

Farnborough Properties Company

Registered number: 02671605

Directors' report and financial statements

For the year ended 30 May 2015

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FARNBOROUGH PROPERTIES COMPANY

COMPANY INFORMATION

Directors	T J Smalley Klosters Limited
Registered number	02671605
Registered office	5th Floor Leconfield House Curzon Street London W1J 5JA
Independent auditor	Mazars LLP Chartered Accountants & Statutory Auditor Tower Bridge House St Katharine's Way London E1W 1DD
Solicitors	Osborne Clarke One London Wall London EC2Y 5EB

FARNBOROUGH PROPERTIES COMPANY

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FARNBOROUGH PROPERTIES COMPANY

STRATEGIC REPORT FOR THE YEAR ENDED 30 MAY 2015

The Directors present their Strategic Report for Farnborough Properties Company for the year ended 30 May 2015.

Business review

The company's principal activity is the letting of investment property. On 21 April 2015 the company sold its investment property for £35,361,000 less costs of £293,933 and repaid its loan.

The company has been lent \$2,336,000 (2014: \$2,556,000) by Zonevalley Limited, an intermediate parent company, to facilitate the payment of Corporation Tax liabilities. This lending was funded by Zonevalley Limited by way of a short term loan from a related entity.

The opinion of the Directors is that the financial position of the company as at 30 May 2015 is satisfactory.

Principal risks and uncertainties

Interest rate risk

The risk was mitigated by the company only being party to fixed interest rate loans.

Tenant credit risk

The risk was mitigated by the company only taking on appropriate tenants with credit checks undertaken by Prime Estates Management Limited, a related company.

Cash flow risk

The company minimised its cash flow risk of non performance on its loan arrangements by minimising its tenant credit risk and by arranging for its rentals to be paid by direct transfer. The company obtained funding from an intermediate parent company in order to manage the cash flow relating to corporation tax liabilities.

Market value risk

The company's investment property values were determined by market forces outside of the company's control.

The company was not exposed to a loan default resulting from a fall in property values as the loan agreement did not include a loan to value covenant.

Third party risk

The company was exposed to third party risk as the company's assets were charged in respect of the loan finance provided to fellow group companies.

Going concern

As set out in note 1.2, the Directors have not prepared the financial statements on a going concern basis.

This report was approved by the board on 23/02/2016

and signed on its behalf.



T J Smalley
Director

FARNBOROUGH PROPERTIES COMPANY

DIRECTORS' REPORT FOR THE YEAR ENDED 30 MAY 2015

The Directors present their report and the audited financial statements for the year ended 30 May 2015.

As permitted by Paragraph 1A of schedule 7 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 certain members which are required to be disclosed in the Directors' Report have been omitted as they are included in the Strategic Report on pages 1-2. These matters relate to the principal activity, business review and principal risks and uncertainties.

Directors' responsibilities statement

The Directors are responsible for preparing the Strategic Report, 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 these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business. As explained in note 1.2 to the financial statements, the Directors do not believe the going concern basis to be appropriate and the financial statements have not been prepared on this basis.

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.

Dividends

The Directors do not recommend payment of a dividend (2014: £NIL).

Directors

The Directors who served during the year were:

T J Smalley
Klosters Limited (appointed 12 June 2014)

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 that Director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- that 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.

FARNBOROUGH PROPERTIES COMPANY

DIRECTORS' REPORT FOR THE YEAR ENDED 30 MAY 2015

Auditor

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

This report was approved by the board on 23/02/2016 and signed on its behalf.



TJ Smalley
Director

FARNBOROUGH PROPERTIES COMPANY

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FARNBOROUGH PROPERTIES COMPANY

We have audited the financial statements of Farnborough Properties Company for the year ended 30 May 2015 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. 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). As described in note 1.2, the financial statements have not been prepared on a going concern basis.

Respective responsibilities of Directors and auditor.

As explained more fully in the Directors' responsibilities statement set out on page 2, 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 Ethical Standards for Auditors. 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.

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 the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 May 2015 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 – basis of preparation

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1.2, concerning the basis of preparation of the financial statements. The company sold its investment properties on 21 April 2015. The Directors plan to liquidate the company. The financial statements have therefore not been prepared on a going concern basis. However, no consequential adjustments arise.

