

FAIRACRES GROUP LIMITED

BALANCE SHEETS

AS AT 31 MARCH 2015

	Notes	Group 2015 £	2014 £	Company 2015 £	2014 £
Fixed assets					
Intangible assets	8	569,589	669,589	-	-
Tangible assets	8	41,062,007	37,536,260	1,226	299
Investments	11	-	-	518,740	518,740
		<u>41,631,596</u>	<u>38,205,849</u>	<u>519,966</u>	<u>519,039</u>
Current assets					
Stocks	12	308,923	348,107	-	-
Debtors	13	457,945	759,224	14,113,871	14,123,187
Cash at bank and in hand		7,418,915	7,238,262	4,061,902	6,094,602
		<u>8,185,783</u>	<u>8,345,593</u>	<u>18,175,773</u>	<u>20,217,789</u>
Creditors: amounts falling due within one year	14	(8,995,990)	(6,583,099)	(50,554)	(58,726)
Net current (liabilities)/assets		<u>(810,207)</u>	<u>1,762,494</u>	<u>18,125,219</u>	<u>20,159,063</u>
Total assets less current liabilities		<u>40,821,389</u>	<u>39,968,343</u>	<u>18,645,185</u>	<u>20,678,102</u>
Creditors: amounts falling due after more than one year	15	(8,000,000)	(8,000,000)	-	-
Deferred tax liability		<u>(19,000)</u>	<u>(44,000)</u>	<u>-</u>	<u>-</u>
		<u>32,802,389</u>	<u>31,924,343</u>	<u>18,645,185</u>	<u>20,678,102</u>
Capital and reserves					
Called up share capital	17	2,095	2,095	2,095	2,095
Share premium account	18	805,839	805,839	805,839	805,839
Revaluation reserve	18	20,155,648	16,584,473	-	-
Motor ferry replacement reserve	18	1,087,275	1,542,971	-	-
Profit and loss account	18	10,607,004	12,844,437	17,837,251	19,870,168
Discount on acquisition		144,528	144,528	-	-
Shareholders' funds	19	<u>32,802,389</u>	<u>31,924,343</u>	<u>18,645,185</u>	<u>20,678,102</u>

Approved by the Board and authorised for issue on 22 October 2015

GR Kean
Director

G. Roddy

MPR Kean
Director

MPR Kean

Company Registration No. 03021137

FAIRACRES GROUP LIMITED

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2015

	2015	2014
	£	£
Net cash inflow from operating activities	3,575,870	2,099,805
Returns on Investments and servicing of finance		
Interest received	30,478	40,997
Interest paid	(262,166)	(278,254)
Net cash outflow for returns on Investments and servicing of finance	(231,688)	(237,257)
Taxation	(31,917)	(132,420)
Capital expenditure		
Payments to acquire tangible assets	(414,264)	(1,316,931)
Receipts from sales of tangible assets	7,245	1,273
Net cash outflow for capital expenditure	(407,019)	(1,315,658)
Equity dividends paid	(3,010,000)	-
Net cash (outflow)/inflow before management of liquid resources and financing	(104,754)	367,249
Financing		
Net cash outflow from financing	-	-
(Decrease)/increase in cash in the year	(104,754)	367,249

FAIRACRES GROUP LIMITED

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2015

1 Reconciliation of operating profit to net cash inflow from operating activities		2015	2014
		£	£
Operating profit		192,705	1,102,826
Depreciation of tangible assets		703,460	685,429
Amortisation of intangible assets		100,000	100,000
Loss on disposal of tangible assets		24,061	8,082
Decrease/(increase) in stocks		39,184	(62,195)
Decrease/(increase) in debtors		301,279	(235,103)
Increase in creditors within one year		2,215,181	500,766
Net cash inflow from operating activities		3,575,870	2,099,805
2 Analysis of net debt			
	1 April 2014	Cash flow	Other non-cash changes
	£	£	£
Net cash:			
Cash at bank and in hand	7,238,262	180,653	-
Bank overdrafts	(4,854,614)	(285,407)	-
	<u>2,383,648</u>	<u>(104,754)</u>	<u>-</u>
Debts falling due after one year	(8,000,000)	-	-
Net debt	<u>(5,616,352)</u>	<u>(104,754)</u>	<u>(5,721,106)</u>
3 Reconciliation of net cash flow to movement in net debt		2015	2014
		£	£
(Decrease)/increase in cash in the year		(104,754)	367,249
Movement in net debt in the year		(104,754)	367,249
Opening net debt		(5,616,352)	(5,983,601)
Closing net debt		<u>(5,721,106)</u>	<u>(5,616,352)</u>

FAIRACRES GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention modified to include the revaluation of freehold land and buildings.

1.2 Compliance with accounting standards

The financial statements are prepared in accordance with applicable United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), which have been applied consistently (except as otherwise stated).

1.3 Basis of consolidation

The consolidated profit and loss account and balance sheet include the financial statements of the company and its subsidiary undertakings made up to 31 March 2015. Intra-group sales and profits are eliminated fully on consolidation.

1.4 Turnover

Credit is taken for rents on a daily basis. Any amounts of rent received in advance are carried forward.

Credit is taken for the toll income on a daily basis. Any amount received in advance is carried forward.

Hotel turnover represents amounts receivable for goods and services net of VAT and trade discounts.

1.5 Goodwill

Acquired goodwill is written off in equal annual instalments over its estimated useful economic life which the directors believe to be 10 years.

1.6 Tangible fixed assets and depreciation

Fixed assets are stated at cost or professional valuation, less depreciation. Depreciation is calculated to write off fixed assets over their estimated useful lives at the following annual rates:

Ferry road and freehold slipways	Nil
Freehold land and buildings	Hotel buildings are depreciated at 1% per annum straight line basis, land is not depreciated.
Motor ferry	23 years straight line basis.
Plant and machinery	5 - 10 years straight line basis
Motor vehicles	20-25% reducing balance basis and 20% straight line basis
Furniture, fixtures and equipment	10 years straight line basis

FAIRACRES GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2015

1 Accounting policies

(Continued)

Depreciation is charged to the profit and loss account, where appropriate, based on the revalued amounts. The proportion of the depreciation which relates to the revaluation surplus is transferred to the credit of the profit and loss account from the revaluation reserve account as a reserve movement.

Investment properties and land owned by the property companies are periodically revalued and stated at their revalued amounts with additions subsequent to revaluation stated at cost. No depreciation is provided.

Although this accounting policy is in accordance with the applicable accounting standard, SSAP 19, Accounting for investment properties, it is a departure from the general requirement of the Companies Act 2006 for all tangible assets to be depreciated. In the opinion of the directors compliance with the standard is necessary for the financial statements to give a true and fair view. Depreciation or amortisation is only one of many factors reflected in the annual valuation and the amount of this that might otherwise have been charged cannot be separately identified or quantified.

The road, slipways and causeway of the ferry company are maintained to a high standard and the cost of this maintenance is written off to the profit and loss account as it is incurred. It is estimated that the useful lives of these assets exceed 50 years and that the residual values would not be less than the revalued amounts. Depreciation is not, therefore, provided.

No depreciation is provided on freehold property used in the business, as it is the company's policy to maintain the property in such a condition that its value is not impaired by the passage of time.

1.7 Investments

Fixed asset investments are stated at cost less provision for diminution in value.

1.8 Stock

Stock is valued at the lower of cost and net realisable value. Cost represents the expenditure incurred in bringing each product to its present location and condition calculated on a "first in first out" basis.

1.9 Pensions

The ferry company and Hotel subsidiaries operate defined contribution schemes for the benefit of their employees. Contributions payable are charged to the profit and loss account in the year they are payable.

1.10 Deferred taxation

Deferred taxation is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. The deferred tax balance has not been discounted.

1.11 Motor ferry replacement reserve

An amount is set aside over a period of 28 years (previously 23 years) from 31 March 1993 to renew the motor ferry by the transfer of an amount to the Motor Ferry Replacement Reserve, where sufficient funds are available. As this is an allocation of profit and loss account reserves it may be necessary, in the future, to utilise part of the provision to fund substantial other items of expenditure.

