

FAIRHOLD FREEHOLDS NO.2 LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016



FAIRHOLD FREEHOLDS NO.2 LIMITED

DIRECTORS AND OFFICERS

DIRECTORS

W K Procter
C C McGill

SECRETARY

P A Hallam

REGISTERED OFFICE

Molteno House
302 Regents Park Road
London
N3 2JX

AUDITOR

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

FAIRHOLD FREEHOLDS NO.2 LIMITED

DIRECTORS' REPORT

The directors submit their report and the audited financial statements for the year ended 31 December 2016.

Principal Activities

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

Business review and future developments

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

Investment properties

The investment properties have been valued by the directors at £14,580,000 (2015: £12,500,000). The resultant fair value gain in the year amounted to £2,080,000 (2015: £1,000,000 loss). Details of the investment properties are set out in note 7.

Results and dividends

The profit for the year amounted to £1,996,385 (2015: £357,738 loss). The directors do not recommend the payment of a dividend (2015: £nil).

Directors

The following directors have held office during the year:

W K Procter

C C McGill

M D Watson (resigned on 12 April 2016)

FAIRHOLD FREEHOLDS NO.2 LIMITED

DIRECTORS' REPORT (Continued)

Statement of directors' responsibilities

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing those financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement as to disclosure of information to auditor

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

Auditor

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

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

By order of the Board:



W K Procter
Director

15 June 2017

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FAIRHOLD FREEHOLDS NO.2 LIMITED

Opinion on financial statements

We have audited the financial statements on pages 6 to 18. 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), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2016 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 – Valuation of investment properties

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosures made in the accounting policies on page 10 and in note 7 to the financial statements concerning the fair values of the company's investment properties which are valued on an actuarial basis. The investment properties totalling £14.6m (2015: £12.5m) included in the financial statements at 31 December 2016 were valued by the directors having regard to a valuation carried out by a leading independent firm of actuaries during 2013. As indicated in the notes, considerable volatility exists in these valuations as demonstrated by the increase in valuation of £2.1m in the current year when compared to the directors' valuation at 31 December 2015, which in turn had decreased by £1.0m when compared to the directors' valuation at 31 December 2014, and as detailed in note 7 where the impact of a small change in the underlying assumption is detailed.

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 <http://www.frc.org.uk/auditscopeukprivate>.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements and, based on the work undertaken in the course of our audit, 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 any material misstatements in the Directors' report.

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report or in preparing the directors' report.

Respective responsibilities of directors and auditor

As more fully explained in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FAIRHOLD FREEHOLDS NO.2 LIMITED (continued)

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.



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

16 June 2017

FAIRHOLD FREEHOLDS NO.2 LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	2016 £	2015 £
Turnover	2	262,121	305,575
Administrative expenses		(40,857)	9,934
Operating profit		<u>221,264</u>	<u>315,509</u>
Fair value gain / (loss) on investment property		2,080,000	(1,000,000)
Interest receivable and similar income		-	138,627
Interest payable and similar charges	3	(162,879)	(174,874)
Profit / (Loss) on ordinary activities before taxation	4	<u>2,138,385</u>	<u>(720,738)</u>
Taxation	6	(142,000)	363,000
Profit / (Loss) on ordinary activities after taxation		<u>1,996,385</u>	<u>(357,738)</u>
Other comprehensive income		-	-
Total comprehensive income for the year		<u><u>1,996,385</u></u>	<u><u>(357,738)</u></u>

FAIRHOLD FREEHOLDS NO.2 LIMITED

STATEMENT OF FINANCIAL POSITION (Company Registration Number: 03229749)

AT 31 DECEMBER 2016

	Notes	2016 £	2015 £
Fixed assets			
Investment properties	7	14,580,000	12,500,000
Current assets			
Debtors	8	8,483	32,567
Creditors: amounts falling due within one year	9	(50,162)	(49,846)
Net current liabilities		(41,679)	(17,279)
Total assets less current liabilities		14,538,321	12,482,721
Creditors: amounts falling due after more than one year	10	(5,107,921)	(5,190,706)
Provisions for liabilities	11	(1,829,000)	(1,687,000)
Net assets		7,601,400	5,605,015
Capital and reserves			
Called up share capital	12	1	1
Profit and loss account		7,601,399	5,605,014
Total equity		7,601,400	5,605,015

The financial statements on pages 6 to 18 were approved by the board of directors and authorised for issue on *15 June* 2017 and are signed on its behalf by:


