

# Fairholme Estates (Holdings) Limited

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Registered No. 830036

## **DIRECTORS**

S S Potel  
M D Paisner  
G Grover  
G Potel  
D Potel

## **SECRETARY**

O H Hermes

## **AUDITORS**

Ernst & Young  
Rolls House  
7 Rolls Buildings  
Fetter Lane  
London EC4A 1NH

## **BANKERS**

Midland Bank plc  
140 Leadenhall Street  
London EC3V 4PS

## **SOLICITORS**

Paisner & Co  
Bouverie House  
154 Fleet Street  
London EC4A 2DQ

## **REGISTERED OFFICE**

Fairholme House  
296 Latimer Road  
Kensington  
London W10 6QW

**ERNST & YOUNG**



DIRECTORS' REPORT

The directors submit their report and the audited accounts for the year ended 31 August 1995.

**RESULTS AND DIVIDENDS**

The profit for the year attributable to shareholders amounts to £430,574 (1994 - £313,653) and is dealt with as shown in the consolidated profit and loss account. The directors propose a dividend of £255,625 in respect of the year ended 31 August 1995.

**REVIEW OF THE BUSINESS**

The activities of the group consist of general contracting, distribution of engineering and building materials, and property investment. There have been no changes in the structure of the group which, in general, continues to trade satisfactorily. However, given the impact of the general economic recession on the building industry in particular over the past few years, the directors have decided to cease trading in Texland's principal activity during the current financial year.

**FIXED ASSETS**

The majority of the UK investment properties owned by the group have been revalued by Smith Melzack, Property Consultants & Valuation Surveyors, on an open market basis. The two properties owned by Fairholme US Inc. and one of the UK properties were valued on the same basis by a director of the company. The resultant adjustment has been made to revaluation reserve. Land held for development or resale is shown at the lower of cost or market value.

**DIRECTORS AND THEIR INTERESTS**

The directors listed on page 1 held office throughout the year.

According to the register maintained as required under the Companies Act 1985, the directors' interests in the share capital of the company were as follows:

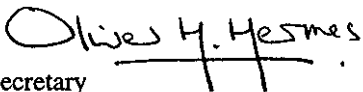
	<i>31 August 1995</i>	<i>31 August 1994</i>
S S Potel	405,000	405,000

No other director had any interest in the loan stock or shares of the company.

**AUDITORS**

A resolution to reappoint Ernst & Young as auditors will be put to the members at the Annual General Meeting.

By order of the board

  
Secretary

19 JAN 1996

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE  
ACCOUNTS

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company and of the group and of the profit or loss of the group for that period. In preparing those accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the group and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**REPORT OF THE AUDITORS**  
**to the members of Fairholme Estates (Holdings) Limited**

We have audited the accounts on pages 5 to 21, which have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and on the basis of the accounting policies set out on pages 9 and 10.

**Respective responsibilities of directors and auditors**

As described on page 3 the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

**Basis of opinion**

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

**Opinion**

In our opinion the accounts give a true and fair view of the state of affairs of the company and of the group as at 31 August 1995 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young  
Chartered Accountants  
Registered Auditor  
London

19 JAN 1996

# Fairholme Estates (Holdings) Limited

## CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the year ended 31 August 1995

	Notes	1995 £	1994 £
<b>TURNOVER</b>	2	3,924,326	4,034,984
Cost of sales		(1,618,725)	(1,742,275)
<b>GROSS PROFIT</b>		2,305,601	2,292,709
Administrative expenses		(947,944)	(1,021,641)
Other operating income		(926)	18,330
<b>NET OPERATING INCOME</b>	4	1,356,731	1,289,398
Other interest receivable and similar income		32,395	4,832
Interest payable and similar charges	7	(762,937)	(798,678)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	3	626,189	495,552
Tax on profit on ordinary activities	8	(195,615)	(181,899)
<b>PROFIT FOR THE FINANCIAL YEAR</b>		430,574	313,653
Dividend	10	(255,625)	(255,625)
<b>RETAINED PROFIT FOR THE YEAR</b>		174,949	58,028

### STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	1995 £	1994 £
Retained profit for the year	174,949	58,028
Unrealised (deficit)/surplus on revaluation of investment properties	(892,800)	839,772
Exchange loss on foreign equity investment	(4,895)	(43,747)
<b>Total recognised gains and losses relating to the year</b>	<b>(722,746)</b>	<b>854,053</b>

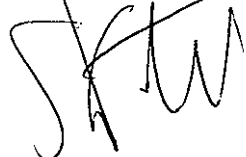
A statement of the movement on reserves is given in note 22.