FAIRACRES GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2015

2 Segmental analysis by class of business

The analysis by class of business of the group's turnover and loss before taxation is set out as below:

Turnover

	2015 £	2014 £
Class of business		
Property	621,256	718,775
Ferry	2,836,546	2,808,635
Hotel	5,079,657	4,309,120
	<u>8,337,459</u>	<u>7,936,530</u>

(Loss)/profit before taxation

	2015 £	2014 £
Class of business		
Property	350,446	200,152
Ferry	47,976	1,064,416
Hotel	(298,643)	(398,098)
Holding company	(138,762)	(901)
	<u>(38,983)</u>	<u>865,569</u>

3 Operating profit

Operating profit is stated after charging:

Amortisation of intangible assets

Depreciation of tangible assets

Loss on disposal of tangible assets

Fees payable to the group's auditor for the audit of the group's annual accounts (company £15500; 2014: £15750)

Accountancy and taxation advice fees

	2015 £	2014 £
Amortisation of intangible assets	100,000	100,000
Depreciation of tangible assets	703,457	685,429
Loss on disposal of tangible assets	24,061	8,082
Fees payable to the group's auditor for the audit of the group's annual accounts (company £15500; 2014: £15750)	49,675	54,050
Accountancy and taxation advice fees	12,891	3,716
	<u>890,084</u>	<u>851,277</u>

4 Interest payable

On bank loans and overdrafts

Other interest

	2015 £	2014 £
On bank loans and overdrafts	262,166	275,761
Other interest	-	2,493
	<u>262,166</u>	<u>278,254</u>

FAIRACRES GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2015

5 Taxation

	2015 £	2014 £
Domestic current year tax		
U.K. corporation tax	163,830	381,124
Adjustment for prior years	(219,610)	(91,796)
Total current tax	(55,780)	289,328
Deferred tax		
Deferred tax charge/credit current year	(25,000)	(25,000)
	(80,780)	264,328
Factors affecting the tax charge for the year		
(Loss)/profit on ordinary activities before taxation	(38,983)	865,569
(Loss)/profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 21% (2014 - 23%)	(8,186)	199,081
Effects of:		
Non deductible expenses	7,218	6,099
Depreciation add back	152,776	182,508
Capital allowances	(150,041)	(123,216)
Tax losses carried forward	161,835	113,783
Adjustments to previous periods	(219,592)	(91,796)
Other tax adjustments	210	2,869
	(47,594)	90,247
Current tax charge for the year	(55,780)	289,328

6 Profit for the financial year

As permitted by section 408 Companies Act 2006, the holding company's profit and loss account has not been included in these financial statements. The profit for the financial year is made up as follows:

	2015 £	2014 £
Holding company's profit for the financial year	977,083	712,596

7 Dividends

	2015 £	2014 £
Ordinary interim paid	3,010,000	-

FAIRACRÈS GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2015

8 Intangible fixed assets Group

	Goodwill £
Cost	
At 1 April 2014 & at 31 March 2015	1,000,000
Amortisation	
At 1 April 2014	
Charge for the year	330,411
	100,000
At 31 March 2015	430,411
Net book value	
At 31 March 2015	569,589
At 31 March 2014	669,589

FAIRACRES GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2015

9 Tangible fixed assets Group

	Freehold land and buildings	Motor ferry	Fixtures, fittings and equipment	Plant, machinery and motor vehicles	Total
	£	£	£	£	£
Cost or valuation					
At 1 April 2014	36,091,548	2,100,000	1,490,894	175,781	39,858,223
Additions	121,667	-	266,593	26,002	414,262
Revaluation	2,220,000	(200,000)	-	-	2,020,000
Disposals	-	-	(52,853)	(1,486)	(54,339)
At 31 March 2015	38,433,215	1,900,000	1,704,634	200,297	42,238,146
Depreciation					
At 1 April 2014	502,861	1,400,000	312,299	106,803	2,321,963
Revaluation	(76,250)	(1,750,000)	-	-	(1,826,250)
On disposals	-	-	(21,547)	(1,486)	(23,033)
Charge for the year	176,868	350,000	149,815	26,764	703,447
At 31 March 2015	603,479	-	440,567	132,081	1,176,127
Net book value					
At 31 March 2015	37,829,736	1,900,000	1,264,067	68,216	41,062,019
At 31 March 2014	35,588,687	700,000	1,178,595	68,978	37,536,260
Analysis of cost or valuation at 31 March 2015					
Valuation	21,583,000	1,900,000	-	-	23,483,000
Cost	16,850,215	-	1,704,634	200,297	18,755,146
	38,433,215	1,900,000	1,704,634	200,297	42,238,146

Freehold land and buildings comprises:

	2015 £	2014 £
Investment Properties	9,786,324	9,786,324
Hotel Properties	16,241,048	16,119,381
Land, road, slipways and buildings utilised by the subsidiary operating the ferry company	12,370,000	10,150,000
Properties used in the business	35,843	35,843
	38,433,215	36,091,548

FAIRACRES GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2015

9 Tangible fixed assets

(Continued)

The motor ferry, land, road, slipways and buildings utilised by the subsidiary company operating the motor ferry, were professionally valued on an existing use basis and where appropriate the value of plant and machinery to the business basis on 31 March 2010. Included is a two and a half mile strip of land which is occupied for the ferry road. This is held in perpetuity under the terms of The Boumemouth-Swanage Motor Road & Ferry Act of 1923. The remainder is freehold.

The properties used in the business are included at cost.

On an historical cost basis, freehold land and buildings and motor ferry would have been included at:

	Freehold land and buildings £	Motor Ferry £
Cost	3,224,309	2,123,690
Accumulated depreciation based on historical cost	76,215	2,038,596
	<u>3,148,094</u>	<u>85,094</u>

The revalued amount for the ferry company land, road, slipways and buildings included in land and buildings above is £10,150,000.

Investment Property and Land and buildings included in tangible fixed assets:

The analysis of investment properties between cost and valuation is as follows:

	2015 £	2014 £
Cost or Valuation at 31 March 2015		
Commercial properties	8,713,000	8,713,000
Residential properties	1,073,324	1,073,324
	<u>9,786,324</u>	<u>9,786,324</u>

The historical cost of land and buildings above is £3,507,734 (2014: £3,507,734).

At 31 March 2015, the directors of the commercial properties company obtained a professional valuation for that company's properties. This valuation showed a value of £8,500,000. The carrying value of this property is £8,713,000. The directors consider the reduction in value to be temporary and have not accounted for it in these financial statements. The residential property at 31 March 2010 was valued on a market value basis at £500,000 by the directors. Subsequent additions are shown at cost. No depreciation is provided in respect of these properties.

FAIRACRES GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2015

9 Tangible fixed assets

(Continued)

Tangible fixed assets

Company

	Fixtures, fittings and equipment £
Cost	
At 1 April 2014	
Additions	12,592
	1,634
At 31 March 2015	14,226
Depreciation	
At 1 April 2014	
Charge for the year	12,293
	707
At 31 March 2015	13,000
Net book value	
At 31 March 2015	1,226
At 31 March 2014	299

10 Tangible fixed assets Investment properties

	Group £	Company £
Cost or valuation		
At 1 April 2014 & at 31 March 2015	9,786,324	-
Depreciation		
At 1 April 2014 & at 31 March 2015	-	-
Net book value		
At 31 March 2015	9,786,324	-

FAIRACRES GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2015

11 Fixed asset Investments Company

	Shares in group undertakings £
Cost	
At 1 April 2014 & at 31 March 2015	518,740
Net book value	
At 31 March 2015	518,740
At 31 March 2014	518,740

In the opinion of the directors, the aggregate value of the company's investment in subsidiary undertakings is not less than the amount included in the balance sheet.

