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## **ESTATES & MANAGEMENT LIMITED**

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

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**ESTATES & MANAGEMENT LIMITED**

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**COMPANY INFORMATION**

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<b>Directors</b>	W K Procter P Hallam M D Watson F Ahmad M J Gaston T E Sandles J J Woodcock
<b>Company secretary</b>	D T Lau
<b>Registered number</b>	03244100
<b>Registered office</b>	Berkeley House 304 Regents Park Road London N3 2JX
<b>Independent auditors</b>	RSM UK Audit LLP Chartered Accountants 3rd Floor One London Square Cross Lanes Guildford Surrey GU1 1UN

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**ESTATES & MANAGEMENT LIMITED**

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**ESTATES & MANAGEMENT LIMITED**

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**STRATEGIC REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2022**

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The directors present their Strategic Report for the year ended 31 December 2022.

**Review of the business and future developments**

The company provides property management services, including the collection and distribution of rents and ancillary income, to a large portfolio of ground rent owning property companies.

The results for the company show a loss for the year of £1,047,118 (2021: £3,888,293 loss).

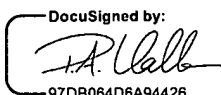
The company had a cash balance of £4,995,048 (2021: £3,945,262) as at the balance sheet date, the majority of which is held on behalf of related and other parties (see note 9).

In the opinion of the directors, the result for the year and the financial position of the company at 31 December 2022 were satisfactory given the decreases in operating costs and the decrease in management fees earned during the year. The directors are confident that the company will continue as a going concern for the foreseeable future and meet all of its liabilities as they fall due.

The directors are satisfied with the financial position of the company at the year end subject to the potential legislative changes disclosed in the critical accounting estimates and assumptions section of note 2.8, which potentially could lead to a significant adverse impact on the business such that it may impair the company's ability to continue as a Going Concern.

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

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

DocuSigned by:  
  
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P Hallam  
Director

Date: 18 December 2023

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## ESTATES & MANAGEMENT LIMITED

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

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The directors present their report together with the audited financial statements financial statements for the year ended 31 December 2022.

#### Principal Activities

The principal activity of the company during the year was property management.

#### Results and dividends

The statement of comprehensive income is set out on page 8 and shows the results for the year. The loss for the year amounted to £1,047,118 (2021: £3,888,293 loss). The directors did not declare a dividend.

#### Directors

The directors who served during the year were:

W K Procter  
P Hallam  
M D Watson  
F Ahmad  
M J Gaston  
T E Sandles  
J J Woodcock

#### Statement of directors' responsibilities

The directors are responsible for preparing the Strategic Report and 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:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless its 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.

The company has chosen to act in accordance with Companies Act 2006, s. 414C(11) to set out in the company's strategic report information required by Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Sch. 7 to be contained in the director's report.

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**ESTATES & MANAGEMENT LIMITED**

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

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**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.

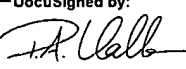
**Insurance of company officers**

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

**Auditor**

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

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

DocuSigned by:  
  
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P Hallam  
Director

Date: 18 December 2023

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**ESTATES & MANAGEMENT LIMITED**

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**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ESTATES & MANAGEMENT LIMITED**

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**Opinion**

We have audited the financial statements of Estates & Management Limited (the 'Company') for the year ended 31 December 2022, which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and the related notes, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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**ESTATES & MANAGEMENT LIMITED**

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**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ESTATES & MANAGEMENT LIMITED  
(CONTINUED)**

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**Emphasis of matter - contingent liabilities**

We also draw attention to the disclosures in note 12, Contingent Liabilities, which details matters that could create additional liabilities in the future as a consequence of the Building Safety Act 2022. The ultimate outcome of these matters cannot presently be determined, and no provision for any liability that may result has been made in the financial statements. Our opinion is not modified in respect of this matter.

**Emphasis of Matter - amounts due from group and related party undertakings**

We draw attention to the disclosures made in the notes to the financial statements concerning the accounting for amounts due from group undertakings. As set out in notes 2.3 and note 8, the company has significant debtors totalling £3.1m (2021: £4.7m) with group undertakings. As disclosed, the ultimate holding company of the undertakings with the most significant group debtor balances, Euro Investments Overseas Incorporated (BVI), has confirmed in writing that it will ensure that none of the balances will be called, for a period of at least 12 months from the date of approval of these financial statements if hardship would be caused to the counterparties by so doing. Therefore, none of the group debtors are expected to be received in the short term and this has been considered in the directors assessment of going concern in note 2.3. Our opinion is not modified in respect of this matter.

