Registered number:
08447905

FAIRTHATCH GR LIMITED

ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

COMPANY INFORMATION

Directors	W.K. Procter C.C. McGill
Company secretary	P. Hallam
Registered number	08447905
Registered office	Molteno House 302 Regents Park Road London United Kingdom N3 2JX

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DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2017

The directors present their report together with the audited financial statements of Fairthatch GR Limited (the "Company") for the year ended 31 December 2017 and the restated financial statements for the year ended 31 December 2016.

This report has been prepared in accordance with the special provisions relating to small companies within Part 15 of the Companies Act 2006. As such, the Company has taken advantage of the exemption not to produce a strategic report.

Incorporation and activity in the year

The Company was formed on 15 March 2013 and commenced operations on that date. The Company's UK registration number is 08447905.

The Company has entered into a Purchase Pipeline and Funding Agreement with the John Lewis Partnership Pension Trust ("JLPPT"). This agreement is the Company's sole source of funding and loan facilities advanced under this agreement have been drawn down to acquire all the investment property assets of the Company. This agreement grants JLPPT the rights to receive all net income, capital receipts and VAT recoveries and prohibits the Company from making dividends or distributions.

Principal activity

The principal activity of the Company continues to be that of property investment.

Results and dividends

The results for the year are set out on page 7. The loss for the year is £1,464,462 (2016 - loss £152,368).
The directors do not recommend the payment of a dividend (2016: £nil).

Directors

The directors of the company who served during the year and up to the date of signing the financial statements were as follows:

W.K. Procter
C.C. McGill

Secretary

The secretary who served during the year and up to the date of signing of the financial statements was as follow:

P. Hallam

Independent auditor

BDO Limited has indicated its willingness to be reappointed as the Company's auditor for another term and is deemed to be reappointed accordingly.

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2017

Directors Indemnity

As permitted by the Articles of Association, the directors have the benefit of an indemnity which is a qualifying third-party indemnity provision, as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial period and is currently in force. The Company also purchased and maintained throughout the financial period directors' and officers' liability insurance in respect of itself and its directors.

Going concern basis

The directors have reasonable expectation that the company will continue in existence for the foreseeable future. The company is in a net current asset and net asset position and the Directors are satisfied that at the time of approving the financial statements, it is appropriate to adopt the going concern basis in preparing the financial statements on the basis that the John Lewis Partnership Pension Trust will continue to provide adequate financial support to enable the Company to meet its day to day expenses and obligations as they fall due. Such support will continue for the foreseeable future and, in any event, will be provided for at least 12 months from the date of signing the financial statements of the company for the year ended 31 December 2017.

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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland, Section 1A Small Entities (FRS 102)'. 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 a Company and of the profit or loss of the Company for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards, including FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 102 used in the preparation of financial statements; and
- 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 to 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.

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2017

Restatement of prior year's financial statements

The financial statement for the year ended 31 December 2016 have been restated due to the correction to the accounting treatment for the non-interest bearing loan payable to the John Lewis Partnership Pension Trust by the company. The loan had previously been treated as being repayable on demand. However, as the loan has a specific repayment date of 22 May 2023 it should correctly be treated as a long-term loan debt facility of the company. Due to the change of accounting treatment the debt facility is now carried at amortised cost, using the effective interest method.

Disclosure of information to Auditors

In accordance with Section 418, the directors' report shall include a statement, in the case of each director in office at the date the directors' report is approved, that:

(a) so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware.
(b) the director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

On behalf of the board.

Christopher C McGill
Director

Director

24/9/18

BDO

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FAIRTHATCH GR LIMITED

Opinion

We have audited the financial statements of Fairthatch GR Limited ("the Company") for the year ended 31 December 2017 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and notes 1 to 21 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 (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 2017 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 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.

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.

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;
- 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' exemptions in preparing the directors' report and from the requirement to prepare a strategic report.

Responsibilities of Directors

As explained more fully in the statement of directors' responsibilities, 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.

Auditor's responsibilities for the audit of the financial statements

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.