Holdings of more than 20%

The company holds more than 20% of the share capital of the following companies:

Company	Country of registration or Incorporation	Shares held	
		Class	%
Subsidiary undertakings			
Silvermist Properties (Chelmsford) Limited	England	Ordinary	100
Review Hotels Limited	England	Ordinary	100
The Bournemouth-Swanage Motor	England	Ordinary and	100
Road and Ferry Company Incorporated		Preference	100
Silvermist Properties (Residential Developments) Limited	England	Ordinary	100

The principal activity of these undertakings for the last relevant financial year was as follows:

	Principal activity
Silvermist Properties (Chelmsford) Limited	Commercial property
Review Hotels Limited	Hotelier
The Bournemouth-Swanage Motor	Operation of motor ferry
Road and Ferry Company Incorporated	
Silvermist Properties (Residential Developments) Limited	Residential property

FAIRACRES GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2015

12 Stocks

	Group 2015 £	2014 £	Company 2015 £	2014 £
Raw materials and consumables	181,093	224,694	-	-
Finished goods and goods for resale	127,830	123,413	-	-
	<u>308,923</u>	<u>348,107</u>	<u>-</u>	<u>-</u>

13 Debtors

	Group 2015 £	2014 £	Company 2015 £	2014 £
Trade debtors	255,242	441,561	-	-
Amounts owed by group undertakings	-	-	14,113,871	14,123,187
Other debtors	59,136	4,614	-	-
Prepayments and accrued income	143,567	313,049	-	-
	<u>457,945</u>	<u>759,224</u>	<u>14,113,871</u>	<u>14,123,187</u>

Amounts falling due after more than one year and included in the debtors above are:

	2015 £	2014 £	2015 £	2014 £
Amounts owed by group undertakings	-	-	-	13,000,000
	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,000,000</u>

FAIRACRES GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2015

14 Creditors : amounts falling due within one year

	Group 2015 £	2014 £	Company 2015 £	2014 £
Bank loans and overdrafts	5,140,021	4,854,614	-	-
Trade creditors	463,884	558,993	1,188	391
Amounts owed to group undertakings	-	-	-	10,301
Corporation tax	154,694	242,391	-	500
Taxes and social security costs	190,942	169,228	33,616	31,784
Directors current accounts	2,620,000	-	-	-
Other creditors	54,759	295,850	-	-
Accruals and deferred income	371,690	462,023	15,750	15,750
	<u>8,995,990</u>	<u>6,583,099</u>	<u>50,554</u>	<u>58,726</u>

15 Creditors : amounts falling due after more than one year

	Group 2015 £	2014 £	Company 2015 £	2014 £
Bank loans	<u>8,000,000</u>	<u>8,000,000</u>	<u>-</u>	<u>-</u>
Analysis of loans				
Wholly repayable within five years	<u>8,000,000</u>	<u>8,000,000</u>	<u>-</u>	<u>-</u>
	<u>8,000,000</u>	<u>8,000,000</u>	<u>-</u>	<u>-</u>
Loan maturity analysis				
In more than two years but not more than five years	<u>8,000,000</u>	<u>8,000,000</u>	<u>-</u>	<u>-</u>

The bank loan is secured by a first priority legal charge over the property of the borrowing subsidiary company, Silvermist Properties (Chelmsford) Limited, and over all other group assets including a guarantee from the guarantor (Fairacres Group Limited) for the principal sum of £8,000,000 together with interest and costs.

FAIRACRES GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2015

16 Provisions for liabilities Group

	Deferred taxation £
Balance at 1 April 2014	44,000
Profit and loss account	(25,000)
Balance at 31 March 2015	<u>19,000</u>

The deferred tax liability is made up as follows:

	Group 2015 £	2014 £	Company 2015 £	2014 £
Accelerated capital allowances	<u>19,000</u>	<u>44,000</u>	<u>-</u>	<u>-</u>

Unprovided deferred tax on revalued assets totals £26,000 (2014: £44,000). This is the amount which it is estimated would be payable if investment properties and land and buildings were sold at their book value. It is not expected that any of this amount will become payable in the foreseeable future.

17 Share capital

	2015 £	2014 £
Allotted, called up and fully paid		
3,490 Ordinary of 50p each	1,745	1,745
700 A Ordinary of 50p each	350	350
	<u>2,095</u>	<u>2,095</u>

FAIRACRES GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2015

18 Statement of movements on reserves Group

	Share premium account £	Revaluation reserve £	Other reserves (see below) £	Profit and loss account £
Balance at 1 April 2014	805,839	16,584,473	1,542,971	13,300,132
Profit for the year	-	-	-	41,797
Dividends paid	-	-	-	(3,010,000)
Revaluation during the year	-	3,846,250	-	-
Depreciation written back	-	(275,075)	-	275,075
Movement during the year	-	-	(455,696)	455,696
Balance at 31 March 2015	805,839	20,155,648	1,087,275	10,607,004

Other reserves

Motor ferry replacement reserve

Balance at 1 April 2014	1,542,971
Special reserve movement	(455,696)
Balance at 31 March 2015	1,087,275

Company

	Share premium account £	Profit and loss account £
Balance at 1 April 2014	805,839	19,870,168
Profit for the year	-	977,083
Dividends paid	-	(3,010,000)
Balance at 31 March 2015	805,839	17,837,251

Revaluation Reserve

This arises on the revaluation of fixed assets by subsidiary companies and is not distributable.

Motor ferry replacement reserve.

In June 2008, the company obtained a professional estimate of the cost of building a diesel electric powered motor ferry to replace the company's existing vessel, the approximate cost was £6,179,500. If full provision for renewal had been made, based on this figure with an assumed inflation of 3% per annum, the Motor Ferry Replacement Reserve at the balance sheet date would have totalled £6,535,121 (2014: £6,122,854) based on a period of 28 years.

FAIRACRES GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2015

19 Reconciliation of movements in shareholders' funds	2015	2014
Group	£	£
Profit for the financial year	41,797	601,241
Dividends	(3,010,000)	-
	(2,968,203)	601,241
Other recognised gains and losses	3,846,250	-
Net addition to shareholders' funds	87,832	1,246,648
Opening shareholders' funds	31,924,343	32,856,206
Closing shareholders' funds	32,802,389	31,924,343

Company	2015	2014
	£	£
Profit for the financial year	977,083	712,596
Dividends	(3,010,000)	-
Net (depletion in)/addition to shareholders' funds	(2,032,917)	712,596
Opening shareholders' funds	20,678,102	19,965,508
Closing shareholders' funds	18,645,185	20,678,102

20 Contingent liabilities

Group

The company, together with four other group companies, has entered into a composite guarantee in respect of bank overdrafts of those companies. There is a right to set off incorporated within the cross guarantee. The net overdraft indebtedness of the group companies at the year end was £Nil (2014: £Nil).

At the balance sheet date Silvermist Properties (Chelmsford) Limited has bank loans totalling £8,000,000 that are secured by a first priority legal charge on all that company's commercial properties and all group assets.

Company

There is a cross guarantee between Fairacres Group Limited and its subsidiaries, The Bouremouth-Swanage Motor Road and Ferry Company Incorporated, Review Hotels Limited, Silvermist Properties (Chelmsford) Limited and Silvermist Properties (Residential Developments) Limited in respect of bank overdraft borrowings. At the balance sheet date, the bank overdraft borrowings of these subsidiary companies amounted to £5,137,641 (2014: £4,854,614).

At the balance sheet date Silvermist Properties (Chelmsford) has bank loans totalling £8,000,000 that are secured by a first priority charge on all that company's commercial properties and all group assets.

FAIRACRES GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2015

21 Directors' remuneration

	2015 £	2014 £
Remuneration for qualifying services	303,000	250,200
Remuneration disclosed above include the following amounts paid to the highest paid director:		
Remuneration for qualifying services	138,000	85,000

22 Employees

Number of employees

The average monthly number of employees (including directors) during the year was:

	2015 Number	2014 Number
Operations	169	154
Administration	27	22
	196	176

Employment costs

	2015 £	2014 £
Wages and salaries	2,854,227	2,390,706
Social security costs	239,250	207,009
Other pension costs	49,751	46,845
	3,258,592	2,643,810

23 Related party relationships and transactions

Dividends to Directors

The following directors were paid dividends during the year as outlined in the table below:

	2015 £	2014 £
MPR Kean	1,505,000	-
Mrs SE Seager	1,505,000	-
	3,010,000	-

FAIRACRES GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2015

23 Related party relationships and transactions

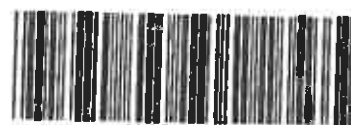
(Continued)

Group

The company has taken advantage of the exemption available in FRS 8 "Related party disclosures" whereby it has not disclosed transactions with any wholly owned subsidiary undertaking.