**Material uncertainty relating to going concern**

We draw your attention to the going concern accounting policy on pages 13 to 14 of these financial statements, which indicates that company may be adversely affected by the uncertainty surrounding enacted changes to legislation and potential future changes to legislation as a result of the Leasehold Reform (Ground Rent) Act 2022, the Leasehold and Freehold Reform Bill 2022 and The Building Safety Act 2022 and the potential impact on the company and its future cashflows. As stated in the going concern accounting policy, these events or conditions, along with the other matters as set forth in the going concern accounting policy, indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

In auditing the financial statements, we have concluded that the director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.



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## **ESTATES & MANAGEMENT LIMITED**

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### **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ESTATES & MANAGEMENT LIMITED (CONTINUED)**

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#### **Other information**

The other information comprises the information included in the Annual Report other than the financial statements and our Auditors' Report thereon. The directors are responsible for the other information contained within the Annual Report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

#### **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

#### **Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

#### **Responsibilities of directors**

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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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## ESTATES & MANAGEMENT LIMITED

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### INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ESTATES & MANAGEMENT LIMITED (CONTINUED)

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#### **Auditors' responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditors' Report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

#### **The extent to which the audit was considered capable of detecting irregularities, including fraud**

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the audit engagement team:

- obtained an understanding of the nature of the industry and sector, including the legal and regulatory frameworks that the company operates in and how the company is complying with the legal and regulatory frameworks;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

As a result of these procedures we consider the most significant laws and regulations that have a direct impact on the financial statements are FRS 102, the Companies Act 2006, tax compliance regulations and property laws and regulations. We performed audit procedures to detect non-compliances which may have a material impact on the financial statements which included reviewing financial statement disclosures, making inquiries regarding external tax correspondences and reviewing client information with respect to ongoing legal matters and reviewing and monitoring government releases regarding leasehold reforms and Building Safety legislation. Potential changes to property laws and regulations and their impact on these financial statements are further discussed in the accounting policies on pages 13 and 14 and post balance sheet events note 16.

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**ESTATES & MANAGEMENT LIMITED**

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**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ESTATES & MANAGEMENT LIMITED  
(CONTINUED)**

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The audit engagement team identified the risk of management override of controls as the area where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed included but were not limited to testing manual journal entries and other adjustments and evaluating the business rationale in relation to any significant, unusual transactions and transactions entered into outside the normal course of business.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our Auditors' Report.

**Use of our report**

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

*Caroline Watson*

Caroline Watson ACA (Senior Statutory Auditor)

for and on behalf of

**RSM UK Audit LLP, Statutory Auditor**

Chartered Accountants

3rd Floor

One London Square

Cross Lanes

Guildford

Surrey

GU1 1UN

Date: 18 December 2023

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**ESTATES & MANAGEMENT LIMITED**


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


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	Note	2022 £	2021 £
Turnover	3	12,266,587	12,222,710
Administrative expenses		(13,324,499)	(16,111,112)
<b>Operating loss</b>		<b>(1,057,912)</b>	<b>(3,888,402)</b>
Interest receivable and similar income	4	10,794	109
<b>Loss before tax</b>	5	<b>(1,047,118)</b>	<b>(3,888,293)</b>
Tax on loss	7	-	-
<b>Loss and total comprehensive income for the financial year</b>		<b>(1,047,118)</b>	<b>(3,888,293)</b>

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


The notes on pages 12 to 21 form part of these financial statements.

**ESTATES & MANAGEMENT LIMITED**  
**REGISTERED NUMBER: 03244100**

**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2022**

	Note	2022 £	2021 £
<b>Current assets</b>			
Debtors: amounts falling due within one year	8	3,096,492	4,771,240
Cash at bank and in hand	9	4,995,048	3,945,262
		<u>8,091,540</u>	<u>8,716,502</u>
<b>Current liabilities</b>			
Creditors: amounts falling due within one year	10	(1,705,334)	(1,283,178)
		<u>6,386,206</u>	<u>7,433,324</u>
<b>Net assets</b>			
<b>Capital and reserves</b>			
Called up share capital	11	2,000,000	2,000,000
Profit and loss account		4,386,206	5,433,324
<b>Total equity</b>		<u>6,386,206</u>	<u>7,433,324</u>

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

DocuSigned by:  
  
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**P Hallam**  
 Director

Date: 18 December 2023

The notes on pages 12 to 21 form part of these financial statements.

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**ESTATES & MANAGEMENT LIMITED**


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


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	<b>Called up share capital</b>	<b>Profit and loss account</b>	<b>Total equity</b>
	<b>£</b>	<b>£</b>	<b>£</b>
<b>At 1 January 2021</b>	<b>2,000,000</b>	<b>9,321,617</b>	<b>11,321,617</b>
Loss and total comprehensive income for the year	-	(3,888,293)	(3,888,293)
<b>At 31 December 2021</b>	<b>2,000,000</b>	<b>5,433,324</b>	<b>7,433,324</b>
Loss and total comprehensive income for the year	-	(1,047,118)	(1,047,118)
<b>At 31 December 2022</b>	<b>2,000,000</b>	<b>4,386,206</b>	<b>6,386,206</b>

The notes on pages 12 to 21 form part of these financial statements.