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 at the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

BDO Limited

Philip Braun (Senior Statutory Auditor)
For and on behalf of BDO Limited, statutory auditor
Jersey, Channel Islands
24 September 2018

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017 £	*2016* *£* *Restated*
Turnover	5	**655,036**	*599,169*
Gross profit		**655,036**	*599,169*
Administrative expenses	6	**(195,826)**	*(195,693)*
Loss on revaluation of investment properties	12	**(1,718,642)**	*(144,735)*
Operating (loss) / profit		**(1,259,432)**	*258,741*
Interest receivable and similar income	9	**-**	*1,701*
Interest payable and similar charges	10	**(583,635)**	*(526,312)*
Loss before tax		**(1,843,067)**	*(265,870)*
Tax on ordinary activities	11	**378,605**	*113,502*
Total comprehensive (loss) for the year		**(1,464,462)**	*(152,368)*

The notes on pages 10 to 25 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

	Note		2017 £		2016 £ Restated
Fixed assets					
Freehold investment property	12		**15,502,420**		*17,221,062*
			15,502,420		*17,221,062*
Current assets					
Debtors	13	**466,578**		*473,648*	
Cash at bank and in hand		**135,813**		*142,249*	
		602,391		*615,897*	
Creditors: amounts falling due within one year	14	**(565,156)**		*(623,037)*	
Net current assets / (liabilities)			**37,235**		*(7,140)*
Total assets less current liabilities			**15,539,655**		*17,213,922*
Creditors: amounts falling due after one year	15		**(11,600,538)**		*(11,421,429)*
Provisions for liabilities					
Deferred tax	16	**(244,442)**		*(633,356)*	
			(244,442)		*(633,356)*
Net assets			**3,694,675**		*5,159,137*
Capital and reserves					
Called up share capital	17		**100**		*100*
Capital contributions	15		**1,779,901**		*1,779,901*
Profit and loss account			**1,914,674**		*3,379,136*
			3,694,675		*5,159,137*

The financial statements on pages 7 to 25 which have been approved in accordance with the standard and applicable to small companies were approved and authorised for issue by the board of directors on

Director **Christopher C McGill**
Director

24/9/18

The notes on pages 10 to 25 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017

	Called up Share capital £	Capital contribution £	Profit and loss account £	Total equity £
At 1 January 2017	100	1,779,901	3,379,136	5,159,137
Comprehensive income for the year				
Loss for the year	-	-	(1,464,462)	(1,464,462)
Total comprehensive loss for the year	-	-	(1,464,462)	(1,464,462)
At 31 December 2017	100	1,779,901	1,914,674	3,694,675

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016

Restated	Called up Share capital £ Restated	Capital contribution £ Restated	Profit and loss account £ Restated	Total equity £ Restated
At 1 January 2016	100	1,569,831	3,531,504	5,101,435
Comprehensive income for the year				
Loss for the year	-	-	(152,368)	(152,368)
Total comprehensive loss for the year	-	-	(152,368)	(152,368)
Additional capital contribution	-	210,070	-	210,070
At 31 December 2016	100	1,779,901	3,379,136	5,159,137

The notes on pages 10 to 25 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

1. General information

Fairthatch GR Limited (the "Company") operates in the United Kingdom. The Company is in the business of property investment.

The Company is a private company limited by shares and is incorporated and domiciled in England. The address of its registered office is Molteno House, 302 Regents Park Road, London.

2. Statement of compliance

The individual financial statements of Fairthatch GR Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland" Section 1A Small Entities, ("FRS 102") and the Companies Act 2016.

3. Summary of accounting policies which have been consistently applied

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied across the years presented, unless otherwise stated. The Company has adopted FRS 102 in these financial statements.

3.1 Basis of preparation

These financial statements are prepared on a going concern basis, under the historical cost convention, as modified by the revaluation of land and buildings and certain financial assets and liabilities, measured at fair value through profit and loss.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. Areas involving a higher degree of judgement or complexity or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4.

3.2 Going concern

The directors have reasonable expectation that the company will continue in existence for the foreseeable future. The company is in a net current asset and net asset position and the Directors are satisfied that at the time of approving the financial statements, it is appropriate to adopt the going concern basis in preparing the financial statements on the basis that the John Lewis Partnership Pension Trust will continue to provide adequate financial support to enable the Company to meet its day to day expenses and obligations as they fall due. Such support will continue for the foreseeable future and, in any event, will be provided for at least 12 months from the date of signing the financial statements of the Company for the year ended 31 December 2017.

3.3 Exemptions for qualifying entities under FRS 102

FRS 102 allows a qualifying entity certain disclosure exemptions. As a qualifying entity, the company has taken advantage of the following exemptions, under FRS 102:

- the requirement to prepare a Statement of Cash Flows.

3.4 Turnover

Turnover is in relation to long term contracts and comprises rent receivable and other operating income arising from investment properties.