W K Procter
 Director

FAIRHOLD FREEHOLDS NO.2 LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2016

	Share capital £	Profit and loss account £	Total £
Balance at 1 January 2015	1	5,962,752	5,962,753
Loss for the year	-	(357,738)	(357,738)
Balance at 31 December 2015	<u>1</u>	<u>5,605,014</u>	<u>5,605,015</u>
Profit for the year	-	1,996,385	1,996,385
Balance at 31 December 2016	<u>1</u>	<u>7,601,399</u>	<u>7,601,400</u>

FAIRHOLD FREEHOLDS NO.2 LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

1. Accounting policies

Company information

Fairhold Freeholds No.2 Limited ("the Company") is a limited company domiciled and incorporated in England. The address of the Company's registered office and principal place of business is Molteno House, 302 Regents Park Road, London, N3 2JX. The principal activity of the Company during the year was that of property investment.

1.1 Basis of accounting

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006, including the provisions of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, and under the historical cost convention as modified to include investment properties at fair value.

1.2 Reduced disclosures

In accordance with FRS 102, the Company has taken advantage of the exemptions from the following disclosure requirements;

- Section 4 'Statement of Financial Position' – Reconciliation of the opening and closing number of shares
- Section 7 'Statement of Cash Flows' – Presentation of a Statement of Cash Flow and related notes and disclosures
- Section 11 'Basic Financial Instruments' & Section 12 'Other Financial Instrument Issues' – Carrying amounts, interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income.
- Section 33 'Related Party Disclosures' – Compensation for key management personnel.

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

1.3 Going concern

In preparing the accounts on the going concern basis the directors have given consideration to the Company's result for the period and the Company's net asset position. The result for the period has predominantly arisen due to the accounting treatment of revaluation gains and deficits on investment properties, which go through the profit and loss account under FRS102, and accounting for interest payable, which is understood and budgeted under the long term financing arrangements described elsewhere in these financial statements.

The loan facility drawdown by the Company's parent company, Dellmes GR Limited, in 2015 (see note 13) is a 65 year fully amortising facility and there are reserves in place to ensure that the necessary liquidity is retained in the structure so that funds are available to meet liabilities as they fall due.

The directors have assessed the operation of the financing structure and have determined that the Company has, or can expect to have, sufficient working capital for its needs for at least 12 months from the date of approval of these financial statements. In view of this the directors consider it appropriate for the financial statements to be prepared on a going concern basis.

FAIRHOLD FREEHOLDS NO.2 LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

1.4 Functional and presentational currencies

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

1.5 Turnover

Turnover comprises rent receivable and other income arising from investment properties.

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

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

1.6 Investment properties

The Company's holding of Investment Property is comprised of Freehold Reversionary Interests and these are initially measured at cost and subsequently measured at fair value whilst a reliable measure of fair value is available without undue cost or effort. Changes in fair value are recognised in profit or loss.

These assets, as their name implies, represent interests held in the freehold land on which third party developers have built and sold long leasehold properties. As such these assets are more akin to financial investments, as they generate income in the form of annual ground rents along with other ancillary income streams.

Recognising the unusual nature of these investment properties and the lack of a regular market for such significant portfolios of such assets, which are in distinct contrast with the more regular "bricks and mortar" investment properties, 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. The valuation of the entire Freehold Reversionary Interest portfolio is undertaken by the directors based on periodic actuarial valuations carried out by a leading firm of third party actuarial consultants.

The directors also recognise, given the unusual nature and lack of a regular market for such significant portfolios of assets, that these carrying values may not be realised should the company seek to dispose of any or all of the investment properties in a short period of time.

Further details are given in note 7.

1.7 Taxation

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

Current tax is based on taxable profit for the year. Taxable profit differs from total comprehensive income 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.

FAIRHOLD FREEHOLDS NO.2 LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

1.7 Taxation (continued)

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 total comprehensive income that arise from the inclusion of income and expenses in tax assessments in different periods from their recognition in the financial statements. Deferred tax assets are recognised only to the extent that it is probable that they will be recovered by the reversal of deferred tax liabilities or other future taxable profits.

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

Current and deferred tax is charged or credited in profit or loss, except when it relates to items charged or credited to other comprehensive income or equity, when the tax follows the transaction or event it relates to and is also charged or credited to other comprehensive income, or equity.