Company Registration No. 03021137 (England and Wales)

FAIRACRES GROUP LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016



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FAIRACRES GROUP LIMITED

COMPANY INFORMATION

Directors	GR Kean Mrs SE Seager MPR Kean
Secretary	Mrs TA Nicol
Company number	03021137
Registered office	Fairacres Stock Lane Ingatestone Essex CM4 9QL
Auditors	Rickard Luckin Limited Aquila House Waterloo Lane Chelmsford Essex CM1 1BN
Business address	Fairacres Stock Lane Ingatestone Essex CM4 9QL
Bankers	Handelsbanken Greenwood House 91-99 New London Road Chelmsford Essex CM2 0PP
Solicitors	Wortley Byers LLP Cathedral Place Brentwood Essex CM14 4ES

FAIRACRES GROUP LIMITED

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FAIRACRES GROUP LIMITED

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FAIRACRES GROUP LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 MARCH 2016

The directors present the strategic report and financial statements for the year ended 31 March 2016.

Fair review of the business

Details of the group trading results for the year are set out in the consolidated profit and loss account on page 6.

The group's gross rental income dropped to £497,007 from the prior year's £621,256. This group division showed a decrease of 21% in its pre tax profit largely due to the vacancy of one of its units. The carrying value of the investment property is £10,313,000 and reflects an increase in the year of £526,676. The directors consider that the valuation is reasonable and reflective of the current market.

The turnover of the ferry division, as this was not a ferry refit year, showed a 16% or £421,001 increase over the prior year which was a ferry refit year. As a result of having no major ferry repair costs this year, this division returned a pre tax profit of £1,253,439; an increase of £1,135,253 on the prior year when comparing the restated results following the group's transition to FRS102.

This year is the fifth full year of trading for Review Hotels Limited. This year the hotel achieved gross income of £5,439,753, an increase of 7% or £360,096 compared with the previous year. The hotel has continued its programme of extensive property repair works during the year, however despite this the company has recorded a pre tax profit of £15,180. While the company has an excess of liabilities over assets of £1,048,944 at the balance sheet date the directors believe that the hotel will clear the deficit in the near future and in the meantime they are committed to supporting the company.

Principal risks and uncertainties

The key business risks facing the group are the general economic outlook and consumer confidence and how this might impact on the use of the hotel and ferry. In addition this is also likely to have an impact on the property market in both the value of the properties held and the rental income potential.

Development and performance

Overall the directors consider that the position of the group at the year end was satisfactory. For the future the Hotel is expected to contribute to increased group profits. As part of an overall group strategy, the directors are actively seeking the acquisition of appropriate trading businesses to further enhance profitability.

Key performance indicators

The board monitors progress on overall strategy by reference to a variety of key performance indicators due to the diverse nature of the group's operations.

For the ferry division it is turnover compared with previous years.

For investment properties it is gross rents, rental rates per square metre and occupancy rates.

For the hotel it is room occupancy and gross margin.

By order of the board



.....
Mrs TA Nicol

Secretary

22.09.2016

FAIRACRES GROUP LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2016

The directors submit their twenty first annual report and audited financial statements of the group for the year ended 31 March 2016.

Principal activities

The company provides management services to its subsidiary companies and identifies and investigates further trading opportunities.

Through its subsidiary companies the group owns, develops and lets commercial and residential properties, trades as an hotelier and operates, under statute, a motor driven chain ferry.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

GR Kean
Mrs SE Seager
MPR Kean

Results and dividends

The results for the year are set out on page 6.

No dividends were paid on the ordinary shares or A ordinary shares during the year.

Directors' Insurance

A directors' indemnity policy exists in the form of a combined insurance policy across the group.

Financial Instruments

Treasury operations and financial instruments

The group operates a treasury function which is responsible for managing the liquidity, interest and credit risks associated with the group's activities. The group's management of this function does not include the use of derivative financial instruments.

Liquidity risk

The group manages its cash and borrowing requirements in order to maximise interest income and minimise interest expense, whilst ensuring the group has sufficient liquid resources to meet the operating needs of the business. Funds are transferred between group companies to assist in managing this risk.

Interest rate risk

The group is exposed to cash flow interest rate risk on floating rate deposits, bank overdrafts and loans. The group does not use interest rate derivatives to manage this risk as the directors do not feel this is necessary in the context of the overall risk management of the business.

Credit risk

All customers who wish to trade on credit terms are subject to credit verification procedures. Trade debtors are monitored on an ongoing basis and provision is made for doubtful debts where necessary.

FAIRACRES GROUP LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2016

Statement of directors' responsibilities

The directors are responsible for preparing the Annual 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 group and company, and of the profit or loss of the group for that period. In preparing these 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;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and 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 group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of disclosure to auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditors are unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditors are aware of that information.

By order of the board


.....
Mrs TA Nicol

Secretary

22/09/2016

FAIRACRES GROUP LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF FAIRACRES GROUP LIMITED

We have audited the financial statements of Fairacres Group Limited for the year ended 31 March 2016 set out on pages 6 to 31. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102.

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

Respective responsibilities of directors and auditors

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 March 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion 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.

FAIRACRES GROUP LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF FAIRACRES GROUP LIMITED

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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.

Janis Osborne (Senior Statutory Auditor)
for and on behalf of Rickard Luckin Limited

22 September 2016

Chartered Accountants
Statutory Auditor

**Aquila House
Waterloo Lane
Chelmsford
Essex
CM1 1BN**

FAIRACRES GROUP LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2016

		2016	2015
	Notes	£	as restated £
Turnover	3	8,994,307	8,337,459
Cost of sales		(4,276,571)	(4,757,982)
Gross profit		4,717,736	3,579,477
Administrative expenses		(3,459,283)	(3,632,560)
Other operating income		66,087	315,998
Operating profit	4	1,324,540	262,915
Interest receivable and similar income	8	30,864	30,478
Interest payable and similar charges	9	(264,176)	(262,166)
Fair value gains and losses on investment properties		526,676	-
Profit before taxation		1,617,904	31,227
Taxation	10	(654,403)	80,780
Profit for the financial year	25	963,501	112,007

The profit and loss account has been prepared on the basis that all operations are continuing operations.

FAIRACRES GROUP LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2016

	2016 £	2015 £
Profit for the year	963,501	112,007
Other comprehensive income		
Tax relating to other comprehensive income	119,000	-
Total comprehensive income for the year	1,082,501	112,007

Total comprehensive income for the year is all attributable to the owners of the parent company.

FAIRACRES GROUP LIMITED

GROUP BALANCE SHEET

AS AT 31 MARCH 2016

	Notes	2016		2015 as restated	
		£	£	£	£
Fixed assets					
Goodwill	12		469,589		569,589
Tangible assets	13		30,692,154		30,980,643
Investment properties	14		10,313,000		9,786,324
			<u>41,474,743</u>		<u>41,336,556</u>
Current assets					
Stocks	17	389,922		308,923	
Debtors	18	584,660		457,945	
Cash at bank and in hand		7,836,226		7,418,915	
		<u>8,820,808</u>		<u>8,185,783</u>	
Creditors: falling due within one year	19	(8,256,405)		(9,009,694)	
Net current assets/(liabilities)			564,403		(823,911)
Total assets less current liabilities			42,039,146		40,512,645
Creditors: amounts falling due after more than one year	20		(8,000,000)		(8,000,000)
Provisions for liabilities			(1,388,000)		(944,000)
Net assets			<u>32,651,146</u>		<u>31,568,645</u>
Capital and reserves					
Called up share capital	24		2,095		2,095
Share premium account			805,839		805,839
Other reserves			18,849,743		18,935,608
Motor ferry replacement reserve			1,566,685		1,087,275
Profit and loss reserves	25		11,282,256		10,593,300
Discount on acquisition			144,528		144,528
Equity attributable to owners of the parent company			<u>32,651,146</u>		<u>31,568,645</u>

The financial statements were approved by the board of directors and authorised for issue on 22/09/2016 and are signed on its behalf by:


