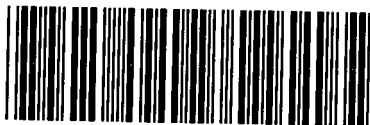


FAIRHOLD FREEHOLDS NO.2 LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

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COMPANIES HOUSE

Company No: 03229749

FAIRHOLD FREEHOLDS NO.2 LIMITED

DIRECTORS AND OFFICERS

DIRECTORS

M D Watson
C C McGill

SECRETARY

P A Hallam

REGISTERED OFFICE

Molteno House
302 Regents Park Road
London
N3 2JX

AUDITOR

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

FAIRHOLD FREEHOLDS NO.2 LIMITED

DIRECTORS' REPORT

The directors submit their report and the financial statements for the year ended 31 December 2013.

Principal activities

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

Review of the business and future developments

The directors are satisfied with the financial position of the company at the year end subject to the matters discussed in the accounting policies on page 7 which may have an impact on the company's ability to continue as a going concern.

Results and dividends

The company's profit for the year was £34,894 (2012: £388,474 loss). The directors do not recommend the payment of a dividend.

Investment properties

The investment properties have been valued at £8,100,000 (2012: £6,200,000). This has given rise to a revaluation surplus in the year of £1,900,000 (2012: £682,000). Details of the investment properties, and the change in estimation technique used in valuing these, are set out in note 6.

Directors

The directors who have served since 1 January 2013 are as follows:

M D Watson	(Appointed 14 June 2013)
W K Procter	(Resigned 14 June 2013)
C C McGill	

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; and
- 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.

FAIRHOLD FREEHOLDS NO.2 LIMITED

DIRECTORS' REPORT

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.

Auditors

The auditor, Baker Tilly 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:



M D Watson

Director

24 July 2014

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

We have audited the financial statements on pages 5 to 16. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As more fully explained in the Directors' Responsibilities Statement set out on page 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 (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2013 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Emphasis of matter – Going concern

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

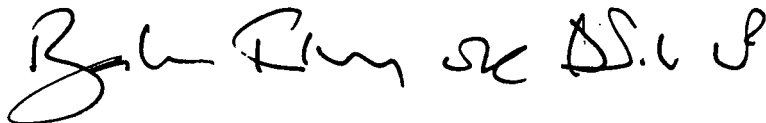
Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

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



Colin Roberts FCA (Senior Statutory Auditor)

For and on behalf of BAKER TILLY UK AUDIT LLP, Statutory Auditor
Chartered Accountants
3rd Floor
One London Square
Cross Lanes
Guildford
Surrey
GU1 1UN

24 July 2014

FAIRHOLD FREEHOLDS NO.2 LIMITED**PROFIT AND LOSS ACCOUNT****FOR THE YEAR ENDED 31 DECEMBER 2013**

	Notes	2013 £	2012 £
Turnover	1	232,372	234,152
Administration costs		(107,850)	(141,690)
Exceptional item: Provision for settlement of legal case	3	140,000	(250,000)
Operating Profit / (Loss)		264,522	(157,538)
Interest receivable and similar income		2,723	4,471
Interest payable and similar charges	2	(232,351)	(235,407)
Profit / (Loss) on ordinary activities before taxation	3	34,894	(388,474)
Tax on profit on ordinary activities	5	-	-
Profit / (Loss) on ordinary activities after taxation	13	£ 34,894	£ (388,474)

The operating loss for the year arises from continuing operations.

No note of historical cost profits and losses has been disclosed as there is considered to be no difference to that disclosed above.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**FOR THE YEAR ENDED 31 DECEMBER 2013**

		2013 £	2012 £
Profit / (Loss) for the financial year		34,894	(388,474)
Unrealised surplus on valuation of investment properties	6	1,900,000	682,000
Total recognised gains and losses		£ 1,934,894	£ 293,526

FAIRHOLD FREEHOLDS NO.2 LIMITED**BALANCE SHEET (Company Registration Number: 03229749)****AT 31 DECEMBER 2013**