# Fairholme Estates (Holdings) Limited

## CONSOLIDATED BALANCE SHEET

at 31 August 1995

	Notes	1995 £	1994 £
<b>FIXED ASSETS</b>			
Tangible assets	11	18,337,281	19,220,577
<b>CURRENT ASSETS</b>			
Stocks	13	368,899	396,956
Debtors	14	551,465	737,137
Cash at bank and in hand		222,129	200,901
		<u>1,142,493</u>	<u>1,334,994</u>
<b>CREDITORS: amounts falling due within one year</b>			
Bank overdraft	17	88,628	158,542
Loan capital	19	26,894	26,743
Trade and other creditors	18	718,574	744,438
Taxation		183,099	162,897
Proposed dividend	10	255,625	255,625
		<u>1,272,820</u>	<u>1,348,245</u>
<b>NET CURRENT LIABILITIES</b>		<u>(130,327)</u>	<u>(13,251)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>18,206,954</u>	<u>19,207,326</u>
<b>CREDITORS: amounts falling due after more than one year</b>			
Loan capital	19	6,876,678	7,152,522
Obligations under finance leases	20	—	1,782
		<u>6,876,678</u>	<u>7,154,304</u>
<b>TOTAL ASSETS LESS LIABILITIES</b>		<u>11,330,276</u>	<u>12,053,022</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	21	409,000	409,000
Share premium account	22	6,148	6,148
Revaluation reserve	22	8,347,150	9,245,802
Profit and loss account	22	2,567,978	2,392,072
<b>EQUITY SHAREHOLDERS' FUNDS</b>		<u>11,330,276</u>	<u>12,053,022</u>



Director

19 JAN 1996

# Fairholme Estates (Holdings) Limited

## BALANCE SHEET

at 31 August 1995

	Notes	1995 £	1994 £
<b>FIXED ASSETS</b>			
Tangible assets	11	17,294,779	18,148,543
Investments	12	1,107,471	1,147,471
		<u>18,402,250</u>	<u>19,296,014</u>
<b>CURRENT ASSETS</b>			
Debtors: amounts falling due: - within one year		40,738	30,942
- after more than one year		737,886	877,915
		<u>778,624</u>	<u>908,857</u>
Cash at bank and in hand	14	3,269	2,838
		<u>781,893</u>	<u>911,695</u>
<b>CREDITORS: amounts falling due within one year</b>			
Bank overdraft	17	88,628	114,199
Loan capital	19	24,340	24,340
Trade and other creditors	18	503,819	518,634
Taxation		170,666	153,899
Proposed dividend	10	255,625	255,625
		<u>1,043,078</u>	<u>1,066,697</u>
<b>NET CURRENT LIABILITIES</b>		<u>(261,185)</u>	<u>(155,002)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>18,141,065</u>	<u>19,141,012</u>
<b>CREDITORS: amounts falling due after more than one year</b>			
Amounts owed to subsidiary undertakings		24,670	24,670
Loan capital	19	6,726,448	6,998,827
		<u>6,751,118</u>	<u>7,023,497</u>
<b>TOTAL ASSETS LESS LIABILITIES</b>		<u>11,389,947</u>	<u>12,117,515</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	21	409,000	409,000
Share premium account	22	6,148	6,148
Revaluation reserve	22	5,571,940	6,451,170
Profit and loss account	22	5,402,859	5,251,197
<b>EQUITY SHAREHOLDERS' FUNDS</b>		<u>11,389,947</u>	<u>12,117,515</u>