GR Kean
Director


MPR Kean
Director

FAIRACRES GROUP LIMITED

COMPANY BALANCE SHEET

AS AT 31 MARCH 2016

	Notes	2016 £	£	2015 £	£
Fixed assets					
Tangible assets	13		818		1,226
Investments	15		518,740		518,740
			<u>519,558</u>		<u>519,966</u>
Current assets					
Debtors	18	14,104,867		14,113,871	
Cash at bank and in hand		4,675,937		4,061,902	
		<u>18,780,804</u>		<u>18,175,773</u>	
Creditors: falling due within one year	19	(45,565)		(50,554)	
Net current assets			<u>18,735,239</u>		<u>18,125,219</u>
Total assets less current liabilities			<u>19,254,797</u>		<u>18,645,185</u>
Capital and reserves					
Called up share capital	24		2,095		2,095
Share premium account			805,839		805,839
Profit and loss reserves	25		18,446,863		17,837,251
Total equity			<u>19,254,797</u>		<u>18,645,185</u>

The financial statements were approved by the board of directors and authorised for issue on 22/04/2016 and are signed on its behalf by:


 GR Kean
 Director


 MPR Kean
 Director

Company Registration No. 03021137

FAIRACRES GROUP LIMITED

GROUP STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2016

	Notes	Share capital £	Share premium account £	Other reserves £	Discount on acquisition £	Motor ferry replacement reserve £	Profit and loss reserves £	Total £
Balance at 1 April 2014		2,095	805,839	19,140,473	144,528	1,542,971	12,830,733	34,466,639
Period ended 31 March 2015:								
Profit and total comprehensive income for the year							112,007	112,007
Dividends	11						(3,010,000)	(3,010,000)
Transfers		-	-	(204,885)	-	(455,896)	680,581	-
Balance at 31 March 2015		2,095	805,839	18,935,608	144,528	1,087,275	10,593,300	31,568,645
Period ended 31 March 2016:								
Profit for the year							983,501	983,501
Other comprehensive income:								
Tax relating to other comprehensive income			-	119,000	-			119,000
Total comprehensive income for the year		-	-	119,000	-	-	983,501	1,082,501
Transfers		-	-	(204,885)	-	479,410	(274,545)	-
Balance at 31 March 2016		2,095	805,839	18,849,743	144,528	1,566,685	11,282,256	32,651,146

FAIRACRES GROUP LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2016

	Notes	Share capital £	Share premium account £	Profit and loss reserves £	Total £
Balance at 1 April 2014		2,095	805,839	19,870,168	20,678,102
Period ended 31 March 2015:					
Profit and total comprehensive income for the year		-	-	977,083	977,083
Dividends	11	-	-	(3,010,000)	(3,010,000)
Balance at 31 March 2015		2,095	805,839	17,837,251	18,645,185
Period ended 31 March 2016:					
Profit and total comprehensive income for the year		-	-	609,612	609,612
Balance at 31 March 2016		2,095	805,839	18,446,863	19,254,797

FAIRACRES GROUP LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2016

	Notes	2016 £	£	2015 £	£
Cash flows from operating activities					
Cash generated from operations	31	2,020,179		2,329,999	
Interest paid		(284,176)		(282,166)	
Income taxes refunded		67,424		1,178,974	
Net cash inflow from operating activities		1,823,427		3,246,807	
Investing activities					
Purchase of tangible fixed assets		(369,417)		(414,262)	
Proceeds on disposal of tangible fixed assets		1		7,245	
Interest received		30,864		30,478	
Net cash used in investing activities		(338,552)		(376,539)	
Financing activities					
Repayment of preference shares		-		34,978	
Repayment of borrowings		(920,000)		-	
Dividends paid to equity shareholders		-		(3,010,000)	
Net cash used in financing activities		(920,000)		(2,975,022)	
Net increase/(decrease) in cash and cash equivalents		564,875		(104,754)	
Cash and cash equivalents at beginning of year		2,278,894		2,383,648	
Cash and cash equivalents at end of year		2,843,769		2,278,894	
Relating to:					
Cash at bank and in hand		7,836,226		7,418,915	
Bank overdrafts included in creditors payable within one year		(4,992,457)		(5,140,021)	

FAIRACRES GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2016

1 Accounting policies

Company information

Fairacres Group Limited ("the Company") is a limited company domiciled and incorporated in England and Wales. The registered office is Fairacres, Stock Lane, Ingatestone, Essex, CM4 9QL.

The Group consists of Fairacres Group Limited and all of its subsidiaries.

1.1 Accounting convention

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.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared on the historical cost convention, modified to include the revaluation of freehold properties and to include investment properties and certain financial instruments at fair value. The principal accounting policies adopted are set out below.

As permitted by s408 Companies Act 2006, the Company has not presented its own profit and loss account and related notes. The company's profit after taxation for the year was £609,612 (2015 - £977,083 profit).

1.2 Basis of consolidation

The consolidated financial statements incorporate those of Fairacres Group Limited and all of its subsidiaries (i.e. entities that the Group controls through its power to govern the financial and operating policies so as to obtain economic benefits). Subsidiaries acquired during the year are consolidated using the purchase method. Their results are incorporated from the date that control passes. All financial statements are made up to 31 March 2016.

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the Group.

The cost of a business combination is the fair value at the acquisition date of the assets given, equity instruments issued and liabilities incurred or assumed, plus costs directly attributable to the business combination. The excess of the cost of a business combination over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recognised as goodwill.

The cost of the combination includes the estimated amount of contingent consideration that is probable and can be measured reliably, and is adjusted for changes in contingent consideration after the acquisition date.

1.3 Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

FAIRACRES GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2016

1 Accounting policies

(Continued)

1.4 Turnover

Credit is taken for rents on a daily basis. Any amounts of rent received in advance are carried forward.

Credit is taken for the toll income on a daily basis. Any amount received in advance is carried forward.

Hotel turnover represents amounts receivable for goods and services net of VAT and trade discounts.

1.5 Intangible fixed assets - goodwill

Acquired goodwill is written off in equal annual instalments over its estimated useful economic life which the directors believe to be 10 years.

1.6 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Fixed assets are stated at cost or professional valuation, less depreciation. Depreciation is calculated to write off fixed assets over their estimated useful lives at the following annual rates:

Freehold land and buildings	Nil
Freehold land and buildings	Hotel buildings are depreciated at 1% per annum straight line basis, land is not depreciated.
Motor ferry	28 years straight line basis
Fixtures, fittings and equipment	5 - 10 years straight line basis
Plant, machinery and motor vehicles	20-25% reducing balance basis and 20% straight line basis

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in the profit and loss account.

The group has adopted the transitional arrangements included within FRS102 and have chosen to "freeze" the valuation of certain land and buildings and the Motor Ferry as at the date of transition; 31st March 2014. No subsequent valuations are therefore included and the valuation at that date becomes the "deemed cost".

1.7 Investment properties

Investment property, which is property held to earn rentals and/or for capital appreciation, is measured using the fair value model and stated at its fair value as the reporting end date. The surplus or deficit on revaluation is recognised in the profit and loss account.

Investment properties are included in the balance sheet at their fair value. Although this accounting policy is in accordance with FRS102, it is a departure from the general requirements of The Companies Act 2006 for all tangible fixed assets to be depreciated. In the opinion of the directors compliance with the standard is necessary for the accounts to give a true and fair view. Depreciation or amortisation is only one of many factors reflected in the annual valuation.

Where fair value cannot be achieved without undue cost or effort, investment property is accounted for as tangible fixed assets.

1.8 Fixed asset investments

A subsidiary is an entity controlled by the group. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities. Subsidiaries are carried in the company's balance sheet at cost less provision for impairment.

FAIRACRES GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2016

1 Accounting policies

(Continued)

1.9 Impairment of fixed assets

At each reporting end date, the group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The carrying amount of the investments accounted for using the equity method is tested for impairment as a single asset. Any goodwill included in the carrying amount of the investment is not tested separately for impairment.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

1.10 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell.

Stocks held for distribution at no or nominal consideration are measured at cost, adjusted where applicable for any loss of service potential.

Stocks held for the purpose of the ferry re-fit are stated at cost and are not held for sale.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

1.11 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.12 Financial Instruments

The group has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial Instruments are recognised in the group's statement of financial position when the group becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

FAIRACRES GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2016

1 Accounting policies

(Continued)

Basic financial assets

Basic financial assets, which include trade and other receivables and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method 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.

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publically traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. 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 profit or loss.

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 profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the group transfers the financial asset and substantially all the risks and rewards of ownership to another entity, 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.

Classification of financial liabilities

Financial liabilities and equity instruments are classified 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 group after deducting all of its liabilities.