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## ESTATES & MANAGEMENT LIMITED

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

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#### 1. General information

Estates & Management Limited ("the company") is a private company limited by shares, domiciled and incorporated in England. The address of the company's registered office and principal place of business is Berkeley House, 304 Regents Park Road, London, N3 2JX. The principal activity of the company during the year was that of property management.

#### 2. Accounting policies

##### 2.1 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.

##### 2.2 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 Fairhold Services Limited. The consolidated financial statements of Fairhold Services Limited are available from Companies House, Crown Way, Cardiff, CF14 3UZ.

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**ESTATES & MANAGEMENT LIMITED**

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

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**2. Accounting policies (continued)**

**2.3 Going concern**

In preparing the accounts on the going concern basis the directors have given consideration to the company's result for the year and the company's net asset position. They also reviewed cash flow forecasts prepared for the UK companies of the wider group of which the company is a member.

The directors have taken into account the enacted and potential legislative changes disclosed in the critical accounting estimates and assumptions section of note 2.8 and believe that the company has adequate financial resources to continue as a going concern for a period of one year from the date of signing the financial statements. The company has no assets pledged as security or any third-party liabilities. If necessary, a related party, Euro Investments Overseas Incorporated (BVI) has agreed to provide limited financial support to enable the company to meet day to day running costs incurred in the ordinary course of business for a period of up to 12 months from the date of signing these financial statements.

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

*Leasehold Reform*

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

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

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

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

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



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**ESTATES & MANAGEMENT LIMITED**

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

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**2. Accounting policies (continued)****2.3 Going concern (continued)***Building Safety legislation*

The Building Safety Act was given Royal Assent on 28 April 2022. The Act introduced the responsibility on the freeholder to fund the remediation of certain defects on relevant buildings should the original developer or other responsible party not be available to provide funding. While Estates and Management Limited does not own any properties, as set out in note 12 to these financial statements, there is a potential contingent liability for the funding of the remediation of building defect works by property owning related parties within the Euro Investments Overseas Incorporated group of which this company is a member.

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

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

*Conclusion*

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

**2.4 Functional and presentational currencies**

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

**2.5 Turnover**

Turnover comprises management charges and administration fees receivable in respect of property management.

Turnover is recognised at the fair value of the consideration received or receivable for services provided to customers in the ordinary nature of the business.

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## ESTATES & MANAGEMENT LIMITED

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

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#### 2. Accounting policies (continued)

##### 2.6 Taxation

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

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

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates that have been enacted or substantively enacted by the reporting date. Deferred tax is not discounted.

Deferred tax liabilities are recognised in respect of all timing differences that exist at the reporting date. Timing differences are differences between taxable profits and profit before taxation that arise from the inclusion of income and expenses in tax assessments in different periods from their recognition in the financial statements. Deferred tax assets are recognised only to the extent that it is probable that they will be recovered by the reversal of deferred tax liabilities or other future taxable profits.

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.

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

##### 2.7 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 its financial instruments.

Financial assets and financial liabilities are recognised when the company becomes a party to the contractual provisions of the instrument, and are offset only when the company currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial assets

*Debtors*

Debtors which are receivable within one year and which do not constitute a financing transaction are initially measured at the transaction price. Debtors are subsequently measured at amortised cost, being the transaction price less any amounts settled and any impairment losses.

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**ESTATES & MANAGEMENT LIMITED**

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

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**2. Accounting policies (continued)**

**2.7 Financial instruments (continued)**

*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.

*Derecognition of financial assets and liabilities*

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

**2.8 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*

In preparing these financial statements, the directors have made estimates and assumptions concerning the future. The resulting accounting estimates and assumptions will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

*Recoverability of amounts due from parent undertaking and potential legislative changes*

A significant amount of judgement is taken by the directors in assessing the recoverability of any amounts due from the company's parent company. Where balances are not deemed fully recoverable provisions have been made.

In reference to note 8 the company is part of a large group of companies, many of which hold assets that will be affected by the potential legislative changes set out in note 2.3. Should these changes become law the value of those assets held within the group will be materially impacted. The recoverability of balances from group undertakings is reliant upon the long-term cash flows generated by those assets and, as such, this recoverability becomes uncertain in the event that the proposed changes to the law are enacted and suitable compensation is not made available.

