasts is the continuing rental income and lease extension premiums generated by the property assets held by the company. The potential legislative changes raised above may affect these forecasts to the extent that the underlying assumption is no longer valid, which in turn would give rise to a significant reduction in the valuation of investment properties.

The financial consequences of these enacted and potential changes are too uncertain to enable the directors to reasonably estimate the impact of such changes on their forecasts, further details of which are given in note 15. It is assumed that the current methodology continues to represent a fair value of these assets.

Further details of the valuation of the investment properties are set out in note 8.

Recoverability of intercompany debtors and investment carrying values

In reference to note 19, the company is part of a large group of companies, many of which hold assets that will be affected by the potential legislative changes set out in note 2.3. Should these changes become law the value of those assets held within the group will be materially impacted. The recoverability of balances from related parties and group undertakings and investment carrying values is reliant upon the long-term cash flows generated by those assets and, as such, this recoverability becomes uncertain in the event that the proposed changes to the law are enacted and suitable compensation is not made available.

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.

3. Turnover

An analysis of turnover by class of business is as follows:

	2022	<i>2021</i>
	£	<i>restated</i>
		£
Rent receivable	215,210	222,929
Other income	422,575	553,372
	<u>637,785</u>	<u>776,301</u>

4. Interest receivable and similar income

	2022	<i>2021</i>
	£	£
Interest receivable from group undertakings	88,311	29,226
	<u>88,311</u>	<u>29,226</u>

FAIRHOLD (HUDDERSFIELD) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

5. Profit before taxation

The profit before taxation is stated after charging:

	2022	2021
	£	£
Auditor's remuneration	8,750	6,450

6. Employees

There were no employees during the year other than the directors (2021: nil). The directors are remunerated by a 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 2022 amounted to £546,314 (2021: £526,228) 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.

7. Taxation

	2022	2021
	£	restated £
Current tax		
Total current tax	-	-
Deferred tax		
Movement on potential chargeable gain liability	(6,862,963)	(666,763)
Effect of change in tax rate	-	2,149,267
Total deferred tax	(6,862,963)	1,482,504
Taxation on profit	(6,862,963)	1,482,504

FAIRHOLD (HUDDERSFIELD) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

7. Taxation (continued)**Factors affecting tax charge for the year**

The tax assessed for the year is lower than (2021 - *higher than*) the standard rate of corporation tax in the UK of 19% (2021 - 19%). The differences are explained below:

	2022 £	2021 <i>restated</i> £
Loss before tax	<u>(26,813,837)</u>	<u>(3,081,399)</u>
Loss before tax multiplied by standard rate of corporation tax in the UK of 19% (2021 - 19%)	(5,094,629)	(585,466)
Effects of:		
Group relief received without charge	(30,981)	(104,863)
Fair value gain on investment properties	5,170,428	506,740
Movement on potential chargeable gain liability	(6,862,963)	(666,763)
Effect of change in tax rate	-	2,149,267
Chargeable gain	(44,818)	183,589
Total tax charge for the year	<u><u>(6,862,963)</u></u>	<u><u>1,482,504</u></u>

Factors that may affect future tax charges

In the prior period, the Finance Act 2021 was enacted and included legislation to increase the main rate of tax to 25% from 1 April 2023.

As this change was substantively enacted at the balance sheet date, deferred tax has been recognised at 25% in both the current and comparative periods shown in these financial statements.

FAIRHOLD (HUDDERSFIELD) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

8. Investment property

	Freehold investment property £
Valuation	
At 1 January 2022 (restated)	40,754,065
Disposals	(341,223)
Loss on revaluation	(27,212,777)
At 31 December 2022	<u>13,200,065</u>

The investment properties represent a portfolio of freehold reversionary interests that generate ground rents as the principal income stream. The fair value of these properties is calculated based on a discounted cash flow methodology which is reliant on the assumptions used to estimate the future cash flows (see note 2.8).

Investment properties totalling £13,200,065 (2021: £40,754,065) are included in the financial statements at 31 December 2022 based on a valuation prepared by a firm of independent actuarial consultants at 31 December 2022.

In the prior year, the investment properties were valued by the directors based on an actuarial valuation carried out at 31 December 2019 with consideration given to market changes in the intervening period, along with other known changes.

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 propertydata.co.uk and the UK Government gilt curve;
- Risk free discount rate - a series of rates reflecting the UK government gilt yield curve as applicable to each cash flow date up to 40 years, with a fixed forward rate after 40 years;
- Incidence rates for lease extensions and the price charged - historic rates and FTT valuation. Proportion of ground rents retained post lease extension are based on recent experience. Where ground rents are retained post lease extension, ground rents are modelled over the original lease term only and assumed to be peppercorn thereafter;
- Taxation - no allowance has been made for taxation in projecting the future revenue flow.

The input to the model with the most significant impact on the valuation is the discount rate used. Per the 31 December 2022 actuarial valuations, on a group basis, a 50-basis point increase or decrease in this rate reduces or increases the valuation by 13% and 18% respectively.