Opinion on the other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

FARNBOROUGH PROPERTIES COMPANY

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FARNBOROUGH PROPERTIES COMPANY

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.



Samantha Russell (Senior Statutory Auditor)

for and on behalf of Mazars LLP

Chartered Accountants and Statutory Auditor

Tower Bridge House

St Katharine's Way

London

E1W 1DD

Date: 25 February 2016

FARNBOROUGH PROPERTIES COMPANY

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 MAY 2015

	Note	2015 \$000	2014 \$000
Rent receivable	1	12,488	15,657
Permanent diminution in value of investment property		-	(7,370)
Administrative expenses		661	(950)
		<hr/>	<hr/>
Operating profit	2	13,149	7,337
Interest payable and similar charges	4	(484)	(998)
		<hr/>	<hr/>
Profit on ordinary activities before taxation		12,665	6,339
Tax on profit on ordinary activities	5	997	(1,527)
		<hr/>	<hr/>
Profit for the financial year	11	13,662	4,812
		<hr/>	<hr/>

All amounts relate to operations that have been discontinued following the sale of the company's investment properties.

There were no recognised gains and losses for 2015 or 2014 other than those included in the profit and loss account.

The notes on pages 8 to 14 form part of these financial statements.

FARNBOROUGH PROPERTIES COMPANY

Registered number: 02671605

**BALANCE SHEET
AS AT 30 MAY 2015**

	Note	\$000	2015 \$000	2014 \$000
Fixed assets				
Investment property	6		-	53,150
Current assets				
Debtors	7	73,089		37,647
Cash at bank		18,893		660
		<u>91,982</u>		<u>38,307</u>
Creditors: amounts falling due within one year	8	<u>(13,832)</u>		<u>(24,860)</u>
Net current assets			78,150	13,447
Total assets less current liabilities			<u>78,150</u>	<u>66,597</u>
Provisions for liabilities				
Deferred tax	9		-	(2,109)
Net assets			<u>78,150</u>	<u>64,488</u>
Capital and reserves				
Called up share capital	10		1,394	1,394
Share premium account	11		12,388	12,388
Profit and loss account	11		64,368	50,706
Shareholders' funds	12		<u>78,150</u>	<u>64,488</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 23/02/2016.



TJ Smalley
Director

The notes on pages 8 to 14 form part of these financial statements.

FARNBOROUGH PROPERTIES COMPANY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 MAY 2015

1. Accounting Policies

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention as modified by the revaluation of investment property and in accordance with applicable accounting standards. As discussed in note 1.2, the financial statements have not been prepared on a going concern basis.

1.2 Going concern

The company has made a profit of \$13,662,000 (2014: \$4,812,000) during the year.

The Directors are aware that the Trustees of the company's ultimate controlling party, the Tchenguiz Discretionary Trust ('TDT'), are in litigation concerning the extent to which the TDT is liable in respect of loans due to certain overseas companies, now in liquidation, which were previously controlled by the TDT. In December 2013, the Lieutenant Bailiff of the Royal Court of Guernsey gave judgement that TDT was liable for the loans. In the view of the Directors, the assets of the TDT will not be sufficient to enable the TDT to meet its obligations under these loans.

An application has been made for the judgement to be reviewed by the Privy Council, a response to which is expected shortly. Joint receivers have been appointed, in the jurisdiction where the TDT is situated, to stand in place of the Trustees of the TDT to maintain and, where appropriate, realise the assets of the TDT, including the TDT's shares in the company. The Receivers appointed a Director to the company and, with the agreement of the secured creditor, the company sold its investment properties.

On 21 April 2015, the company's investment properties were sold for £35,361,000 (\$52,582,000 at the completion date exchange rate of \$1.487 - £1). The Directors have prepared projected cash flows indicating that the liabilities of the company will be settled from the proceeds of the sale of the investment properties. The Directors plan to distribute the remaining assets of the company to shareholders and then to liquidate the company.

The Directors therefore do not consider it appropriate to prepare the financial statements on a going concern basis. However, no consequential adjustments arise.

1.3 Functional currency

The financial statements have been prepared in United States of America Dollars (US Dollars or \$) as the company's income and loan commitments are receivable and payable in this currency.