Basic financial liabilities, including trade and other payables, bank loans, loans from fellow group companies and preference shares that are classified as debt, 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.

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 recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

FAIRACRES GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2016

1 Accounting policies

(Continued)

Derecognition of financial liabilities

Financial liabilities are derecognised when the group's contractual obligations expire or are discharged or cancelled.

1.13 Equity instruments

Equity instruments issued by the group are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the group.

1.14 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset if, and only if, there is a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

In accordance with FRS102 deferred tax is provided in respect of historically revalued assets as appropriate.

In the consolidated financial statements current tax on profits for the current period is shown prior to the application of group relief. Group relief is applied where available and each company pays or receives £1 for every £1 of tax saved. This is accounted for at the point of submission of the appropriate returns. Amounts payable or receivable are eliminated on consolidation.

1.15 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

FAIRACRES GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2016

1 Accounting policies

(Continued)

1.16 Retirement benefits

The Bournemouth-Swanage Motor Road and Ferry Co Inc and Review Hotels Limited operate defined contribution schemes for the benefit of their employees. Contributions payable are charged to the profit and loss account in the year they are payable.

1.17 Motor ferry replacement reserve

An amount is set aside over a period of 28 years from 31 March 1993 to renew the motor ferry by the transfer of an amount to the Motor Ferry Replacement Reserve, where sufficient funds are available. As this is an allocation of profit and loss account reserves it may be necessary, in the future, to utilise part of the provision to fund substantial other items of expenditure.

2 Judgements and key sources of estimation uncertainty

In the application of the group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

3 Turnover and other revenue

An analysis of the group's turnover is as follows:

	2016 £	2015 £
Turnover		
Property rental		
Tolls	497,007	621,256
Hotel - services	3,057,547	2,636,546
Hotel - goods	3,391,067	3,121,778
	2,048,686	1,957,879
	<u>8,994,307</u>	<u>8,337,459</u>

4 Operating profit

	2016 £	2015 £
Operating profit for the year is stated after charging/(crediting):		
Depreciation of owned tangible fixed assets	653,138	633,237
Loss on disposal of tangible fixed assets	4,767	24,061
Amortisation of intangible assets	100,000	100,000
Cost of stocks recognised as an expense	1,166,604	1,118,070
	<u></u>	<u></u>

The amortisation of intangible assets is included within administration expenses.

FAIRACRES GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2016

5 Auditors' remuneration

	2016 £	2015 £
Fees payable to the company's auditor and its associates:		
For audit services		
Audit of the financial statements of the group and company	14,500	15,500
Audit of the company's subsidiaries	31,475	34,175
	<u>45,975</u>	<u>49,675</u>

6 Employees

The average monthly number of persons (including directors) employed by the group during the year was:

	2016 Number	2015 Number
Operations	191	169
Administration	26	27
	<u>217</u>	<u>196</u>

Their aggregate remuneration comprised:

	2016 £	2015 £
Wages and salaries	3,301,533	3,022,089
Social security costs	190,911	186,752
Pension costs	56,933	49,751
	<u>3,549,377</u>	<u>3,258,592</u>

7 Directors' remuneration

	2016 £	2015 £
Remuneration for qualifying services	<u>309,705</u>	<u>303,788</u>

Remuneration disclosed above includes the following amounts paid to the highest paid director:

Remuneration for qualifying services	<u>150,000</u>	<u>138,000</u>
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FAIRACRES GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2016

8 Interest receivable and similar income

	2016 £	2015 £
Interest income		
Interest on bank deposits	30,413	28,365
Other interest income	451	2,113
Total income	<u>30,864</u>	<u>30,478</u>

Investment income includes the following:

Interest on financial assets not measured at fair value through profit or loss	<u>30,413</u>	<u>28,365</u>
--	---------------	---------------

9 Interest payable and similar charges

	2016 £	2015 £
Interest on financial liabilities measured at amortised cost:		
Interest on bank overdrafts and loans	<u>264,176</u>	<u>262,166</u>

10 Taxation

	2016 £	2015 £
Current tax		
UK corporation tax on profits for the current period	313,973	163,830
Adjustments in respect of prior periods	(222,570)	(219,610)
Total current tax	<u>91,403</u>	<u>(55,780)</u>
Deferred tax		
Origination and reversal of timing differences	565,600	(25,000)
Tax losses carried forward	(47,600)	-
Other adjustments	45,000	-
Total deferred tax	<u>563,000</u>	<u>(25,000)</u>
Total tax charge	<u>654,403</u>	<u>(80,780)</u>

FAIRACRES GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2016

10 Taxation

(Continued)

The charge for the year can be reconciled to the loss per the profit and loss account as follows:

	2016 £	2015 £
Profit before taxation	1,617,904	31,227
Expected tax charge based on the standard rate of corporation tax in the UK of 20.00% (2015: 21.00%)	323,581	6,558
Tax effect of expenses that are not deductible in determining taxable profit	17,091	7,218
Unutilised tax losses carried forward	62,507	161,835
Change in unrecognised deferred tax assets	9,197	-
Adjustments in respect of prior years	(222,570)	(219,592)
Permanent capital allowances in excess of depreciation	9,673	(12,009)
Fair value gain on investment properties	(105,335)	-
FRS102 transitional adjustments	(2,741)	-
Other adjustments	-	210
Deferred tax movement	563,000	(25,000)
Tax expense for the year	654,403	(80,780)

In addition to the amount charged to the profit and loss account, the following amounts relating to tax have been recognised directly in other comprehensive income:

	2016 £	2015 £
Deferred tax arising on: Revaluation of property	(119,000)	-

11 Dividends

	2016 £	2015 £
Interim paid	-	3,010,000
	-	3,010,000

FAIRACRES GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2016

12 Intangible fixed assets

Group	Goodwill
Cost	£
At 1 April 2015 and 31 March 2016	1,000,000
Amortisation and impairment	
At 1 April 2015	430,411
Amortisation charged for the year	100,000
At 31 March 2016	530,411
Carrying amount	
At 31 March 2016	469,589
At 31 March 2015	569,589

The company had no intangible fixed assets at 31 March 2016 or 31 March 2015.

FAIRACRES GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2016

13 Tangible fixed assets

Group	Freehold land and buildings	Motor ferry	Fixtures, fittings and machinery and equipment	Plant, motor vehicles	Total
	£	£	£	£	£
Cost or valuation					
At 1 April 2015	28,646,891	1,900,000	1,704,634	200,297	32,451,822
Additions	219,613	-	149,804	-	369,417
Disposals	-	-	(8,447)	-	(8,447)
At 31 March 2016	28,866,504	1,900,000	1,845,991	200,297	32,812,792
Depreciation and impairment					
At 1 April 2015	627,090	271,429	440,569	132,091	1,471,179
Depreciation charged in the year	186,681	271,429	167,859	27,169	653,138
Eliminated in respect of disposals	-	-	(3,679)	-	(3,679)
At 31 March 2016	813,771	542,858	604,749	159,260	2,120,638
Carrying amount					
At 31 March 2016	28,052,733	1,357,142	1,241,242	41,037	30,692,154
At 31 March 2015	28,019,801	1,628,571	1,264,065	68,206	30,980,643
Analysis of cost or valuation at 31 March 2016					
Valuation	11,985,937	1,900,000	-	-	13,885,937
Cost	16,880,567	-	1,845,991	200,297	18,926,855
	28,866,504	1,900,000	1,845,991	200,297	32,812,792

Company

Fixtures, fittings and equipment

	£
Cost or valuation	
At 1 April 2015 and 31 March 2016	14,226
Depreciation and impairment	
At 1 April 2015	13,000
Depreciation charged in the year	408
At 31 March 2016	13,408
Carrying amount	
At 31 March 2016	818
At 31 March 2015	1,226

FAIRACRES GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2016

13 Tangible fixed assets

(Continued)

Land and buildings held within the subsidiary company operating the motor ferry, were revalued at the date of transition to FRS102 by professional valuers not connected with the company at £12,370,000. In addition the motor ferry was valued at £1,900,000. This total valuation has then been "frozen" under the transitional arrangements included within FRS102.

On a historical cost basis the freehold land and buildings revalued would be included at a cost of £394,417 and book value at 31 March 2016 of £380,303. The motor ferry would be included at a cost of £2,123,690 and a £nil net book value at 31 March 2016.