Rental income from operating leases is net of VAT and is accounted for on an accruals basis.

3.5 Administration expenses

Administration expenses are recognised on an accruals basis.

3.6 Interest payable / receivable and similar charges / income

Interest payable / receivable are recognised on an accruals basis.

3.7 Taxation

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the Statement of Comprehensive Income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, tax is also recognised in other comprehensive income or directly in equity respectively.

Current or deferred taxation assets and liabilities are not discounted.

Current tax
Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on tax rates and laws that have been enacted or substantively enacted by the period end.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Current tax is provided at amounts expected to be paid (or recovered) using the United Kingdom's tax rates and laws that have been enacted, or substantively enacted, by the balance sheet date.

Deferred tax
Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements.

Deferred tax is recognised on all timing differences at the reporting date except for certain exceptions. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

3. Summary of accounting policies which have been consistently applied (continued)

3.8 Investment Properties

The Company's holdings of Freehold reversionary interests and long leasehold interests are classified as Investment Properties and accounted for in accordance with FRS 102.

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

The company has entered into a Purchase Pipeline and Funding Agreement with the John Lewis Partnership Pension Trust ("JLPPT"). This agreement is the Company's sole source of funding and loan facilities advanced under this agreement have been drawn down in order to acquire all of the investment property assets of the Company. The agreement grants JLPPT the rights to receive all net income, capital receipts and VAT recoveries and prohibits the Company from making any dividend or distribution.

The valuation of the entire portfolio was based on market value and was undertaken by approved external valuers in accordance with the Royal Institute of Chartered Surveyors (RICS) Valuation – Professional Standards (2015) (the Red Book"). Any surplus identified over the cost of the asset is accounted for through the Statement of Comprehensive Income.

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

3.9 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in the Statement of Comprehensive Income in the year in which they are incurred.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

3. Summary of accounting policies which have been consistently applied (continued)

3.10 Impairment of non-financial assets

At each balance sheet date, non-financial assets not carried at fair value are assessed to determine whether there is an indication that the asset may be impaired. If an asset does not generate its own independent cashflows, impairment is assessed on the basis of the smallest cash generating unit which does. If there is such an indication the recoverable amount of the asset is compared to the carrying amount of the asset.

The recoverable amount of the asset is the higher of the fair value less costs to sell and value in use. Value in use is defined as the present value of the future cash flows before interest and tax obtainable as a result of the asset's continued use. These cash flows are discounted using a pre-tax discount rate that represents the current market risk-free rate and the risks inherent in the asset.

If the recoverable amount of the asset is estimated to be lower than the carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognised through Profit or loss unless the asset has been revalued when the amount is recognised in other comprehensive income to the extent of any previously recognised revaluation. Thereafter any excess is recognised through profit or loss.

If an impairment loss is subsequently reversed the carrying amount of the asset is increased to the revised estimate of the recoverable amount, but only to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised in prior periods. A reversal of an impairment loss is recognised in the Statement of Comprehensive Income.

3.11 Debtors

Debtors are stated at cost less any impairment provision for doubtful debts.

3.12 Cash and cash equivalents

Cash and cash equivalents includes cash in hand and deposits held at call with banks. Cash held and managed with company agents is disclosed separately within debtors.

3.13 Deferred income

Deferred income relates to rent billed in advance. Rental income is recognised or released in the Statement of Comprehensive Income in the period in which the rental income becomes due.

3. Summary of accounting policies which have been consistently applied (continued)

3.14 Financial instruments

The company has chosen to adopt Section 11 of FRS 102 in respect of financial instruments.

Financial assets
Basic financial assets, including trade and other receivables, cash and bank balances are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period, financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in the Statement of Comprehensive Income.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in the Statement of Comprehensive Income.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expires or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

Financial liabilities
Basic financial liabilities, including trade and other payables, loans from fellow group companies are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest. Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are initially recognised at transaction price and subsequently measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

3. Summary of accounting policies which have been consistently applied (continued)

3.15 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

3.16 Related party transactions

The Company discloses transactions with related parties which are not wholly owned with the same group. It does not disclose transactions with members of the same group that are wholly owned.

4. Judgments in applying accounting policies and key sources of estimation uncertainty

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 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 addressed below.

(a) Impairment of debtors

The Company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the current credit rating of the debtor, the ageing profile of debtors and historical experience. See note 13 for the net carrying amount of the debtors and associated impairment provision.