FAIRHOLD (HUDDERSFIELD) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

8. Investment property (continued)

If the Investment properties had been accounted for under the historic cost accounting rules, the properties would have been measured as follows:

	2022 £	2021 £
Historic cost	<u>2,597,635</u>	<u>2,655,225</u>

9. Fixed asset investments

	Investments in subsidiary companies £
Cost or valuation	
At 1 January 2022	648,214
At 31 December 2022	<u>648,214</u>

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Principal activity	Class of shares	Holding
West Lancashire Investments Limited	Property dealing	Ordinary	100%
Fairhold (Midlands) Limited	Property investment	Ordinary	100%

The subsidiary companies are incorporated and have their place of business in England and Wales. Their registered office is Berkeley House, 304 Regents Park Road, London, N3 2JX.

FAIRHOLD (HUDDERSFIELD) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

10. Debtors: Amounts falling due within one year

	2022 £	2021 £
Trade debtors	111,932	119,948
Amounts owed by group undertakings	3,883,185	3,137,606
Sundry debtors	15,753	15,753
Prepayments and accrued income	53,902	57,649
	<u>4,064,772</u>	<u>3,330,956</u>

There are no fixed terms of repayment of the amounts owed by group undertakings. Interest is charged at SONIA +1.27% (2021: 3 month LIBOR +1%). Despite the balance being repayable on demand it is not the intention for it to be recalled within one year.

11. Creditors: Amounts falling due within one year

	2022 £	2021 £
Accruals and deferred income	<u>12,348</u>	<u>18,694</u>

12. Deferred taxation

	2022 £
At 1 January 2021 (as restated)	9,011,107
Decrease in the provision in the year	(6,862,963)
At 31 December 2021	<u>2,148,144</u>

The provision for deferred taxation is made up as follows:

	2022 £	2021 restated £
Deferred tax on assets measured at fair value	<u>2,148,144</u>	<u>9,011,107</u>

FAIRHOLD (HUDDERSFIELD) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

13. Share capital and reserves

Share capital

	2022 £	2021 £
Allotted, called up and fully paid		
2 (2021 - 2) Ordinary shares of £1.00 each	2	2

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.

Reserves

Reserves of the company represent the following:

Profit and loss account

Cumulative profit and loss net of distributions to owners.

14. Guarantees

The company has provided an unlimited guarantee in respect of related party borrowings. At 31 December 2022 the total amount outstanding subject to that guarantee was £108,237,741 (2021: £109,846,960). These amounts are included in short term creditors in the borrowing companies. There is no current intention for the amounts to be recalled in one year.

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.

15. Contingent liabilities

Building Safety Act 2022

The directors are currently assessing the potential impact of the Building Safety Act 2022, which received Royal Assent on 28 April 2022. Given the nature of the legislation (see note 2.3) and the lack of clarity at this time as to the extent that specific buildings may require funding it is not currently clear what the likely probability or quantum of any potential liability to fund the remediation of building defects would be. Therefore, no provision has been included in these financial statements.

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

The company's immediate parent company is Owners Provident Limited, which is domiciled and incorporated in England. 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.

FAIRHOLD (HUDDERSFIELD) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

17. 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.

During the year the company was charged management fees of £546,314 (2021: £526,228) by Estates & Management Limited, a related party related by virtue of common control and common directors.

18. Prior period errors

Historically ground rents acquired by the company were classified as stock, which was accounted for at the lower of purchase cost and estimated selling price. It has been identified by management during the current year that these ground rents should have been classified as investment properties to reflect their intended use, initially measured at cost upon acquisition and subsequently measured at fair value where a reliable measure of fair value is available. This had a corresponding deferred tax impact as the change in fair value creates a deferred tax liability. Changes in fair value and corresponding deferred tax are recognised in the statement of comprehensive income. This change has also resulted in income relating to these ground rents being reclassified from other income to turnover and the proceeds and costs associated with the sale of these properties being reclassified from turnover and cost of sales to losses from sale of properties, along with the corresponding fair value release.

	Previously reported £	Adjusted £	Restated £
Changes to the Statement of Comprehensive Income			
Turnover	354,081	422,220	776,301
Cost of sales	(69,159)	69,159	-
Gross profit	284,922	491,379	776,301
Administrative expenses	(538,541)	-	(538,541)
Other operating income	776,301	(776,301)	-
Operating profit	522,682	(284,922)	237,760
Loss on sale of investment properties	-	(681,335)	(681,335)
Fair value loss on investment property	-	(2,667,050)	(2,667,050)
Interest receivable and similar income	29,226	-	29,226
Profit/(Loss) before taxation	551,908	(3,633,307)	(3,081,399)
Taxation	-	(1,482,504)	(1,482,504)
Profit/(Loss) after taxation	551,908	(5,115,811)	(4,563,903)
Changes to the Statement of Financial Position			
Stock	2,655,225	(2,655,225)	-
Investment property	-	40,754,065	40,754,065
Deferred tax	-	(9,011,107)	(9,011,107)
Profit and loss account	6,615,699	29,087,733	35,703,432

FAIRHOLD (HUDDERSFIELD) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

19. Post balance sheet events

Leasehold and Freehold Reform Bill

The Leasehold and Freehold Reform Bill was introduced to Parliament on 27 November 2023. The potential implications of the Bill on the company's cash flows are significant and are set out in note 2.3.

There is a potential reduction in value of the company's assets arising from the Bill, which it is not possible to calculate accurately at this time, that could be in excess of 80% of the current fair value of the assets were adequate compensation not made available. Should the Bill fail to pass the fair value would remain at the current level. See note 2.10 for further details.

Due to the uncertainty of the outcome of the proposed legislation and the timing of its introduction to Parliament no adjustments have been made to the financial statements.