Included within land and buildings is a two and a half mile strip of land which is occupied for the ferry road and is held in perpetuity under the terms of The Bournemouth-Swanage Motor Road and Ferry Act 1923.

If revalued assets were stated on an historical cost basis rather than a fair value basis, the total amounts included would have been as follows:

	Group 2016 £	2015 £	Company 2016 £	2015 £
Cost	2,673,703	2,663,349	-	-
Accumulated depreciation	2,338,850	2,229,827	-	-
Carrying value	334,853	433,522	-	-

14 Investment property

	Group 2016 £	Company 2016 £
Fair value		
At 1 April 2015 and 31 March 2016	9,786,324	-
Net gains or losses through fair value adjustments	526,676	-
At 31 March 2016	10,313,000	-

Investment property comprises both residential and commercial investment property. The fair value of the residential investment property has been arrived at on the basis of a valuation carried out by the directors. The valuation was made on an open market value basis by reference to market evidence of transaction prices for similar properties.

At 31 March 2015 the directors of the commercial properties company obtained a professional valuation for that company's properties. This valuation showed a value of £8,500,000. The carrying value of this property is £8,713,000. The directors consider the reduction in value to be temporary and have not accounted for it in these financial statements.

If investment properties were stated on a historic cost basis rather than a fair value basis, the cost would be stated as £3,507,734 (2015: £3,507,734).

FAIRACRES GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2016

15 Fixed asset investments

	Notes	Group 2016 £	2015 £	Company 2016 £	2015 £
Investments in subsidiaries	30	-	-	518,740	518,740

16 Financial Instruments

		Group 2016 £	2015 £	Company 2016 £	2015 £
Carrying amount of financial assets					
Debt instruments measured at amortised cost		233,358	314,378	14,104,867	14,113,871
Equity instruments measured at cost less impairment		-	-	518,740	518,740
Carrying amount of financial liabilities					
Measured at amortised cost		15,713,507	16,684,058	17,220	16,938

17 Stocks

		Group 2016 £	2015 £	Company 2016 £	2015 £
Raw materials and consumables		259,946	181,093	-	-
Finished goods and goods for resale		139,976	127,830	-	-
		399,922	308,923	-	-

18 Debtors

		Group 2016 £	2015 £	Company 2016 £	2015 £
Amounts falling due within one year:					
Trade debtors		226,999	255,242	-	-
Amounts due from subsidiary undertakings		-	-	14,104,867	14,113,871
Other debtors		6,359	59,136	-	-
Prepayments and accrued income		351,302	143,567	-	-
		584,660	457,945	14,104,867	14,113,871

FAIRACRES GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2016

19 Creditors: falling due within one year

	Notes	Group 2016 £	2015 £	Company 2016 £	2015 £
Loans and overdrafts	21	6,692,457	7,760,021	-	-
Corporation tax payable		313,521	154,694	-	-
Other taxation and social security		229,377	190,942	28,345	33,616
Trade creditors		490,998	272,609	470	1,188
Other creditors		281,335	246,034	-	-
Accruals and deferred income		248,717	385,394	16,750	15,750
		<u>8,256,405</u>	<u>9,009,694</u>	<u>45,565</u>	<u>50,554</u>

The bank overdraft is secured by a debenture over freehold land and buildings and the assets of the group companies. There is a right of set off incorporated within the group facilities between cash at bank at overdraft facilities.

20 Creditors: amounts falling due after more than one year

	Notes	Group 2016 £	2015 £	Company 2016 £	2015 £
Loans and overdrafts	21	<u>8,000,000</u>	<u>8,000,000</u>	-	-

The bank loan is secured by a first priority legal charge over the property of the borrowing subsidiary company, Silvermist Properties (Chelmsford) Limited which has a carrying value of £8,713,000, and over all other group assets including a guarantee from the guarantor (Fairacres Group Limited) for the principal sum of £8,000,000 together with interest and costs.

21 Loans and overdrafts

	Group 2016 £	2015 £	Company 2016 £	2015 £
Bank loans	8,000,000	8,000,000	-	-
Bank overdrafts	4,992,457	5,140,021	-	-
Directors' loans	1,700,000	2,620,000	-	-
	<u>14,692,457</u>	<u>15,760,021</u>	<u>-</u>	<u>-</u>
Payable within one year	6,692,457	7,760,021	-	-
Payable after one year	8,000,000	8,000,000	-	-

FAIRACRES GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2016

22 Deferred taxation

Deferred tax assets and liabilities are offset where the group or company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

Group	Liabilities 2016 £	Liabilities 2015 £
Accelerated capital allowances	584,600	19,000
Tax losses	(47,600)	-
Revaluations	806,000	925,000
Investment property	45,000	-
	<u>1,388,000</u>	<u>944,000</u>

The company has no deferred tax assets or liabilities.

	Group 2016 £	Company 2016 £
Movements in the year:		
Liability at 1 April 2015	944,000	-
Charge to profit or loss	563,000	-
Credit to other comprehensive income	(119,000)	-
Liability at 31 March 2016	<u>1,388,000</u>	<u>-</u>

23 Retirement benefit schemes

Defined contribution schemes	2016 £	2015 £
Charge to profit and loss in respect of defined contribution schemes	<u>56,933</u>	<u>49,751</u>

A defined contribution pension scheme is operated for all qualifying employees. The assets of the scheme are held separately from those of the group in an independently administered fund.

24 Share capital

	Group and company 2016 £	2015 £
Ordinary share capital		
Issued and fully paid		
3,490 Ordinary of 50p each	1,745	1,745
700 A Ordinary of 50p each	350	350
	<u>2,095</u>	<u>2,095</u>

FAIRACRES GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2016

25 Reserves

Other reserves

These arise on the historic revaluation of fixed assets by subsidiary companies and is not distributable.

Equity reserve

Profit and loss reserve

Included within the profit and loss reserve is £526,676 of fair value gains on investment properties, less £45,000 of associated deferred tax. This total of £481,676 is not distributable to the members.

Motor ferry replacement reserve

In June 2008, the company obtained a professional estimate of the cost of building a diesel electric powered motor ferry to replace the company's existing vessel, the approximate cost was £6,179,500. If full provision for renewal had been made, based on this figure with an assumed inflation of 3% per annum, the Motor Ferry Replacement Reserve at the balance sheet date would have totalled £6,947,389 (2015: £6,535,121) based on a period of 28 years.

Transfers are made from the profit and loss account to the Motor Ferry Replacement Reserve, to the extent that reserves are available within the motor ferry subsidiary. In the current period transfers were made from the profit and loss reserve to the Motor Ferry Replacement Reserve totalling £479,410 (2015: £455,696 transferred from the reserve to the profit and loss reserve).

26 Financial commitments, guarantees and contingent liabilities

Group

The company, together with four other group companies, has entered into a composite guarantee in respect of bank overdrafts of those companies. There is a right to set off incorporated within the cross guarantee. The net overdraft indebtedness of the group companies at the year end was £Nil (2015: £Nil).

At the balance sheet date Silvermist Properties (Chelmsford) Limited has bank loans totalling £8,000,000 that are secured by a first priority legal charge on all that company's commercial properties and all group assets.

Company

There is a cross guarantee between Fairacres Group Limited and its subsidiaries, The Bournemouth-Swanage Motor Road and Ferry Company Incorporated, Review Hotels Limited, Silvermist Properties (Chelmsford) Limited and Silvermist Properties (Residential Developments) Limited in respect of bank overdraft borrowings. At the balance sheet date, the bank overdraft borrowings of these subsidiary companies amounted to £4,992,457 (2015: £5,140,021).

At the balance sheet date Silvermist Properties (Chelmsford) has bank loans totalling £8,000,000 that are secured by a first priority charge on all that company's commercial properties and all group assets.

FAIRACRES GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2016

27 Capital commitments

At 31 March 2016 the group had capital commitments as follows:

	Group 2016 £	2015 £	Company 2016 £	2015 £
Contracted for but not provided in the financial statements:				
Acquisition of property, plant and equipment	82,740	-	-	-
	<u>82,740</u>	<u>-</u>	<u>-</u>	<u>-</u>

28 Related party transactions

Transactions with related parties

The company has taken advantage of the exemption available in FRS102 whereby it has not disclosed transactions with any wholly owned subsidiary undertaking.