Current tax assets and current tax liabilities and deferred tax assets and deferred tax liabilities are offset, if and only if, there is a legally enforceable right to set off the amounts and the entity intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

1.8 Financial instruments

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

Trade debtors

Trade debtors which are receivable within one year and which do not constitute a financing transaction are initially measured at the transaction price. Trade 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.

Borrowings

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

FAIRHOLD FREEHOLDS NO.2 LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

1.8 Financial instruments (continued)

Derecognition of financial assets and liabilities

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

1.9 Critical accounting estimates and areas of judgement

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

Critical accounting estimates and assumptions

The Company makes 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

The key accounting estimate in preparing these financial statements relates to the carrying value of the investment property which is stated at fair value, as valued by the directors. The Company uses external professional actuarial valuations as a basis for determining the directors' estimation of the fair value of the investment properties. However, the valuation of the Company's investment property is inherently subjective, as it is made on the basis of valuation assumptions, which may in future not prove to be accurate.

In the current year the directors refined the discount rate used in valuing future cash flows. Details of the principal assumptions applied in the valuation of the investment properties are set out in note 7.

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.

FAIRHOLD FREEHOLDS NO.2 LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

2. Turnover

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

	2016 £	2015 £
Rent receivable	195,539	246,101
Other income	66,582	59,474
	<u>262,121</u>	<u>305,575</u>

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

3. Interest payable and similar charges

	2016 £	2015 £
Interest on parent company loan	162,141	139,288
Bank loan interest	-	33,762
Finance costs recharged	738	1,824
	<u>162,879</u>	<u>174,874</u>

4. Profit / (Loss) on ordinary activities before taxation

	2016 £	2015 £
The profit / (loss) on ordinary activities before taxation is stated after charging:		
- Auditor's remuneration	6,660	6,600
	<u>6,660</u>	<u>6,600</u>

5. Employees and directors

There were no employees during the year other than the directors. The directors are remunerated by the related party Fairhold Services Limited and this is recharged to the Company as part of the management charge from Estates & Management Limited. This management charge, which in 2016 amounted to £32,667 (2015: £30,684) 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.

FAIRHOLD FREEHOLDS NO.2 LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

6. Taxation	2016	2015
	£	£
Current tax		
UK corporation tax	-	-
Total current tax	<u>-</u>	<u>-</u>
Movement of potential chargeable gain liability	235,722	(158,000)
Effect of decreased rate on opening liability	(93,722)	(205,000)
Total deferred tax	<u>142,000</u>	<u>(363,000)</u>
Total tax on profit / (loss) on ordinary activities	<u>142,000</u>	<u>(363,000)</u>

Factors affecting the tax charge for the year.

The tax assessed for the year is lower than the standard rate of corporation tax in the UK 20% (2015: 20%). The differences are explained below:

	2016	2015
	£	£
Profit / (Loss) on ordinary activities before tax	2,138,385	(720,738)
Profit / (Loss) on ordinary activities multiplied by the standard rate of Corporation tax in the UK of 20% (2015: 20%).	<u>427,677</u>	<u>(144,148)</u>
Effects of:		
Group relief	(44,259)	(53,573)
Amounts relating to change in tax rate	(151,235)	(163,000)
Disallowable expenditure	-	(9,706)
Tax losses (utilised)/carried forward	(77,252)	7,427
Chargeable gain adjustment	(12,931)	-
Tax charge / (credit)	<u>142,000</u>	<u>(363,000)</u>

The Company has estimated non-trading losses of £617,331 (2015: £1,163,966) available to carry forward against future profits. No deferred tax asset has been recognised in respect of these losses due to uncertainty of recovery, except those used to reduce the provision for deferred tax in relation to the revaluation of investment properties (note 11).

In the prior period Finance Act 2015 was enacted and included legislation to reduce the main rate of corporation tax to 19% with effect from 1 April 2017, and by a further 1%, reaching 18%, with effect from 1 April 2020. In the current period, Finance Act 2016 was enacted and included legislation to reduce the main rate by a further 1%, reaching 17% with effect from 1 April 2020. As this change was substantively enacted at the balance sheet date and no material amount is expected to unwind prior to 1 April 2020, deferred tax is recognised at 17% in the current period (2015: 18%).