1.4 Cash flow statement

The company, being a subsidiary undertaking where 90% or more of the voting rights are controlled within the group whose consolidated financial statements are publicly available, is exempt from the requirement to draw up a cash flow statement in accordance with FRS 1.

1.5 Rent receivable

Rental income from investment properties leased out under operating leases is recognised in the profit and loss account on an accruals basis over the term of the lease. The effect of rent reviews is only recognised when such reviews have been arranged with tenants. Where rents are subject to fixed indexation in lieu of rent reviews, the rents are recognised on a systematic basis as income in the periods in which they are earned.

FARNBOROUGH PROPERTIES COMPANY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 MAY 2015

1. Accounting Policies (continued)

1.6 Investment properties

Investment properties were included in the balance sheet at their open market value in accordance with Statement of Standard Accounting Practice No.19 and were not depreciated. This treatment was contrary to the Companies Act 2006 which states that fixed assets should be depreciated but was, in the opinion of the Directors, necessary in order to give a true and fair view of the financial position of the company.

This treatment was a departure from the requirements of the Companies Act 2006 concerning the depreciation of fixed assets. However, these properties were not held for consumption but for investment and the Directors considered that the systematic annual depreciation would be inappropriate. The accounting policy adopted was therefore necessary for the financial statements to give a true and fair view. Depreciation or amortisation was only one of many factors reflected in the annual valuation and the amount which might otherwise have been shown could not be separately identified or quantified.

1.7 Deferred taxation

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation.

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse.

Deferred tax assets and liabilities are not discounted.

1.8 Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into dollars at rates of exchange ruling at the balance sheet date.

Transactions in foreign currencies are translated into dollars at the rate ruling on the date of the transaction.

Exchange gains and losses are recognised in the profit and loss account.

2. Operating profit

The operating profit is stated after charging/(crediting):

	2015 \$000	2014 \$000
Auditor's remuneration	18	12
Loss on disposal of investment property	1,007	-
Difference on foreign exchange	(1,754)	886
	<hr/>	<hr/>

FARNBOROUGH PROPERTIES COMPANY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 MAY 2015

3. Staff costs

The company has no employees in the current or prior years other than the Directors, who did not receive any remuneration in respect of services to the company (2014 - \$NIL).

4. Interest payable and similar charges

	2015 \$000	2014 \$000
Interest payable on secured loan notes	320	954
Exit fee recharged from immediate parent company	24	-
Other interest payable	140	44
	<u>484</u>	<u>998</u>

5. Taxation

	2015 \$000	2014 \$000
Analysis of tax charge in the year		
Current tax (see note below)		
UK corporation tax charge on profit for the year	1,112	2,398
Deferred tax		
Adjustments in respect of prior period	-	(584)
Effects of changes in tax rates and laws	-	(316)
Effects of changes in exchange rates	-	252
Deferred tax credit	(2,109)	(223)
Total deferred tax (see note 9)	<u>(2,109)</u>	<u>(871)</u>
Tax on profit on ordinary activities	<u>(997)</u>	<u>1,527</u>

FARNBOROUGH PROPERTIES COMPANY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 MAY 2015

5. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2014 - lower than) the standard rate of corporation tax in the UK of 21% (2014 - 23%). The differences are explained below:

	2015 \$000	2014 \$000
Profit on ordinary activities before tax	12,665	6,339
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 21% (2014 - 23%)	2,639	1,417
Effects of:		
Permanent diminution in value of investment property	-	1,671
Loss on sale of investment property	210	-
Group relief received	(1,663)	(1,040)
Transfer pricing and other adjustments	(74)	350
Current tax charge for the year	1,112	2,398

6. Investment property

	Long leasehold investment property \$000
Valuation	
At 30 May 2014	53,150
Disposals	(53,150)
At 30 May 2015	-

On 21 April 2015, the company's investment properties were sold for £35,361,000 (\$52,582,000 at the completion date exchange rate of \$1.487 - £1).