	Notes	2013 £	2012 £
Fixed assets			
Tangible assets	6	8,100,000	6,200,000
Current assets			
Debtors	7	997,119	1,167,361
Cash at bank and in hand		14,096	11,376
		<u>1,011,215</u>	<u>1,178,737</u>
Creditors: Amounts falling due within one year	8	<u>(2,686,800)</u>	<u>(2,641,970)</u>
Net current liabilities		<u>(1,675,585)</u>	<u>(1,463,233)</u>
Total assets less current liabilities		<u>6,424,415</u>	<u>4,736,767</u>
Creditors: amounts falling due after more than one year	9	<u>(2,765,722)</u>	<u>(2,790,468)</u>
Provisions for liabilities	10	(27,500)	(250,000)
Net assets		<u>£ 3,631,193</u>	<u>£ 1,696,299</u>
Capital and reserves			
Called up share capital	12	1	1
Revaluation reserve	13	5,351,852	3,451,852
Profit and loss account	13	(1,720,660)	(1,755,554)
Shareholders' funds	13	<u>£ 3,631,193</u>	<u>£ 1,696,299</u>

The financial statements on pages 5 to 16 were approved by the board of directors and authorised for issue on 24 July 2014 and are signed on its behalf by:

Michael Watson

M D Watson
Director

FAIRHOLD FREEHOLDS NO.2 LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared under the historical cost convention as modified by the revaluation of investment properties and in accordance with applicable United Kingdom accounting standards.

Going concern

The company is party to a cross collateralised funding structure. The directors have assessed the operation of the structure and, as the principal lender has continued to approve expenditure which if not paid would cause the company to fail to meet its liabilities as they fall due, and is expected to continue to do so, have determined that the company has, or can expect to have, subject to the further matters set out hereafter, sufficient working capital for their needs for at least 12 months from the date of approval of these financial statements. In view of this the directors consider it appropriate for the financial statements to be prepared on a going concern basis.

The cross collateralised loan facility from the principal lender was originally due for repayment in or before March 2010 but no repayment was made and the companies within the facility group entered into standstill agreements with the principal lender on 25 October 2011. The standstill period expired on 31 March 2012 and in the period after the standstill expired the facility group and principal lender continued to act in broad accordance with the terms of the standstill agreement although nothing was agreed formally. On 31 August 2012 an interest shortfall occurred. On 10 June 2013 the facility group's principal lender issued a formal demand for payment of the loans and applied to the courts to appoint administrators. These applications were withdrawn following a court hearing.

Furthermore, default interest has been charged and accrued on the facility amounting to £16.5 million as at 31 December 2013 and post year end the companies within the facility group have been operating at a net overdraft position.

In February 2014 a formal standstill agreement with the principal lender, expiring on 30 August 2014, was put in place. This standstill agreement has allowed a formal sales process to be conducted, which is now well progressed. The directors expect that the proceeds of the sale will be sufficient to repay the outstanding loan capital and overdraft balances together with the swap break costs. Based on negotiations to date the directors expect the accrued default interest will be waived to the extent that sales proceeds are not sufficient to repay this liability. The directors also anticipate that should the sales process not be completed by the expiry date of the standstill agreement, the bank will extend the standstill agreement to allow completion of the sale.

Accordingly, the directors do not expect a withdrawal of the facilities prior to the sale of the relevant companies. In addition the principal lender has continued to approve expenditure which if not paid would cause the company to fail to meet its liabilities as they fall due. It is, therefore expected that there will be sufficient funding to enable the company to trade for a period of at least 12 months from the date of the approval of these financial statements.