(b) Valuation of Investment Properties

The John Lewis Partnership Pension Trust has engaged CBRE Limited to carry out independent valuation of property interests. The valuations are carried out each quarter on an open market basis and in accordance with the Royal Institute of Chartered Surveyors (RICS) Valuation - Professional Standards 2015) (the "Red Book"). In determining the valuation, CBRE Limited have made certain assumptions. Please see note 12 for details of these assumptions.

In December 2017 the department for Communities and Local Government (DCLG) published the outcome of the 'Tracking unfair practices in the leasehold market' consultation it had conducted during the year. The main pronouncement affecting the company being that the Government would work with the Law Commission to support existing leaseholders – including making buying a freehold or extending a lease easier, faster, fairer and cheaper. Should such legislation be introduced it is likely that this would reduce the amount of premiums received at the point of lease extension. These premiums are a material component of the valuation of the Investment Properties held by the group. It is unknown what form the legislation, should it be enacted, will take and so it is not possible at this time to assess the impact of any potential legislative changes on the valuation.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

5. Turnover

	2017	2016
	£	£
Rent receivable	518,465	461,696
Other income	136,571	137,473
	655,036	599,169

6. Administration expenses

	2017	2016
	£	£
Audit fees	13,200	12,750
Accountancy fees	5,750	4,650
Asset management charge	63,056	62,289
Management charge	95,322	105,808
Bank charges	60	87
Professional fees	8,984	-
Valuation expenses	9,454	10,109
	195,826	195,693

7. Operating (loss) / profit

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

	2017	2016
	£	£
Auditors renumeration	13,200	12,750
Management charge	95,322	105,808

8. Employees and directors

There were no employees during the year.

The Company directors did not receive any remuneration during the year.

9. Interest receivable

	2017 £	*2016 £*
Interest receivable	-	*1,701*
	-	*1,701*

10. Interest payable and similar charges

	2017 £	*2016 £ Restated*
Interest payable on Group loans	**404,525**	*380,374*
Interest free loan deemed interest	**179,110**	*145,938*
	583,635	*526,312*

The interest free loan deemed interest brought into profit and loss in the financial year is the result of the unwinding of the capital contribution calculated on the Interest Free Loan as detailed in Note 15 below, which is carried at amortised cost, using the effective interest method.

11. Taxation

The tax currently payable is based on the taxable profit for the year. Taxable profit differs from profit before tax as reported in the Income Statement because of items of income and expense that are taxable or deductible in other years or items are never taxable or deductible. Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

The Company is subject to UK Corporation Tax at an effective rate of 19.25% for the year ended 31 December 2017 (20% 31 December 2016).

In calculating deferred tax in respect of the revaluation surplus of the investment properties, the directors have applied a tax rate of 17%, which has been enacted and takes effect from 1 April 2020. It is the director's belief that the investment properties will not be disposed of until after this date.

A reduction in the UK corporation tax rate from 20% to 19% took effect from April 2017.

11. Taxation (continued)

	2017 £	*2016* *£*
Corporation tax		
Current tax charge for the year	10,309	*4,960*
Total current tax	10,309	*4,960*
Deferred tax		
Origination and reversal of timing differences	(376,165)	*(76,695)*
Changes to tax rates	(12,749)	*(41,767)*
Total deferred tax	(388,914)	*(118,462)*
Taxation on loss on ordinary activities	(378,605)	*(113,502)*

11. Taxation (continued)

Factors affecting tax charge for the year

Tax assessed on the profit on ordinary activities for the year is lower than the effective rate of corporation tax in the UK. The differences are reconciled below:

	2017 £	*2016* *£*
Loss on ordinary activities before tax	**(1,663,957)**	*(119,932)*
Loss on ordinary activities multiplied by effective rate of corporation tax in the UK of 19.25% (2016 - 20%)	**(320,312)**	*(23,986)*
Effects of:		
Increase or decrease in pension fund prepayment leading to an increase (decrease) in tax	-	*(41,767)*
Change in tax rate	**(12,479)**	-
Short term timing difference leading to an increase (decrease) in taxation	**(56,123)**	*(47,749)*
Other timing differences leading to an increase (decrease) in taxation	**10,309**	-
Total tax charge for the year	**(378,605)**	*(113,502)*

12 Investment property

	Freehold investment property £
Cost	
Opening balance at 1 January 2016	11,031,085
Additions in the year	1,880,797
As at 31 December 2016	**12,911,882**
Additions in the year	-
As at 31 December 2017	**12,911,882**