Director

19 JAN 1996

# Fairholme Estates (Holdings) Limited

## GROUP STATEMENT OF CASH FLOWS

for the year ended 31 August 1995

	Notes	1995 £	1994 £
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>	4(b)	<u>1,592,972</u>	<u>1,547,903</u>
<b>RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>			
Interest received		32,395	4,832
Interest paid		(766,322)	(806,219)
Dividends paid		<u>(255,625)</u>	<u>(255,625)</u>
<b>NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>		<u>(989,552)</u>	<u>(1,057,012)</u>
<b>TAXATION</b>			
Corporation tax paid (including advance corporation tax)		(162,897)	(145,308)
Overseas tax paid		<u>(12,516)</u>	<u>(15,294)</u>
<b>TAX PAID</b>		<u>(175,413)</u>	<u>(160,602)</u>
<b>INVESTING ACTIVITIES</b>			
Payments to acquire tangible fixed assets		(52,288)	(214,038)
Receipts from sales of tangible fixed assets		<u>5,749</u>	<u>1,687,173</u>
<b>NET CASH (OUTFLOW)/INFLOW FROM INVESTING ACTIVITIES</b>		<u>(46,539)</u>	<u>1,473,135</u>
<b>NET CASH INFLOW BEFORE FINANCING</b>		<u>381,468</u>	<u>1,803,424</u>
<b>FINANCING</b>			
Repayment of long term loans	19	274,790	1,564,316
Capital element of finance leases rentals	20	<u>15,536</u>	<u>17,382</u>
<b>NET CASH INFLOW FROM FINANCING</b>		<u>290,326</u>	<u>1,581,698</u>
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>	16	<u>91,142</u>	<u>221,726</u>
		<u>381,468</u>	<u>1,803,424</u>



NOTES TO THE ACCOUNTS

at 31 August 1995

1. ACCOUNTING POLICIES

*Accounting convention*

The accounts have been prepared under the historical cost convention, modified by the revaluation of investment properties, and in accordance with applicable accounting standards.

*Basis of consolidation*

The consolidated profit and loss account and balance sheet incorporate the audited accounts of all subsidiary undertakings for the year ended 31 August 1995. Assets and liabilities and the profit and loss account of the US subsidiary are translated at the year-end rate of exchange. Goodwill arising on consolidation is written off directly against reserves.

*Leased assets*

Assets held under leasing arrangements that transfer substantially all the risks and rewards of ownership to the group are capitalised. The capital element of the related rental obligations is included in creditors. The interest element of the rental obligations is charged to the profit and loss account as incurred.

*Back to back finance leases*

Certain vehicles held under leasing arrangements are the subject of back to back finance leases with subcontractors. These vehicles are not capitalised since substantially all risks and rewards of ownership are transferred to the subcontractor. The capital elements of the rental obligations due to the finance company and due from the subcontractor are included in creditors and debtors respectively. The interest element of the rental obligation due to the company by the subcontractor is credited to the profit and loss account as received. The interest element of the rental obligations due from the company to the finance company is charged to the profit and loss account as incurred.

*Depreciation*

Investment properties are not depreciated, but are carried at valuation; the short leasehold property is valued at nil. The cost of other fixed assets is depreciated by annual instalments over the estimated useful lives of the assets as follows:

Motor vehicles (including leased vehicles)	–	5 years
Plant	–	10 years
Office equipment	–	5-20 years

*Deferred taxation*

Provision is made for deferred taxation, using the liability method, on all timing differences to the extent that it is probable that the liability will crystallise.

*Stocks and work in progress*

Stocks are valued at the lower of cost, on a first-in, first-out basis, and net realisable value after making due allowance for any obsolete or slow-moving items. Work in progress is valued at the lower of cost and net realisable value.

Stocks of land held for development or resale are valued at direct cost, without additions for overheads, less any provisions necessary to write down cost to market value.

# Fairholme Estates (Holdings) Limited

## NOTES TO THE ACCOUNTS

at 31 August 1995

### 1. ACCOUNTING POLICIES (continued)

#### *Investment properties*

Investment properties are stated at open market value which is professionally assessed each year. The surplus/deficit on revaluation is taken to revaluation reserve at the year end.

### 2. TURNOVER

Turnover represents the amounts derived from rents receivable in the year and from the provision of goods and services, which fall within the group's ordinary activities, all of which are continuing, stated net of value added tax.

