

Company Registration No: 06371617

**FAIRHOLD EXCHANGES NO.4 LIMITED**  
**REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**



**FAIRHOLD EXCHANGES NO.4 LIMITED**

**DIRECTORS AND OFFICERS**

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**DIRECTORS**

W K Procter  
C C McGill  
P A Hallam

**SECRETARY**

D Lau

**REGISTERED OFFICE**

Berkeley House  
304 Regents Park Road  
London  
N3 2JX

**AUDITOR**

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

## **FAIRHOLD EXCHANGES NO.4 LIMITED**

### **DIRECTORS' REPORT**

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The directors submit their report and the audited financial statements for the year ended 31 December 2018.

#### **Principal Activities**

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

#### **Business review**

The directors are satisfied with the financial position of the company at the year end. The results for the year are shown in the statement of comprehensive income on page 7.

#### **Investment properties**

The investment properties have been valued by the directors at £5,431,000 (2017: £6,768,000). The resultant fair value loss in the year amounted to £1,337,000 (2017: £1,409,372). Details of the investment properties are set out in note 7.

#### **Results and dividends**

The loss for the year amounted to £1,078,133 (2017: £900,365). The directors do not recommend the payment of a dividend (2017: £Nil).

#### **Directors**

The following directors have held office since 1 January 2018 and up until the point of signing the financial statements:

W K Procter

C C McGill

P A Hallam

(Appointed: 10 July 2019)

#### **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.

## **FAIRHOLD EXCHANGES NO.4 LIMITED**

### **DIRECTORS' REPORT (Continued)**

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#### **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:



**P A Hallam**

Director

25 September 2019

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FAIRHOLD EXCHANGES NO.4 LIMITED**

### **Opinion**

We have audited the financial statements of Fairhold Exchanges No.4 Limited (the 'Company') for the year ended 31 December 2018 which comprise Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 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 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- 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 Auditor's 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 UK, including the FRC'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.

### **Emphasis of matter – Valuation of investment properties**

We draw attention to the disclosures made in the accounting policies on page 11 and in note 7 to the financial statements concerning the fair values of the company's investment properties, which are valued by the directors on the basis of a discounted cash flow valuation of the projected income streams generated by those assets. This methodology has been updated with respect to long leasehold houses that have been valued using a constant multiple of the current rental value of the properties. The directors believe this approximates the present value of the future expected net cashflows to be generated by this different type of asset. Long leasehold houses represent 16% of the investment property valuation at 31 December 2018. In 2017 long leasehold houses were valued using the same discounted cashflow methodology as the other investment properties held by the company. The investment properties are included in the financial statements at 31 December 2018 at a value of £5.4m (2017: £6.8m). As indicated in the notes, considerable volatility exists in these valuations as demonstrated by the decrease in valuation of £1.3m in the current period (2017: £1.4m), as detailed in note 7 where the impact of changes in the underlying assumptions are detailed. Our opinion is not modified in respect of this matter.

### **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FAIRHOLD EXCHANGES NO.4 LIMITED (continued)**

### **Other information**

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. 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.

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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 Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- 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 material misstatements in 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; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies' regime and take advantage of the small companies' exemption from the requirement to prepare a strategic report or in preparing the directors' report.

### **Responsibilities of directors**

As explained more fully 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, 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.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FAIRHOLD EXCHANGES NO.4 LIMITED (continued)**

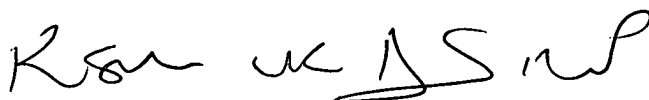
**Auditor's responsibilities for the audit of the financial statements**

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 auditor's 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.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's 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 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  
3<sup>rd</sup> Floor  
One London Square  
Cross Lanes  
Guildford  
Surrey  
GU1 1UN

31/9/2019

**FAIRHOLD EXCHANGES NO.4 LIMITED**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

	<b>Notes</b>	<b>2018 £</b>	<b>2017 £</b>
<b>Turnover</b>	2	98,909	107,887
Administrative expenses		(30,008)	(60,377)
<b>Operating profit</b>		<u>68,901</u>	<u>47,510</u>
Exceptional item	4	-	25,000
Profit on disposal of investment property		-	2,372
Fair value loss on investment property		(1,337,000)	(1,409,372)
Interest payable and similar charges	3	(37,034)	(29,975)
<b>Loss before taxation</b>	4	<u>(1,305,133)</u>	<u>(1,364,465)</u>
Taxation	6	227,000	464,100
<b>Loss after taxation</b>		<u>(1,078,133)</u>	<u>(900,365)</u>
Other comprehensive income		-	-
<b>Total comprehensive income for the year</b>		<u><u>(1,078,133)</u></u>	<u><u>(900,365)</u></u>