FAIRHOLD FREEHOLDS NO.2 LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

7. Investment properties

	Freehold reversionary interests	
	2016	2015
	£	£
Fair Value		
As at 1 January 2016	12,500,000	13,500,000
Fair value gain / (loss)	2,080,000	(1,000,000)
As at 31 December 2016	14,580,000	12,500,000

The investment properties represent a portfolio of Freehold Reversionary Interests that generate ground rents as the principal income stream. The investment properties were valued on an actuarial basis by a leading firm of independent financial and actuarial consultants as at the 31 December 2013. The directors have reviewed the actuarial valuation as at 31 December 2013 and, based on market changes in the intervening period, have determined their own valuation at the year end.

The directors, in carrying out their valuation at 31 December 2016, have reviewed the basis of the 31 December 2013 actuarial valuation and concluded that there have been changes in the key valuation drivers since the actuarial valuation. Accordingly the directors have assessed these changes to the valuation drivers and, based on the sensitivities noted in the 2013 valuation, consider the updated valuation of the investment properties of £14,580,000 at 31 December 2016 (2015: £12,500,000) is appropriate for adoption for the purposes of these financial statements.

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

The principal assumptions used in the independent actuarial valuation were:

RPI basis for inflation assumptions	- Implied inflation vector taken from the Bank of England website;
Residential property inflation	- derived from market rental yields as found in the ARLA report and the UK Government gilt curve;
Risk free discount rate	- a series of rates reflecting the UK government gilt curve as applicable to each cash flow date.
Taxation	- no allowance has been made for taxation in projecting the future revenue flow.
Incidence rates for lease extensions and the price charged	- historic rates and FTT valuation.

The assumption with the most significant impact on the valuation is the discount rate used. The discount rates used have been refined in the year in line with detail contained in the independent actuaries report. A 100 basis point increase or decrease in this rate reduces or increases the valuation by 33% and 66% respectively and it is predominately the movement in this rate that has caused the change in value during the current year.

FAIRHOLD FREEHOLDS NO.2 LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

7. Investment properties (Continued)

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

	Freehold reversionary interests	
	2016	2015
	£	£
Cost	2,748,148	2,748,148

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

8. Debtors	2016	2015
	£	£
Trade debtors	8,398	32,567
Prepayments and accrued income	85	-
	<u>8,483</u>	<u>32,567</u>

9. Creditors: amounts falling due within one year	2016	2015
	£	£
Accruals and deferred income	50,162	49,846
	<u>50,162</u>	<u>49,846</u>

10. Creditors: amounts falling due after one year	2016	2015
	£	£
Amount owed to parent undertaking	5,107,921	5,190,706

The loan from the parent company is due for repayment in 2085. Interest is charged at 6 month Libor +2.4%.

FAIRHOLD FREEHOLDS NO.2 LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

11. Provision for liabilities

	Deferred- taxation £
1 January 2016	1,687,000
Additional provision in the year	142,000
31 December 2016	<u>1,829,000</u>

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

	2016 £	2015 £
Deferred tax on assets measured at fair value	1,934,000	1,687,000
Tax losses available	(105,000)	-
	<u>1,829,000</u>	<u>1,687,000</u>

12. Share capital and reserves

Share capital	2016 £	2015 £
Allotted, issued and fully paid: 1 ordinary share of £1	<u>1</u>	<u>1</u>

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:

Retained earnings

Cumulative profit and loss net of distributions to owners

13. Guarantees

The Company has given an unlimited guarantee in respect of some of the indebtedness of its holding company Dellmes GR Limited. The guarantee is supported by a debenture and a charge over the group's investment properties. At 31 December 2016 the total amount outstanding subject to that guarantee was £364.4m (2015: £357.9m). Interest accrued and included in this balance is estimated at £19.6m (2015: £13.1m).

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.

FAIRHOLD FREEHOLDS NO.2 LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

14. Ultimate parent company and ultimate controlling party

The Company's immediate parent company is Dellmes GR Limited, which is domiciled and incorporated in England. This parent undertaking is the holding company of both the largest and smallest group for which group accounts are prepared and of which the Company is a member. Copies of the financial statements are available from Companies House, Crown Way, Cardiff CF14 3UZ.

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

The ultimate controlling party is the Tchenguiz Family Trust.

15. Related party transactions

The Company has taken advantage of the exemptions provided by Section 33 of FRS 102 'Related Party Disclosures' and has not disclosed transactions entered into between two or more members of a group, provided that any subsidiary undertaking which is party to the transaction is wholly owned by a member of that group.

Management fees of £32,667 (2015: £30,684) were charged to the Company in the year by Estates & Management Limited, a company related by virtue of common control and common directors.