### 3. ANALYSIS OF TURNOVER AND PROFITS/(LOSSES) BETWEEN ACTIVITIES

	1995	Turnover 1994	Profit/(loss) on ordinary activities before taxation	
	£	£	1995 £	1994 £
General contracting, distribution of engineering and building materials	2,008,972	2,182,839	(118,459)	(92,908)
Property investment	1,915,354	1,852,145	1,475,190	1,382,306
	<u>3,924,326</u>	<u>4,034,984</u>	<u>1,356,731</u>	<u>1,289,398</u>
Less net interest			(730,542)	(793,846)
			<u>626,189</u>	<u>495,552</u>

### 4. NET OPERATING INCOME

(a) This is stated after charging:

	1995 £	1994 £
Auditors' remuneration	21,550	21,250
Depreciation of tangible fixed assets, including depreciation of assets held under finance leases £4,994 (1994 - £4,994)	28,620	32,194
Finance lease charges, including charges relating to finance leases the subject of back to back finance leases with subcontractors £1,566 (1994 - £1,532)	2,716	3,066
and after crediting:		
Finance lease charges receivable	<u>999</u>	<u>1,889</u>

# Fairholme Estates (Holdings) Limited

## NOTES TO THE ACCOUNTS

at 31 August 1995

### 4. NET OPERATING INCOME (continued)

(b) Reconciliation of net operating income to net cash inflow from operating activities:

	1995 £	1994 £
Net operating income	1,356,731	1,289,398
Depreciation	28,620	32,194
Loss/(profit) on disposal of fixed assets	2,376	(891)
Decrease in stocks and work in progress	32,843	50,412
(Increase)/decrease in land and property	(4,786)	189,639
Decrease in debtors	185,672	54,509
Decrease in creditors	(8,725)	(53,646)
Exchange differences	241	(13,712)
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>	<b>1,592,972</b>	<b>1,547,903</b>

### 5. EMOLUMENTS OF DIRECTORS

	1995 £	1994 £
Remuneration, including pension contributions	210,249	201,814

The emoluments, excluding pension contributions, of directors of the company fell within the following ranges:

	1995 No.	1994 No.
£nil – £5,000	2	2
£5,001 – £10,000	2	2
£75,001 – £80,000	–	1
£85,001 – £90,000	1	–

The emoluments, excluding pension contributions, of the highest paid director were £86,271 (1994 - £76,846).

#### Pension contributions

The group operates a defined contribution pension scheme for the sole benefit of one of the directors. The assets of the scheme are held separately from those of the group in an independently administered fund. The pension cost charge represents contributions payable by the group to the fund and amounted to £110,800 (1994 - £110,800).

# Fairholme Estates (Holdings) Limited

## NOTES TO THE ACCOUNTS

at 31 August 1995

### 6(a) STAFF NUMBERS

The average number of persons employed by the group, including directors, during the year was as follows:

	1995 No.	1994 No.
Management	4	5
General staff	12	15
	<u>16</u>	<u>20</u>

### (b) STAFF COSTS, excluding directors' emoluments

	1995 £	1994 £
Wages and salaries	222,807	214,772
Social security costs	28,141	28,113
	<u>250,948</u>	<u>242,885</u>

### 7. INTEREST PAYABLE

	1995 £	1994 £
On loans repayable within 5 years and bank advances	75,171	60,706
Other loans	687,766	737,972
	<u>762,937</u>	<u>798,678</u>

### 8. TAXATION

The charge based on the profit for the year comprises:

	1995 £	1994 £
UK corporation tax	183,099	155,877
Overseas taxation	12,516	15,294
Adjustment relating to prior years	—	10,728
	<u>195,615</u>	<u>181,899</u>

# Fairholme Estates (Holdings) Limited

## NOTES TO THE ACCOUNTS

at 31 August 1995

### 9. PROFIT FOR THE FINANCIAL YEAR

In accordance with the exemptions allowed by Section 230 of the Companies Act 1985 the company has not presented its own profit and loss account. Of the profit for the financial year £407,287 (1994 - £308,866) has been dealt with in the accounts of the company.