**FAIRHOLD EXCHANGES NO.4 LIMITED****STATEMENT OF FINANCIAL POSITION (Company Registration Number: 06371617)****AT 31 DECEMBER 2018**

	Notes	2018 £	2017 £
<b>Fixed assets</b>			
Investment properties	7	5,431,000	6,768,000
<b>Current assets</b>			
Debtors	8	8,782	4,336
<b>Creditors: amounts falling due within one year</b>	9	(2,240,413)	(2,267,834)
<b>Net current liabilities</b>		(2,231,631)	(2,263,498)
<b>Total assets less current liabilities</b>		3,199,369	4,504,502
<b>Provisions for liabilities</b>	10	(469,000)	(696,000)
<b>Net assets</b>		2,730,369	3,808,502
<b>Capital and reserves</b>			
Called up share capital	11	1	1
Profit and loss account		2,730,368	3,808,501
<b>Total equity</b>		2,730,369	3,808,502

The financial statements have been prepared and delivered in accordance with the provisions applicable to companies subject to the small companies' regime.

The financial statements on pages 7 to 19 were approved by the board of directors and authorised for issue on 25/09/2019 and are signed on its behalf by:



**P A Hallam**  
Director

**FAIRHOLD EXCHANGES NO.4 LIMITED**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

	<b>Share capital £</b>	<b>Profit and loss account £</b>	<b>Total £</b>
<b>Balance at 1 January 2017</b>	1	4,708,866	4,708,867
Loss and total comprehensive income for the year	-	(900,365)	(900,365)
<b>Balance at 31 December 2017</b>	<u>1</u>	<u>3,808,501</u>	<u>3,808,502</u>
Profit and total comprehensive income for the year	-	(1,078,133)	(1,078,133)
<b>Balance at 31 December 2018</b>	<u>1</u>	<u>2,730,368</u>	<u>2,730,369</u>

**FAIRHOLD EXCHANGES NO.4 LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

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**1. Accounting policies**

**Company information**

Fairhold Exchanges No.4 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 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"), the requirements of the Companies Act 2006 as applicable to companies subject to the small company's regime, and under the historical cost convention, modified to include the revaluation of investment properties. The disclosure requirements of section 1A of FRS 102 have been applied other than where additional disclosure is required to show a true and fair view.

**1.2 Going concern**

The company has no assets pledged as security or any third-party liabilities. The company's principal creditor, Fairhold Holdings Permeco Limited, has agreed not to call its receivable balance to ensure the company can meet its running costs for the foreseeable future, being at least 12 months from the date of signing of these financial statements. If necessary, a related party, Fairhold Services Limited has also 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.

The directors have assessed the operations of the company 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.

**1.3 Functional and presentational currencies**

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

**1.4 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.

**FAIRHOLD EXCHANGES NO.4 LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

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**1.5 Investment properties**

The company's holdings of Freehold Reversionary Interests are classified as Investment Property and 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.

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.

As part of the constant review of the accuracy and reliability of the valuation models by the directors, it has been determined that a change in methodology is required for a certain type of asset held by the company. Freehold reversionary interests held on houses with long leases (typically longer than 250 years) are better valued using a constant multiple of the current rental value of the properties. The directors believe this approximates the present value of the future expected net cashflows to be generated by these assets.

Further details are given in note 7.

**1.6 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 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 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.

**FAIRHOLD EXCHANGES NO.4 LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

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**1.6 Taxation (continued)**

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.

**1.7 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 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***

***Debtors***

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

***Financial liabilities and equity***

Financial instruments are classified as liabilities and equity instruments according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its 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.

Where the arrangement with a creditor constitutes a financing transaction, the creditor is initially and subsequently measured at the present value of future payments discounted at a market rate of interest for a similar instrument.

***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.

## FAIRHOLD EXCHANGES NO.4 LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

#### FOR THE YEAR ENDED 31 DECEMBER 2018

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#### 1.8 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***

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. 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, the risk of which is heightened due to the potential legislative changes noted below.

In December 2017 the Department for Communities and Local Government, now known as the Ministry for Housing, Communities and Local Government (MHCLG) published the outcome of the 'Tackling unfair practices in the leasehold market' consultation it had conducted during the year.