12. Investment property (continued)

	Freehold investment property £
Valuation	
Opening balance at 1 January 2016	**15,485,000**
Additions in the year	**1,880,797**
Revaluation deficit	**(144,735)**
At 31 December 2016	**17,221,062**
Additions in the year	**-**
Revaluation deficit	**(1,718,642)**
At 31 December 2017	**15,502,420**

The John Lewis Partnership Pension Trust acting as sole lender to the Company is only obliged to fund the purchase of Property if certain documentation and notices have been issued in a satisfactory form to them. At the balance sheet date, the Company held a portfolio of freehold/leasehold interests for 2,112 (2016: 2112) units, which are all subject to long leases. The units are spread across England and Wales in a total of 62 (2016: 62) schemes, or phases of schemes, with the majority of units being situated in modern purpose-built blocks of apartments or new housing estates. The portfolio is a mixture of apartments and houses, with a small number of commercial properties, car parking spaces, retail and leisure accommodation. Acquisition costs incurred on investment properties purchased during the year were £nil (2016: £146,199).

Freehold and long leasehold interests are valued in accordance with Company policies set out in the principal accounting policies. The John Lewis Partnership Pension Trust has engaged CBRE Limited to carry out independent valuations of the property interests. The valuations are carried out each quarter on an open market basis and in accordance with the Royal Institute of Chartered Surveyors (RICS) Valuation – Professional Standards (2015) ("the Red Book") and determined the value as £15,502,420 (2016: £17,221,062).

In determining the valuation, CBRE Limited have made the following assumptions:

- The valuation represents the amount that would appear in a hypothetical contract of sale at the valuation date. No adjustment has been made for any expenses of acquisition or realisation.

- Without information to the contrary, the properties are assumed to be in good structural order, free from any contamination or environmental risk and any restrictive planning and legal covenants.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

13. Debtors

	2017 £	2016 £
Trade debtors	8,759	18,736
Funds held with asset manager	171,927	177,870
Funds held with property manager	280,543	271,693
Funds held with lawyers	5,349	5,349
	466,578	473,648

The funds held with the assets manager represents all receipts of rental and other property income, which has been collected, cleared and distributed by the property manager.

Trade debtors are stated after provisions for impairment of £nil (2016: £nil).

14. Creditors: Amounts falling due within one year

	2017 £	2016 £
Trade creditors	295,269	262,610
Accruals and deferred income	167,902	161,161
Interest payable	101,985	199,266
	565,156	623,037

15. Creditors: Amounts falling due after more than one year

	2017 £	*2016 £ Restated*
Amounts due to John Lewis Pension Trust		
(i) Interest bearing	**7,916,342**	*7,916,342*
(ii) Non-interest bearing	**4,968,290**	*4,968,290*
Capital contribution	**(1,779,901)**	*(1,779,901)*
Effective interest	**495,807**	*316,698*
	3,684,196	**3,505,987**
	11,600,538	**11,421,429**

The non-interest loan due to John Lewis Pension Trust has been reclassified in 2017 from a short term debt instrument to a long term debt instrument as the loan due to John Lewis Partnership Pension Trust carries a specified date of repayment of 22 May 2023.

Due to the change in accounting treatment the debt facility is now carried at amortised cost using the effective interest method in the financial statements.

Under the terms of the agreement, the Company is permitted to draw from the unsecured non-interest bearing element of the Facility, for the term of 10 years to fund certain acquisition costs and other costs relating to the Approved Properties. The first drawdown took place in 2013 with further drawdowns having occurred during 2014, 2015 and 2016.

This now has resulted in the restatement of the financial statements to 31 December 2016 as the amortised cost for each separate loan tranche has been reclassified as additional equity of the company and transferred to Capital Contribution.

These capital contributions are then amortised over the life of the loan and charged as Interest Free Loan Deemed Interest through the Statement of Comprehensive Income and capitalised to loan as Effective Interest.

At 31 December 2016 amortised cost treated as equity was £1,779,901 and capital contributions amortised over the life of the loan and charged through the Statement of Comprehensive Income as interest free loan deemed interest and unwound as effective interest totalled £316,698. At the 31 December 2016 £145,938 interest free loan deemed interest was charged through the Statement of Comprehensive Income and £170,760 charged direct to retained earnings.