### 10. DIVIDEND

	1995 £	1994 £
Proposed dividend of 62.5p per share	255,625	255,625

### 11. TANGIBLE FIXED ASSETS

<i>Group</i>	<i>Freehold investment properties</i> £	<i>Fixtures, fittings, equipment and motor vehicles</i> £	<i>Total</i> £
Cost or valuation			
At 31 August 1994	19,152,881	266,143	19,419,024
Additions	33,265	19,023	52,288
Disposals	—	(20,313)	(20,313)
Exchange adjustments	(6,038)	—	(6,038)
Revaluation deficit	(892,800)	—	(892,800)
At 31 August 1995	18,287,308	264,853	18,552,161
Depreciation			
At 31 August 1994	—	198,447	198,447
Charge for the year	—	28,620	28,620
Relating to disposals	—	(12,187)	(12,187)
At 31 August 1995	—	214,880	214,880
Net book amounts at 31 August 1995	18,287,308	49,973	18,337,281
31 August 1994	19,152,881	67,696	19,220,577

The net book amount of motor vehicles includes £Nil (1994 - £9,989) in respect of leased vehicles.

# Fairholme Estates (Holdings) Limited

## NOTES TO THE ACCOUNTS

at 31 August 1995

### 11. TANGIBLE FIXED ASSETS (continued)

<i>Company</i>	<i>Freehold investment properties £</i>	<i>Fixtures, fittings, equipment and motor vehicles £</i>	<i>Total £</i>
Cost or valuation			
At 31 August 1994	18,125,000	73,932	18,198,932
Additions	29,230	7,317	36,547
Revaluation deficit	(879,230)	—	(879,230)
At 31 August 1995	17,275,000	81,249	17,356,249
Depreciation			
At 31 August 1994	—	50,389	50,389
Charge for the year	—	11,081	11,081
At 31 August 1995	—	61,470	61,470
Net book amounts at 31 August 1995	17,275,000	19,779	17,294,779
31 August 1994	18,125,000	23,543	18,148,543

The majority of the UK investment properties owned by the group were professionally valued by Smith Melzack, Property Consultants & Valuation Surveyors, on an open market basis at 31 August 1995. The two properties owned by Fairholme US Inc. and one of the UK properties were valued on the same basis by a director of the company.

No provision has been made for taxation on capital gains which would arise if the group were to dispose of investment properties at their book values (see note 24).

In respect of freehold investment properties, which are stated at open market value, the historical cost to the group of the properties is as follows:

	<i>1995 £</i>	<i>1994 £</i>
Properties held by the company	8,066,605	8,037,375
Properties held by subsidiary undertakings	1,743,454	1,739,419
	9,810,059	9,776,794

# Fairholme Estates (Holdings) Limited

## NOTES TO THE ACCOUNTS

at 31 August 1995

### 12. INVESTMENTS - COMPANY

	1995 £	1994 £
Investment in subsidiary undertakings		
At 31 August 1994	1,147,471	1,147,471
Transfer from subsidiary undertaking	10,000	—
Provided during the year	(50,000)	—
At 31 August 1995	<u>1,107,471</u>	<u>1,147,471</u>

The company's main subsidiary undertakings at 31 August 1995 were:

#### Shareholding

Shopfitting, house and general building

Robt. Hawkins (Contractors) Limited

100% ordinary shares

Texland Industrial Supplies Limited

100% ordinary shares

Property investment

Fairholme US Inc

100% ordinary shares

The above companies are incorporated in England, apart from Fairholme US Inc which is incorporated in the USA. Non-active companies are not shown above.

### 13. STOCKS

	1995 £	1994 £
Land held for development or resale	278,795	274,009
Work in progress	43,611	44,331
Stocks of goods for resale	46,493	78,616
	<u>368,899</u>	<u>396,956</u>

# Fairholme Estates (Holdings) Limited

## NOTES TO THE ACCOUNTS

at 31 August 1995

### 14. DEBTORS

	1995	Group 1994	1995	Company 1994
	£	£	£	£
Due within one year:				
Trade debtors	433,915	623,025	3,092	12,674
Other debtors	37,891	29,171	33,743	15,188
Prepayments and accrued income	15,753	15,111	3,903	3,080
	<u>487,559</u>	<u>667,307</u>	<u>40,738</u>	<u>30,942</u>
Due in more than one year:				
Other debtors	—	5,924	—	—
ACT on dividends	63,906	63,906	63,906	63,906
Amounts owed by subsidiary undertakings	—	—	673,980	814,009
	<u>63,906</u>	<u>69,830</u>	<u>737,886</u>	<u>877,915</u>
	<u>551,465</u>	<u>737,137</u>	<u>778,624</u>	<u>908,857</u>

### 15. OBLIGATIONS OF SUBCONTRACTORS UNDER FINANCE LEASES

The capital amounts due from subcontractors under finance lease obligations are as follows:

	1995	1994
	£	£
Within one year	3,237	6,649
Within two to five years	—	5,924
	<u>3,237</u>	<u>12,573</u>



# Fairholme Estates (Holdings) Limited

## NOTES TO THE ACCOUNTS

at 31 August 1995

### 16. CASH AND CASH EQUIVALENTS

Analysis of balances as shown in the group balance sheet and changes during the current and previous year.