FAIRHOLD FREEHOLDS NO.2 LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

ACCOUNTING POLICIES

Going concern (Continued)

The financial statements have been prepared on the going concern basis which assumes that the company's principal lender will not withdraw its loan facilities to the facility group and that ultimately new financing facilities will be put in place. The principal direct and indirect effects of a withdrawal by the principal lender of the facility group's borrowings, are that:

- i. the company's own bank loan facilities and the cross collateralised borrowings of the company's group from the principal lender, as set out in note 14, totalling £ 224,617,020 (2012: £224,617,020) at the year end, become immediately repayable and further costs could arise in respect of the interest rate arrangements that fix the interest rates on those loans and inflation rate swaps, the level of which would depend on the market rates of interest and inflation prevailing at the time of such a termination but at the year end these combined costs were £50,987,597 (2012: £75,459,973);
- ii. if not repaid when due, the principal lender to the company's United Kingdom holding company could exercise its share pledges over that holding company and its group companies and take control or could exercise its security direct over the company's investment properties. The group's principal lender may seek to sell the holding company, individual companies or dispose of assets separately or together and at a time of its own choosing. This process may not represent an orderly realisation in the normal course of business so the company's investment properties would, probably, only be realised at values significantly less than their carrying values in these financial statements. The underlying methodology in arriving at those valuations is set out in note 6. The directors note that the methodology has been updated in the current year which has resulted in a material uplift in values; and
- iii. if a realisation of the company's investment properties is carried out then a tax liability would arise on any sale of the properties at values in excess of cost. No provision is made in the financial statements for any such tax liability. A disposal based on the carrying value of the properties as at the year end would have resulted in a tax liability crystallising, estimated at £980,000 (2012: £732,000), as referred to in note 11.

FAIRHOLD FREEHOLDS NO.2 LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

ACCOUNTING POLICIES

Investment properties

The company's holdings of Freehold Reversionary Interests are classified as Investment Property and accounted for in accordance with Statement of Standard Accounting Practice 19 (SSAP 19) 'Accounting for Investment properties'.

These assets, as their name implies, represent interests held in the freehold land on which other 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 and 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 commonly accounted for under SSAP 19, the directors are of the opinion that the best approximation to an open market value for these properties as required under SSAP 19, is provided by a valuation of the income streams generated by these assets.

Historically, the valuation of the entire Freehold Reversionary Interest portfolio was undertaken by the directors using a discounted cash flow methodology. Any surplus identified over the cost of the assets was accounted for as an unrealised gain and taken to the revaluation reserve; with any deficits applied firstly to any previously identified surpluses and any residual amount written off to the profit and loss account.

In the current year, the valuation has been undertaken by an independent firm of actuaries. This change, which has resulted in a change in methodology and which represents a change in estimation technique under FRS 18, has resulted in a number of differences in the valuation drivers considered as well as an increase in the timeframes considered as explained below. The treatment of surpluses and deficits has remained unchanged.

Previously, the directors' valuations were performed on a 50 year basis with a residual value used in the final year whereas the third party independent actuarial valuations have been based on a forecast that captures all expected risk adjusted cash flows over a 150 year period. The independent actuaries performing the calculation have specific expertise in preparing long ended cashflow forecasts. The 150 year cash flow forecasts capture all of the relevant income streams from the assets, including lease extensions and reversions, which typically arise in the period beyond 50 years. The directors' valuations did not capture these cash flows beyond year 50 and a residual value was used as a proxy.

A further difference between the independent actuarial and the directors' valuations is that the independent actuaries risk-adjust cash flows and use a risk free discount rate whereas the directors' valuations added a premium to the discount rate but did not risk adjust the cash flows. This approach was taken for the reason that the directors do not have the same level of expertise as the independent actuaries to forecast the cash flows and therefore applied a higher discount factor as a result. This had the effect of reducing the asset valuations in comparison to the equivalent actuarial valuations now adopted. The directors therefore consider the valuation methodology now adopted is more appropriate as it is more complete and captures all relevant income streams. In addition the valuation bases used are consistent with that of the wider ground rent portfolios controlled by the Tchenguiz Family Trust.

FAIRHOLD FREEHOLDS NO.2 LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

ACCOUNTING POLICIES

Investment properties (Continued)

The directors note that the independent actuarial valuations now adopted are, in general, materially higher than the previous directors' valuations. At 31 December 2013, the investment properties have been valued at £8,100,000 (2012: £6,200,000). This has given rise to a revaluation surplus in the year of £1,900,000 (2012: £682,000).

No depreciation or amortisation is provided in respect of investment properties.