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**ESTATES & MANAGEMENT LIMITED**


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


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**2. Accounting policies (continued)**

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

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

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

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

**3. Turnover**

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

	2022 £	2021 £
Management charges	8,772,826	9,059,847
Administration charges	3,493,761	3,162,863
	<u>12,266,587</u>	<u>12,222,710</u>

All turnover arose within the United Kingdom.

**4. Interest receivable**

	2022 £	2021 £
Bank interest receivable	10,794	109

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**ESTATES & MANAGEMENT LIMITED**


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


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**5. Loss before taxation**

The loss before taxation is stated after charging:

	2022 £	2021 £
Provision for group debtors	499,542	2,092,681
Auditors' remuneration	40,200	35,000
	<u>499,542</u>	<u>2,092,681</u>

**6. Employees**

There were no employees during the year other than the directors (2021: nil). The directors are remunerated by the parent company Fairhold Services Limited. It is not possible to identify separately the amount of the directors' remuneration attributable to services performed for the company.

**7. Taxation**

	2022 £	2021 £
Total current tax	-	-
Deferred tax		
Total deferred tax	-	-
Taxation on profit on ordinary activities	-	-

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**ESTATES & MANAGEMENT LIMITED**


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


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

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

	2022 £	2021 £
Loss before tax	(1,047,118)	(3,888,293)
Loss before tax multiplied by standard rate of corporation tax in the UK of 19% (2021 - 19%)	(198,952)	(738,776)
<b>Effects of:</b>		
Disallowable expenditure	94,912	397,639
Group relief surrendered without charge	85,653	326,732
UK transfer pricing	18,387	14,405
<b>Total tax charge for the year</b>	<b>-</b>	<b>-</b>

**8. Debtors**

	2022 £	2021 £
Amounts owed by parent undertakings	3,096,492	4,771,240

There are no fixed terms of repayment for the parent undertaking loans included within short term debtors. Even though these loans are repayable on demand it is not expected that these loans will be repaid within the foreseeable future. See Critical accounting estimates and areas of judgement note 2.8 for consideration of recoverability.

**9. Cash and cash equivalents**

	2022 £	2021 £
Cash at bank and in hand	4,995,048	3,945,262

Included within the company's cash at bank and in hand balance are amounts due to third parties totalling £1.58m (2021 £1.46m) in respect of amounts collected by the company in its capacity as a property managing agent. The majority of the remainder of the cash at bank and in hand relates to amounts similarly collected by the company for various related parties. These amounts are held in trust for those parties and are repayable immediately if demanded.

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**ESTATES & MANAGEMENT LIMITED**

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

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**10. Creditors: Amounts falling due within one year**

	<b>2022</b>	<b>2021</b>
	<b>£</b>	<b>£</b>
Trade creditors	<b>18,002</b>	51,924
Other creditors	<b>1,687,332</b>	1,231,254
	<u><b>1,705,334</b></u>	<u>1,283,178</u>

**11. Share capital and reserves**

Share capital

	<b>2022</b>	<b>2021</b>
	<b>£</b>	<b>£</b>
<b>Allotted, called up and fully paid</b>		
2,000,000 (2021 - 2,000,000) Ordinary shares of £1.00 each	<u><b>2,000,000</b></u>	<u>2,000,000</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.

**12. Contingent liabilities**

Building Safety Act 2022

The directors are currently assessing the potential impact of the Building Safety Act 2022, which received Royal Assent on 28 April 2022. Given the nature of the legislation (see note 2.3), it is not currently clear what the likely probability or quantum of any potential liability to fund the remediation of building defects by related parties would be. Therefore, no provision has been included in these financial statements.

**13. Guarantees**

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.

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## ESTATES & MANAGEMENT LIMITED

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

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#### 14. Immediate parent company, ultimate parent company and ultimate controlling party

The immediate parent company is Fairhold Services Limited, a company incorporated in England and Wales. This 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.

During the year the company had turnover of £8.31m (2021: £8.47m) in respect of property management and administrative services provided to related party property owning companies, not covered by the related party disclosures exemption. Of the total amount received from related parties in relation to these services, £2.6m (2021: £2.4m) was received from Proxima GR Properties Limited. The remaining individual companies have not been listed out due to the immaterial nature of the individual balances. These companies are related by virtue of common directors and/or common control.

#### 16. Post balance sheet events

##### *Leasehold and Freehold Reform Bill*

The Leasehold and Freehold Reform Bill was introduced to Parliament on 27 November 2023. The potential implications of the Bill on the company's financial position and cashflow are significant and are set out in note 2.8.

Should these changes become law, the value of the affected assets held within the larger group will be materially reduced. The recoverability of balances from related parties and group undertakings is reliant upon the long term cash flows generated by those assets and, as such, this recoverability becomes uncertain in the event that the proposed changes to the law are enacted and suitable compensation is not made available.

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