	1995 £	1994 £	Change in year £
Cash at bank and in hand	222,129	200,901	21,228
Bank overdrafts	(88,628)	(158,542)	69,914
	<u>133,501</u>	<u>42,359</u>	<u>91,142</u>
	1994 £	1993 £	Change in year £
Cash at bank and in hand	200,901	153,882	47,019
Bank overdrafts	(158,542)	(333,249)	174,707
	<u>42,359</u>	<u>(179,367)</u>	<u>221,726</u>

### 17. BANK OVERDRAFT

The bank overdraft is secured on an investment property of the company and land held for development by a subsidiary undertaking.

### 18. TRADE AND OTHER CREDITORS

	1995 £	Group 1994 £	1995 £	Company 1994 £
Payments received on account	9,208	—	—	—
Trade creditors	110,113	105,015	—	—
Other creditors	116,512	126,999	108,117	123,600
Taxation and social security	105,030	113,654	63,826	59,346
Accruals and deferred income	377,711	398,770	331,876	335,688
	<u>718,574</u>	<u>744,438</u>	<u>503,819</u>	<u>518,634</u>

# Fairholme Estates (Holdings) Limited

## NOTES TO THE ACCOUNTS

at 31 August 1995

### 19. LOAN CAPITAL

	1995 £	1994 £
Long term:		
11.58% mortgage redeemable on 1 October 2006	1,526,770	1,551,110
11.375% debenture stock 2012	2,000,000	2,000,000
9 1/2 % loan repayable on 27 August 2012	3,000,000	3,000,000
	<u>6,526,770</u>	<u>6,551,110</u>
Other loans:		
Repayable on demand	199,678	447,717
<b>Company</b>	<u>6,726,448</u>	<u>6,998,827</u>
Long term:		
6.375% mortgage repayable on 30 September 2020	150,230	153,695
<b>Group</b>	<u>6,876,678</u>	<u>7,152,522</u>

All loans, except those repayable on demand, are secured against specific properties. Certain loans, technically repayable on demand, are not expected to be repayable within the next year and, therefore, have been included within loan capital.

	1995 £	Group 1994 £	1995 £	Company 1994 £
Repayable within one year	26,894	26,743	24,340	24,340
Repayable in after more than one year	6,876,678	7,152,522	6,726,448	6,998,827
	<u>6,903,572</u>	<u>7,179,265</u>	<u>6,750,788</u>	<u>7,023,167</u>

Analysis of changes in group loan financing during the year:

	1995 £	1994 £
At 1 September	7,179,265	8,749,090
Net cash outflow from financing	(274,790)	(1,564,316)
Effect of foreign exchange rate changes	(903)	(5,509)
At 31 August	<u>6,903,572</u>	<u>7,179,265</u>

# Fairholme Estates (Holdings) Limited

## NOTES TO THE ACCOUNTS

at 31 August 1995

### 20. OBLIGATIONS OF THE GROUP UNDER FINANCE LEASES

The capital amounts due by the group under finance lease obligations are as follows:

	1995	1994
	£	£
Within one year	—	13,754
Within two to five years	—	1,782
	<u>—</u>	<u>15,536</u>
	<u>—</u>	<u>15,536</u>

Analysis of changes in finance leasing during the year:

	1995	1994
	£	£
At 1 September	15,536	32,918
Capital element of finance lease rentals	(15,536)	(17,382)
At 31 August	<u>—</u>	<u>15,536</u>
	<u>—</u>	<u>15,536</u>

### 21. SHARE CAPITAL

	1995	Authorised 1994	Alotted, called up and fully paid 1995	1994
	£	£	£	£
Ordinary shares of £1 each	<u>1,500,000</u>	<u>1,500,000</u>	<u>409,000</u>	<u>409,000</u>