This treatment, as regards the group's investment properties, is a departure from the requirements of the Companies Act concerning depreciation of fixed assets. However, these properties are not held for consumption but for investment and the directors consider that systematic annual depreciation would be inappropriate. The accounting policy adopted is therefore necessary for the accounts to give a true and fair view. Depreciation or amortisation is only one of the many factors reflected in the annual valuation and the amount which might otherwise have been shown cannot be separately identified or quantified.

Turnover

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

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

Deferred taxation

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

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

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

Cash flow statement

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

FAIRHOLD FREEHOLDS NO.2 LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

1. Turnover	2013	2012
	£	£
Rent receivable	194,197	194,316
Other income	38,175	39,836
	<u>£ 232,372</u>	<u>£ 234,152</u>
2. Interest payable and similar charges	2013	2012
	£	£
Bank loan interest	181,892	178,785
Related party interest	-	1,497
Parent company interest	42,555	55,125
Overdraft Interest	7,904	-
	<u>£ 232,351</u>	<u>£ 235,407</u>
3. Profit / (Loss) on ordinary activities before taxation	2013	2012
	£	£
The profit / (loss) on ordinary activities before taxation is stated after charging/ (crediting):		
Auditor's remuneration	6,395	5,000
Exceptional item: Provision for settlement of legal case	(140,000)	250,000
	<u></u>	<u></u>
The provision relates to a legal case which was settled in the year at a value lower than anticipated.		
4. Employees and directors		
Other than the directors, who received no remuneration, no persons were employed during the year.		
5. Taxation	2013	2012
	£	£
Current tax:		
UK corporation tax on loss for the year	-	-
Total current tax	<u>£ -</u>	<u>£ -</u>
Factors affecting tax charge for the year:		
Profit / (loss) on ordinary activities before tax	<u>34,894</u>	<u>(388,474)</u>
Profit / (loss) on ordinary activities multiplied by the standard rate of Corporation tax in the UK of 23% (2012: 24%)	8,026	(93,234)
Effects of:		
Disallowable expenditure	1,633	10,776
Group relief	88,747	-
Losses (utilised) / available to carry forward	(98,406)	82,458
Current tax charge for the year	<u>£ -</u>	<u>£ -</u>

FAIRHOLD FREEHOLDS NO.2 LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

5. Taxation (Continued)

The company has estimated losses of £47,902 (2012: £455,920) available to carry forward against future trading profits. No deferred tax asset has been recognised in respect of these losses due to the uncertainty of their recoverability.

6. Fixed assets

Investment properties:	Freehold reversionary interests £
Cost/Valuation	
As at 1 January 2013	6,200,000
Revaluation surplus	1,900,000
As at 31 December 2013	£ 8,100,000

The investment properties represent a portfolio of ground rents.

The investment properties were valued on an actuarial basis by a leading firm of independent financial and actuarial consultants as at 31 December 2013. The updated independent actuarial valuation of the freehold reversionary interest investment properties of £8,100,000 has been adopted by the directors for the purposes of these financial statements. This represents a change in estimation technique in accordance with FRS 18 and further details are given in the accounting policy on page 9.

The basis of this independent valuation performed on an actuarial basis was to project risk adjusted income streams generated by the portfolio, over 150 years, rather than 50 years as previously, 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 LTV valuation.

The assumption with the most significant impact on the valuation is the discount rate used. A 1% increase or decrease in the rates applied reduces or increases the valuation by 33% and 66% respectively.

The historical cost of the freehold reversionary interests to the company at 31 December 2013 was £2,748,148 (2012: £2,748,148).

For comparison, the directors made the following principal assumptions when valuing the investment properties using projected income streams generated by the portfolio at 31 December 2012:

FAIRHOLD FREEHOLDS NO.2 LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

6. Fixed assets (Continued)

Freehold Reversionary Interests	- Projection of discounted income streams generated by the portfolio over 50 years, together with an assessment of the residual value of the asset at the end of that 50 year term;
Discount rate	- A series of rates between 6% and 9% reflecting the risk profile of the different income streams;
RPI basis for inflation assumptions	- Inflation data taken from publicly available sources;
Incidence rates of property sales, lease extensions, and other income	- Projected according to historical incidence rates depending on the length of ownership and lease term remaining;
Taxation	- No allowance was made for taxation in projecting the future revenue flow.