Since this date the Government, through the MHCLG, is undertaking a series of further consultations on the residential property market with a focus on the legal framework surrounding the freehold and leasehold classes of property interests. In addition, the MHCLG has asked the Law Commission to advise on potential changes to the existing law with the purpose of making enfranchisement and lease extensions easier and cheaper for leaseholders.

In June 2019 the MHCLG published its summary of consultation responses and government response. Although there are a number of policy pronouncements that the directors believe would be damaging to the property market if enacted into law, the main implications will be to future leases. As such rental income is expected to be able to continue for the duration of existing leases. The Law Commission is, however, still to provide its advice to Government on options for changes to the enfranchisement and lease extension processes. Such changes could materially reduce the level of income generated by the portfolio and be a significant threat to the Company.

The directors are of the view that the proposed changes (as currently formulated) would be very damaging to the residential property market and against the interests of consumers and other property owners. The directors are engaging actively in the consultations along with other stakeholders and interested parties in order to convey the Company's opposition to the current proposals. Recent public announcements by government and in symposiums held by the Law Commission, have recognised that the proposals to make wholesale reforms retrospectively and to transfer value from freeholders to leaseholders in the enfranchisement process poses real problems with respect to the contravention of human rights legislation. The directors are confident that their proposals in their current form are unlikely to be passed into law and that there will not be material adverse changes to the premiums payable by tenants on enfranchisement or extension of leases.

**FAIRHOLD EXCHANGES NO.4 LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2018**

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**1.8 Critical accounting estimates and areas of judgement (continued)**

*Valuation of investment properties (continued)*

The Competition and Markets Authority (CMA) opened an investigation into the leasehold housing market in June 2019. The CMA stated it is concerned about potential leasehold mis-selling, and whether leasehold contract terms are onerous and unfair in relation to ground rent, permission and other charges. The Company is engaging with the CMA in its investigation. It is confident that it will demonstrate that there has been no breach of consumer protection law by the Company and the CMA will not take any action against the Company. Potential actions that the CMA could take in the event of an adverse finding include imposing fines and effectively amending economic contractual clauses in the Company's leases.

An intrinsic element of the valuation is the assumption of continuing rental income and lease extension premiums generated by the property assets held by the Company. The potential legislative and other changes raised above may affect the forecast income to the extent that the underlying assumption is no longer valid.

However, the likelihood of the changes coming in to effect and the financial consequences of those changes are too uncertain to enable the directors to reasonably estimate the impact of such changes on the forecasts and it is assumed that the current methodology continues to represent a fair value of these assets.

Details of the valuation of the investment property 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.

**2. Turnover**

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

	<b>2018</b>	2017
	<b>£</b>	<b>£</b>
Rent receivable	76,516	88,163
Other income	22,393	19,724
	<u>98,909</u>	<u>107,887</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**

	<b>2018</b>	2017
	<b>£</b>	<b>£</b>
Interest on parent company loan	37,034	29,975
	<u>37,034</u>	<u>29,975</u>

**FAIRHOLD EXCHANGES NO.4 LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2018**

<b>4. Loss before taxation</b>	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
The loss on before taxation is stated after charging/(crediting):		
- Auditor's remuneration	6,000	4,920
- Litigation provision	-	(25,000)
	<u>6,000</u>	<u>(25,000)</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 2018 amounted to £24,008 (2017: £33,463) 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.

<b>6. Taxation</b>	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
<b>Current tax</b>		
UK corporation tax	-	-
<b>Total current tax</b>	<u>-</u>	<u>-</u>
<b>Deferred tax:</b>		
Movement on potential chargeable gain liability	(227,000)	(464,100)
<b>Total deferred tax</b>	<u>(227,000)</u>	<u>(464,100)</u>
<b>Total tax credit on loss</b>	<u>(227,000)</u>	<u>(464,100)</u>

Factors affecting the tax charge for the year.

The tax assessed for the year is lower than the effective rate of corporation tax in the UK 19.00% (2017: 19.25%). The differences are explained below:

	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
Loss before tax	(1,305,133)	(1,364,465)
Loss multiplied by the effective rate of corporation tax in the UK of 19.00% (2017: 19.25%).	(247,975)	(262,660)
Effects of:		
Disallowable expenditure	-	(4,813)
Group relief utilised	(6,055)	(3,374)
Deferred tax movement	(227,000)	(464,100)
Disposal of investment properties	-	(457)
Fair value gain on investment properties	254,030	271,304
<b>Tax credit</b>	<u>(227,000)</u>	<u>(464,100)</u>

**FAIRHOLD EXCHANGES NO.4 LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

**7. Investment properties**

	<b>Freehold reversionary interests</b>	
	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
<b>Fair Value</b>		
As at 1 January	6,768,000	8,236,000
Disposals	-	(58,628)
Fair value loss	(1,337,000)	(1,409,372)
<b>As at 31 December</b>	<b>5,431,000</b>	<b>6,768,000</b>

The investment properties represent a portfolio of ground rents.