7. Debtors

	2015 \$000	2014 \$000
Amounts owed by group undertakings	73,067	37,611
Other debtors	22	36
	73,089	37,647

FARNBOROUGH PROPERTIES COMPANY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 MAY 2015

8. Creditors: Amounts falling due within one year

	2015 \$000	2014 \$000
Secured loan notes	-	6,992
Trade creditors	17	-
Amounts owed to group undertakings	2,453	2,556
Corporation tax	3,302	4,846
Other taxation and social security	481	536
Other creditors	7,532	7,929
Accruals and deferred income	47	2,001
	<u>13,832</u>	<u>24,860</u>

The amounts owed to group undertakings include \$2,336,000 (2014: \$2,556,000) provided by Zonevalley Limited, an intermediate parent company, to facilitate the settlement of Corporation Tax liabilities. The amount is due on demand and is interest free.

9. Deferred taxation

	2015 \$000	2014 \$000
At beginning of year	2,109	2,980
Released to the profit and loss account	(2,109)	(871)
At end of year	<u>-</u>	<u>2,109</u>

The provision for deferred taxation is made up as follows:

	2015 \$000	2014 \$000
Capital allowances in advance of depreciation	<u>-</u>	<u>2,109</u>

On April 1 2015 the corporation tax rate decreased from 21% to 20%.

10. Share capital

	2015 \$000	2014 \$000
Allotted, called up and fully paid		
404 'A' ordinary shares of £1,000 each	697	697
404 'B' ordinary shares of £1,000 each	697	697
	<u>1,394</u>	<u>1,394</u>

The 'A' and 'B' shares rank pari passu in all respects except as regards the appointment and removal of Directors.

FARNBOROUGH PROPERTIES COMPANY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 MAY 2015

10. Share capital (continued)

Each class of shareholder can appoint two Directors, 'A' Directors and 'B' Directors.

In the event of a resolution being proposed at any General Meeting of the Company for the removal of an 'A' Director or of a 'B' Director, the 'A' shares, in the case of a resolution for the removal of an 'A' Director, and the 'B' shares, in the case of a resolution for the removal of a 'B' Director, shall upon a poll carry three votes per share.

11. Reserves

	Share premium account \$000	Profit and loss account \$000
At 31 May 2014	12,388	50,706
Profit for the year	-	13,662
At 30 May 2015	<u>12,388</u>	<u>64,368</u>

12. Reconciliation of movement in shareholders' funds

	2015 \$000	2014 \$000
Opening shareholders' funds	64,488	59,676
Profit for the financial year	13,662	4,812
Closing shareholders' funds	<u>78,150</u>	<u>64,488</u>

13. Contingent liabilities

The company's investment properties and bank accounts were the subject of a second fixed charge, and its shares and all assets were subject to a second floating charge in respect of a bank loan to Gatevalley Limited, the company's immediate parent company. The balance on this loan less finance costs at 30 May 2015 was \$NIL (2014: \$56.2 million).

14. Foreign exchange

The average sterling exchange rate for the year was \$1.5865 (2014: \$1.6141 = £1). The year end sterling exchange rate was \$1.5298 (2014: \$1.6742 = £1).

FARNBOROUGH PROPERTIES COMPANY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 MAY 2015

15. Related party transactions

The company is related to other companies controlled by the Tchenguiz Discretionary Trust. Included in other creditors is \$3,324,000 (2014: \$3,324,000) due to one such company, R20 Limited. During the year management fees of \$nil (2014: \$NIL) were charged by R20 Limited.

Included within other creditors is \$4,208,000 (2014: \$4,605,000) relating to a loan provided to the company by the Tchenguiz Discretionary Trust to facilitate the settlement of corporation tax liabilities. The amount is due on demand and is interest free.

The company has taken advantage of the exemptions provided by Financial Reporting Standard Number 8 'Related Party Disclosures' and has not disclosed transactions with fellow group undertakings where 100% of the voting rights are controlled within the group and that group prepares consolidated financial statements.

16. Ultimate parent undertaking and controlling party

The company's immediate parent company is Gatevalley Limited.

The parent undertaking of the smallest and largest group for which group accounts are prepared and of which the company is a member is Vinedawn Limited, which is registered in England and Wales. Copies of these group accounts are available from Companies House, Crown Way, Cardiff, CF14 3UZ.

The company's ultimate parent company is Kelucia Limited, a company incorporated in the British Virgin Islands.

The Directors consider the ultimate controlling party to be the Tchenguiz Discretionary Trust.