# Fairholme Estates (Holdings) Limited

## NOTES TO THE ACCOUNTS

at 31 August 1995

### 22. RESERVES

	Share premium account £	Revaluation reserve £	Profit and loss account £	Total £
<i>Group</i>				
At 31 August 1994	6,148	9,245,802	2,392,072	11,644,022
Revaluation of property	—	(892,800)	—	(892,800)
Exchange movements, etc	—	(5,852)	957	(4,895)
Profit for the year	—	—	430,574	430,574
Dividend paid	—	—	(255,625)	(255,625)
At 31 August 1995	<u>6,148</u>	<u>8,347,150</u>	<u>2,567,978</u>	<u>10,921,276</u>
<i>Company</i>				
At 31 August 1994	6,148	6,451,170	5,251,197	11,708,515
Revaluation of property	—	(879,230)	—	(879,230)
Profit for the year	—	—	407,287	407,287
Dividend paid	—	—	(255,625)	(255,625)
At 31 August 1995	<u>6,148</u>	<u>5,571,940</u>	<u>5,402,859</u>	<u>10,980,947</u>

The company's profit and loss account balance of £5,402,859 as at 31 August 1995 includes non-distributable reserves of £4,372,350.

### 23. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1995 £	1994 £
Profit for the financial year	430,574	313,653
Dividend	(255,625)	(255,625)
	<u>174,949</u>	<u>58,028</u>
Other recognised gains and losses for the year	(897,695)	796,025
	<u>(722,746)</u>	<u>854,053</u>
Net addition in shareholders' funds	12,053,022	11,198,969
Opening shareholders' funds	<u>11,330,276</u>	<u>12,053,022</u>
Closing shareholders' funds	<u>11,330,276</u>	<u>12,053,022</u>

NOTES TO THE ACCOUNTS

at 31 August 1995

**24. DEFERRED TAXATION**

No provision for deferred taxation at 31 August 1995 is required. Potential tax liabilities, which are not expected to crystallise in the future, exist in respect of:

	<i>1995</i>	<i>Group</i> <i>1994</i>	<i>1995</i>	<i>Company</i> <i>1994</i>
	£	£	£	£
Capital allowances	436,000	425,000	435,000	425,000
Valuation of property	—	—	—	—
	<u>436,000</u>	<u>425,000</u>	<u>435,000</u>	<u>425,000</u>
Short term timing differences	(54,000)	(55,000)	(54,000)	(55,000)
	<u>382,000</u>	<u>370,000</u>	<u>381,000</u>	<u>370,000</u>

Potential deferred taxation in respect of the valuation of properties is nil for both 1995 and 1994 as there are losses for tax purposes brought forward.

# Fairholme Estates (Holdings) Limited

## PROFIT AND LOSS ACCOUNT

for the year ended 31 August 1995

	1995 £	1994 £
<b>TURNOVER</b>		
Rents receivable	1,837,890	1,758,621
<b>ADMINISTRATIVE EXPENSES</b>		
Consultancy	6,000	6,000
Audit fee	10,500	10,000
Bank interest and charges	6,654	11,125
Loan interest	724,362	745,903
Sundry expenses	9,495	9,078
Insurance	6,285	4,584
Management charge	87,916	86,725
Salaries and wages	162,853	143,366
Professional fees	91,179	94,922
Travelling expenses	21,955	23,035
Rent, rates and services	19,657	13,627
Advertising	346	3,072
Light and heat	233	83
Telephone and telex	3,488	2,323
Printing and stationery	3,613	3,317
Depreciation	11,081	12,513
Ground rent	1,325	(1,929)
Repairs to tenanted properties	20,279	32,757
Empty property costs	49,620	82,690
Fire claim	—	322
	1,236,841	1,283,513
Trading profit	601,049	475,108
Interest receivable	28,854	2,360
Exchange loss	(1,950)	(10,995)
Provision against investment in subsidiary undertakings	(50,000)	—
	577,953	466,473
Taxation	170,666	157,607
	407,287	308,866
Balance brought forward	5,251,197	5,197,956
Dividend	(255,625)	(255,625)
Balance carried forward	5,402,859	5,251,197