7. Debtors	2013 £	2012 £
Trade debtors	37,403	40,756
Amounts owed by fellow subsidiary undertakings	32,076	32,076
Contract deposits	927,640	1,094,529
	<u>£ 997,119</u>	<u>£ 1,167,361</u>

Contract deposits relate to developments expected to be completed in more than one year.

8. Creditors - amounts falling due in less than one year:	2013 £	2012 £
Bank loans	2,466,163	2,466,163
Bank overdraft	11,502	13,540
Accruals and deferred income	209,135	162,267
	<u>£ 2,686,800</u>	<u>£ 2,641,970</u>

At 31 December 2013 the bank loan facilities were in default of certain loan covenants. In accordance with the requirements of Financial Reporting Standard 25 the loans have been disclosed as due within one year as, at the year end, they were capable of being called on demand.

FAIRHOLD FREEHOLDS NO.2 LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

8. Creditors - amounts falling due in less than one year (continued)

The bank loans consist of the company's share of the joint loans which are secured on the company's investment properties and are supported by unlimited guarantees given by the fellow group undertakings and the related parties as set out in note 14. Of the total bank loans above £723,859 bears interest at Bank of England base rate plus 1.75% per annum, together with an additional 1.75% whilst the loan is in default. As a result of the loan covenant breaches, additional default interest is accruing on the outstanding loan. The remaining bank loan, totalling £1,742,304, bears interest at LIBOR plus 1.75% per annum, together with an additional 1.75% whilst the loan is in default. This loan is drawn down from, and forms part of, a cross collateralised facility, as referred to in note 14, that allows for total drawings of £200m. Further details surrounding the repayment of these amounts are included within the going concern accounting policy. In order to hedge the interest rate liability on this £200m facility the company, along with the other cross collateralised parties, has entered into a joint interest rate swap agreement with the company's same lender. Under this swap agreement the company and the cross collateralised parties pay interest of 4.89% on £200m, and receive LIBOR. The benefits and burdens of the transactions are shared between the parties to the cross collateralised facility.

At 31 December 2013 the fair value of the interest rate swap arrangements are estimated at a liability of £50,987,597 (2012: £75,459,973).

9. Creditors - amounts falling due in more than one year:

	2013 £	2012 £
Amounts owed to parent undertaking	£ 2,765,722	£ 2,790,468

The amount due to parent undertaking, subject to note 14, is unsecured and has no specific repayment date. Despite the loan being repayable on demand it is not the intention for the loan to be repaid within one year and it has therefore been treated as due after more than one year. Interest is charged on the loan at LIBOR + 1%.

10. Provisions for liabilities

	2013 £	2012 £
Balance at 1 January	250,000	-
Utilised in the year	(82,500)	250,000
Charges to Profit and loss account to date	(140,000)	-
Balance at 31 December	£ 27,500	£ 250,000

The provision relates to the expected payment due in relation to a court case which was settled during the year, in conjunction with associated legal costs.

11. Deferred taxation

No provision for deferred taxation has been made in respect of the property held as an investment, which is included in these financial statements at a valuation of £8,100,000 (2012: £6,200,000). It is estimated that if the property were to be sold at that valuation the tax liability would amount approximately to £980,000 (2012: £732,000).

FAIRHOLD FREEHOLDS NO.2 LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

12. Share capital	2013	2012
	£	£
Equity:		
Allotted, issued and fully paid:		
1 ordinary share of £1 each	£ 1	£ 1

13. Reserves and reconciliation of movements in shareholders' funds

	Revaluation reserve £	Share capital £	Profit and loss account £	Total shareholders' funds £
Opening shareholders' funds	3,451,852	1	(1,755,554)	1,696,299
Profit for the year	-	-	34,894	34,894
Revaluation surplus	1,900,000	-	-	1,900,000
Closing shareholders' funds	5,351,852	1	(1,720,660)	£ 3,631,193