15. Creditors: Amounts falling due after more than one year (continued)

In accordance with the Purchase Pipeline and Funding Agreement dated 22 May 2013, the John Lewis Partnership Pension Trust has agreed to provide a debt facility to the Company in order to acquire approved properties.

Under the terms of the agreement, the Company is permitted to draw from the Facility, both interest and non-interest bearing loan tranches, for the term of 10 years.

(i) The interest bearing tranche carries a fixed rate of 5.11% per annum, and is accrued on a 365 day basis.

(ii) Under the terms of the agreement, the Company is permitted to draw from the unsecured non-interest bearing element of the Facility, for the term of 10 years to fund certain acquisition costs and other costs relating to the Approved Properties. The loan is payable on or before 22 May 2023.

Under FRS 102 the non-interest bearing element of the loan has been measured at amortised cost using the effective interest method. The interest rate of 5.11% applied to measure amortised cost is the market rate of interest applied to the interest bearing portion of the debt instrument.

A separate net present value (NPV) is carried out on each tranche drawn down. At 31 December 2017 four tranches of £1,805,012 (2013), £1,710,844.05 (2014), £739,145 (2015) and £713,290 (2016) totalling £4,968,290 (2016: £4,968,290) had been drawn.

Upon drawdown of each separate loan tranche the amortised cost for the period of the interest free loan to maturity is transferred from the loan principle, reclassified as additional equity of the company and transferred to Capital Contribution. As at 31 December 2017 capital contributions to the company are £1,779,001 (2016: £1,779,001).

Capital contributions are amortised over the life of the loan and charged as Interest Free Loan Deemed Interest through the Statement of Comprehensive Income and capitalised to the loan as Effective Interest. As at 31 December 2017 interest charged to Interest Free Loan Deemed Interest is £179,110 (2016: £145,938) and capitalised Effective Interest unwound £495,807 (2016: £316,698).

Unamortised Capital Contributions at 31 December 2017 are £1,283,194 (2016: £1,462.303).

16. Deferred taxation

	2017 £	2016 £
At beginning of year	**(633,356)**	*(751,818)*
Deferred tax charge in the Statement of Comprehensive Income	**388,914**	*188,462*
	(244,442)	*(633,356)*

The provision for deferred taxation is made up as follows:

	2017 £	2016 £ Restated
Revaluation on investment properties	**(244,442)**	*(633,356)*
	(244,442)	*(633,356)*

17. Share capital

	2017 £	2016 £
Shares classified as equity		
Allotted, called up and fully paid		
100 Ordinary shares of £1 each	**100**	*100*

There is a single class of ordinary shares. There are no restrictions on the distribution of dividends and the repayment of capital.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

18. Related party transactions

During the year the Company incurred management charges totalling £95,322 (2016: £105,808) in respect of asset management services provided by Estates and Management Limited, a related party by virtue of common directors.

19. Controlling party

The Company's ultimate controlling party is the John Lewis Partnership Pension Trust (an unlimited company) acting as Trustee of the John Lewis Partnership Trust for Pension.

20. Subsequent events

In the Directors' opinion, there were no significant events that occurred after the end of the reporting period.

21. Restatement of financial statements

The financial statements for the year ended 31 December 2016 have been restated due to the correction to the accounting treatment for the non-interest bearing loan payable to the John Lewis Partnership Pension Trust by the company. The loan had previously been treated as being repayable on demand. However, as the loan has a specific repayment date of 22 May 2023 to the borrower it should correctly be treated as a long-term loan debt facility of the company. Due to the change of accounting treatment the debt facility is now carried at amortised cost, using the effective interest method.

The impact of the change of accounting treatment affecting the financial statements is detailed in Note 15. Creditors: Amounts Falling Due After More Than One Year, above, and the impact and changes on major balances affected in the financial statements, are detailed below:

		Prior year signed balance £	Adjustment £	Restatement Balance £
Statement of Comprehensive Income				
Interest payable and similar charges	Note 10	(380,374)	(145,938)	(526,312)
Statement of Financial Position				
Creditors: Amounts falling due within one year				
Amounts due to John Lewis Partnership Pension Trust	Note 14	4,968,291	(4,968,291)	-
Creditors: Amounts falling due after one year				
Amounts due to John Lewis Partnership Pension Trust	Note 15	7,916,342	3,505,087	11,421,429
Capital contributions	Note 15	-	1,779,901	1,779,901
Profit and loss account	SOCIE	3,695,833	(316,697)	3,379,136