The updated valuation of the freehold reversionary interest investment properties of £5,431,000 at 31 December 2018 (2017: £6,768,000) has been adopted by the directors for the purposes of these financial statements.

The basis of this valuation was to project risk adjusted income streams generated by the portfolio over 50 years discounted by a risk-free rate of return. This was applied to all assets other than the freehold reversionary interests in relation to houses with a long leasehold agreement in place. Long leases are deemed to be those which have a length of over 250 years from the start date to end date.

*Directors discounted cashflow*

The principle assumptions used in the valuation of all the assets other than "long leasehold-houses" were:

Freehold Reversionary Interests	- Projection of discounted income generated by the portfolio over 50 years, together with an assessment of the residual value of the assets at the end of that 50 year term;
Long leaseholds	- Projection of discounted income streams generated by the portfolio over the remainder of the lease term;
Discount rate	- The discount rate applied is obtained from the Bank of England swap curve with a premium of 140 or 200 basis points added;
RPI basis for inflation assumptions	- Inflation data taken from publicly available sources;
Private sector pay index	- For leases with uplifts linked to private sector pay a rolling average of historic private sector pay increases is used. Information is taken from publicly available sources.
Incidence rates for lease extensions and the price charged	- Projected according to historical incidence rates depending on the length of ownership and lease term remaining;
Taxation	- No allowance has been made for taxation in projecting the future revenue flow.

The assumption with the most significant impact on the valuation is the discount rate used. A 100-basis point increase or decrease in this rate reduces or increases the valuation by 25% and 37% respectively.

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**7. Investment properties (continued)**

In addition, the directors have reviewed the assumptions made in respect of the residual values included in the discounted cashflow calculation in arriving at the overall valuation of the investment properties. The directors have concluded, based on current financing data that this element of the valuation should be updated. Residual value makes up approximately 17% (2017: 23%) of the valuation.

*Valuation of long leasehold houses*

As of 31 December 2017, "long leasehold houses" were valued using the same discounted cashflow methodology as the other investment properties held by the company. A review of the valuation methodology by the directors identified that with respect to these specific assets the methodology should be refined.

Assets identified as "long leasehold houses" have been valued using a set multiple of 50 times the current rental income. The directors believe this approximates the present value of the future expected net cashflows to be generated by this different type of asset. The net present value represents the proceeds currently being received on similar asset sales in the wider group, plus the rental income expected to be received in the period to the sale to the leaseholder, less any costs expected to be incurred. Long leasehold houses represent approximately 16% of the total carrying value of the investment property held by the company.

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

	<b>Freehold reversionary interests</b>	
	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
Cost	2,342,445	2,342,445
	<u>          </u>	<u>          </u>
<b>8. Debtors</b>		
	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
Trade debtors	8,782	3,511
Cash in transit	-	825
	<u>8,782</u>	<u>4,336</u>
	<u>          </u>	<u>          </u>
<b>9. Creditors: amounts falling due within one year</b>		
	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
Accruals and deferred income	16,789	23,376
Amount owed to parent undertaking	2,223,624	2,244,458
	<u>2,240,413</u>	<u>2,267,834</u>
	<u>          </u>	<u>          </u>

There are no fixed terms of repayment for the parent company loan. Interest is charged at 3 month Libor +1%. Despite the loan being repayable on demand it is not the intention for the loans to be repaid within one year.

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**10. Provision for liabilities**

	<b>Deferred taxation £</b>
1 January 2018	696,000
Decrease in provision in the year	(227,000)
31 December 2018	<u>469,000</u>

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

	<b>2018 £</b>	<b>2017 £</b>
Deferred tax arising on assets measured at fair value	<u>469,000</u>	<u>696,000</u>

**11. Share capital and reserves**

**Share capital**

	<b>2018 £</b>	<b>2017 £</b>
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

**12. 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.

**13. Ultimate parent company and ultimate controlling party**

The company's immediate parent company is Fairhold Holdings Permeco Limited, which is domiciled and incorporated in England. 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.

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**14. 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 £24,008 (2017: £33,463) were charged to the company in the year by a company related by virtue of common control and common directors.