14. Contingent liability

The company has given unlimited guarantees in respect of some of the indebtedness of the related parties Fairhold Holdings No.4 (Appts) Limited, Fairhold Holdings No.4 (RPI) Limited, Fairhold Holdings No.4 (Houses) Limited, Fairhold Holdings (2008 Q1) Limited, Fairhold Holdings (2008 Q2) Limited, Fairhold Homes Investment (No.13) Limited, Fairhold Homes Investment (No.14) Limited, Fairhold Homes Investment (No.15) Limited, Fairhold Homes Investment (No.16) AL Limited, Fairhold Homes Investment (No.17) Limited, Victoria Investments (No.2) Limited. These parties are related by virtue of common directors and common control. The guarantees are supported by a debenture and a charge over the company's investment properties. At 31 December 2013 the total amount outstanding subject to that guarantee was £186,274,254 (2012: £186,274,254) and the exposure under these arrangements to the cost of terminating the interest rate swap arrangements as indicated by the fair value of these instruments as at the period end date was a liability of £50,987,597 (2012: £75,459,973).

The company have also given unlimited guarantees in respect of some of the indebtedness of the related parties Fairhold Holdings No.4 (Appts) Limited, Fairhold Holdings (2008 Q2) Limited, Fairhold Holdings (2008 Q3) Limited, Fairhold Holdings (2008 Q4A) Limited, Fairhold Holdings (2009 Q1) Limited, Fairhold Real Estate Limited and Victoria Investments (No.2) Limited. These parties are related by virtue of common control and common directors. The guarantees are supported by a debenture and a charge over the company's investment properties. The total amount outstanding subject to the guarantees at 31 December 2013 was £35,876,603 (2012: £35,876,603). These borrowings were due for repayment in full in March 2010. Further details surrounding the repayment of these amounts are included within the going concern accounting policy.

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. United Kingdom holding company

The company is a wholly owned subsidiary undertaking of Fairhold Holdings (2008 Q4A) Limited, which is registered in England and Wales. Fairhold Holdings (2008 Q4A) Limited is the holding company of both the largest and smallest group for which consolidated accounts are prepared and of which the company is a member. Copies of the financial statements are available from Companies House, Crown Way, Maundy, Cardiff, CF4 3UZ.

FAIRHOLD FREEHOLDS NO.2 LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

16. Ultimate holding company

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

17. Ultimate controlling party

The ultimate controlling party is the Tchenguiz Family Trust.

18. Related party transactions

The company has taken advantage of the exemptions provided by Financial Reporting Standard Number 8 'Related Party Disclosures' and has not disclosed transactions entered into between two or more members of a group, provided that any subsidiary undertaking which is party to the transaction is wholly owned by a member of that group.

During the year the company incurred a management charge of £55,105 (2012: £55,000) in respect of rent collection and other management services provided by Estates & Management Limited, a related party by virtue of common control and common directors.

FAIRHOLD FREEHOLDS NO.2 LIMITED**DETAILED PROFIT AND LOSS ACCOUNT****FOR THE YEAR ENDED 31 DECEMBER 2013**

	2013 £	2012 £
Turnover		
Rent receivable	194,197	194,316
Admin fees	35,309	35,435
Insurance commission	2,866	1,448
Referral fees	-	2,953
	<u>232,372</u>	<u>234,152</u>
Administration costs		
Audit	(6,395)	(5,200)
Management charge	(55,015)	(55,000)
Professional and legal fees	(44,540)	(78,193)
Bank Charges	-	(1,699)
Miscellaneous	-	(1,598)
Late filing penalties	(1,900)	-
	<u>(107,850)</u>	<u>(141,690)</u>
Exceptional items	140,000	(250,000)
Interest payable and similar charges		
Loan interest	(181,892)	(178,785)
Related party interest	-	(1,497)
Parent company interest	(42,555)	(55,125)
Overdraft interest	(7,904)	-
	<u>(232,351)</u>	<u>(235,407)</u>
Interest receivable		
Bank interest receivable	2,723	4,471
Net Profit / (Loss) for the year	<u><u>£ 34,894</u></u>	<u><u>£ (388,474)</u></u>

This page does not form part of the statutory financial statements.