At the balance sheet date the company was owed £14,104,866 (2015: £14,113,871) by its subsidiary undertakings.

29 Directors' transactions

During the year no dividends were paid to directors (2015: £3,010,000).

30 Subsidiaries

Details of the company's subsidiaries at 31 March 2016 are as follows:

Name of undertaking and country of incorporation or residency	Nature of business	Class of shareholding	% Held	
			Direct	Indirect
Silvermist Properties (Chelmsford) Limited	England	Commercial property	Ordinary	100.00
Silvermist Properties (Residential Developments) Limited	England	Residential property	Ordinary	100.00
Review Hotels Limited	England	Hoteller	Ordinary	100.00
The Bournemouth-Swanage Motor Road and Ferry Company Incorporated	England	Operation of a motor ferry	Ordinary and preference	100.00

FAIRACRES GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2016

31 Cash generated from operations	2016 £	2015 £
Profit for the year	963,501	112,007
Adjustments for:		
Taxation charged/(credited)	654,403	(80,780)
Finance costs	264,176	262,166
Investment income	(30,864)	(30,478)
Loss on disposal of tangible fixed assets	4,767	24,061
Fair value gains and losses on foreign exchange contracts and investment properties	(526,676)	-
Amortisation and impairment of intangible assets	100,000	100,000
Depreciation and impairment of tangible fixed assets	653,138	633,237
Movements in working capital:		
(Increase) in stocks	(90,999)	(308,923)
(Increase) in debtors	(126,715)	(440,912)
Increase in creditors	155,448	2,059,621
Cash generated from operations	2,020,179	2,329,999
32 Reconciliations on adoption of FRS 102		
Reconciliation of equity - group		
	1 April 2014	31 March 2015
	£	£
Equity as reported under previous UK GAAP	20,211,373	32,802,389
Adjustments arising from transition to FRS 102:		
Revaluation	3,481,000	-
Reduced depreciation charge in the year	-	70,210
Holiday pay accrual	(13,704)	(13,704)
Deferred tax on revaluation reserve	(925,000)	(925,000)
Reverse historic depreciation	-	(365,250)
Equity reported under FRS 102	22,753,669	31,568,645

FAIRACRES GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2016

32 Reconciliations on adoption of FRS 102

(Continued)

Reconciliation of profit or loss - group

	2015 £
Profit as reported under previous UK GAAP	41,797
Adjustments arising from transition to FRS 102:	
Reduced depreciation charge in the year	70,210
Profit reported under FRS102	<u>112,007</u>

Notes to reconciliations on adoption of FRS 102 - group

The adjustments above relate to the motor ferry subsidiary. At the point of transition to FRS102 (1 April 2014) the directors of this subsidiary have chosen to "freeze" the valuation of fixed assets included in the financial statements and this therefore becomes the deemed cost from this date. Adjustments have been made to the depreciation charge for the current and comparative years in addition to the write back of depreciation to the revaluation reserve. Deferred tax has also been provided for on the revaluation of these assets.

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Company Registration No. 03021137 (England and Wales)

FAIRACRES GROUP LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017



FAIRACRES GROUP LIMITED

COMPANY INFORMATION

Directors	GR Kean Mrs SE Seager MPR Kean
Secretary	Mrs TA Nicol
Company number	03021137
Registered office	Fairacres Stock Lane Ingatestone Essex CM4 9QL
Auditors	Rickard Luckin Limited Aquila House Waterloo Lane Chelmsford Essex CM1 1BN
Business address	Fairacres Stock Lane Ingatestone Essex CM4 9QL
Bankers	Handelsbanken Greenwood House 91-99 New London Road Chelmsford Essex CM2 0PP
Solicitors	Wortley Byers LLP Cathedral Place Brentwood Essex CM14 4ES

FAIRACRES GROUP LIMITED

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FAIRACRES GROUP LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 MARCH 2017

The directors present the strategic report for the year ended 31 March 2017.

Fair review of the business

Details of the group trading results for the year are set out in the consolidated profit and loss account on page 6.

The group's gross rental income increased to £511,452 from the prior year's £497,007. This division has therefore shown consistency with 2016, with the continued vacancy of one of its units preventing the income returning to previously reported levels. The carrying value of the investment property is £10,338,000 and reflects an increase in the year of £25,000. The directors consider that the valuation is reasonable and reflective of the current market.

The turnover of the ferry division showed consistency at around £3.05 m as a result of not taking the ferry out of the water for a full refit this year, which would usually be undertaken bi-annually. The work that was completed on the ferry gave rise to increased costs of around £270k however as only limited repair work was required on the roads and slipways this year there were cost savings of around £148k to counter these. This, combined with a reduction in the depreciation charged against the ferry of £135k, has enabled the division to report a pre tax profit of £1,244,079 compared to £1,253,439 in the previous year.

This year is the sixth full year of trading for Review Hotels Limited. This year the hotel has continued to increase gross income which now stands at £5,974,381 and represents an increase of 10% or £534,629 compared with the previous year. The hotel has continued property repair works during the year, however despite this the company has recorded a pre tax profit of £163,522. While the company has an excess of liabilities over assets of £851,599 at the balance sheet date the directors believe that the hotel will clear the deficit in the near future and in the meantime they are committed to supporting the company.

Principal risks and uncertainties

The key business risks facing the group are the general economic outlook and consumer confidence and how this might impact on the use of the hotel and ferry. In addition this is also likely to have an impact on the property market in both the value of the properties held and the rental income potential.

Development and performance

Overall the directors consider that the position of the group at the year end was satisfactory. For the future the Hotel is expected to contribute to increased group profits. As part of an overall group strategy, the directors are actively seeking the acquisition of appropriate trading businesses to further enhance profitability.

Key performance indicators

The board monitors progress on overall strategy by reference to a variety of key performance indicators due to the diverse nature of the group's operations.

For the ferry division it is turnover compared with previous years.

For investment properties it is gross rents, rental rates per square metre and occupancy rates.

For the hotel it is room occupancy and gross margin.

On behalf of the board



MPR Kean

Director

28.09.17

FAIRACRES GROUP LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2017

The directors submit their twenty second annual report and audited financial statements of the group for the year ended 31 March 2017.

Principal activities

The company provides management services to its subsidiary companies and identifies and investigates further trading opportunities.

Through its subsidiary companies the group owns, develops and lets commercial and residential properties, trades as an hotelier and operates, under statute, a motor driven chain ferry.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

GR Kean
Mrs SE Seager
MPR Kean

Results and dividends

The results for the year are set out on page 6.

During the year a dividend of £18,200 was paid on the ordinary shares. No dividends were paid on the A ordinary shares during the year.

Directors' Insurance

A directors' indemnity policy exists in the form of a combined insurance policy across the group.

Financial Instruments

Treasury operations and financial instruments

The group operates a treasury function which is responsible for managing the liquidity, interest and credit risks associated with the group's activities. The group's management of this function does not include the use of derivative financial instruments.

Liquidity risk

The group manages its cash and borrowing requirements in order to maximise interest income and minimise interest expense, whilst ensuring the group has sufficient liquid resources to meet the operating needs of the business. Funds are transferred between group companies to assist in managing this risk.

Interest rate risk

The group is exposed to cash flow interest rate risk on floating rate deposits, bank overdrafts and loans. The group does not use interest rate derivatives to manage this risk as the directors do not feel this is necessary in the context of the overall risk management of the business.

Credit risk

All customers who wish to trade on credit terms are subject to credit verification procedures. Trade debtors are monitored on an ongoing basis and provision is made for doubtful debts where necessary.

FAIRACRES GROUP LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2017

Statement of directors' responsibilities

The directors are responsible for preparing the Annual 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 group and company, and of the profit or loss of the group for that period. In preparing these 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;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and 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 group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the auditor of the company and group is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the auditor of the company and group is aware of that information.

On behalf of the board



MPR Kean

Director

26.09.17

FAIRACRES GROUP LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF FAIRACRES GROUP LIMITED

We have audited the financial statements of Fairacres Group Limited for the year ended 31 March 2017 set out on pages 6 to 32. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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

Respective responsibilities of directors and auditor

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 March 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

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

FAIRACRES GROUP LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF FAIRACRES GROUP LIMITED

Matters on which we are required to report by exception

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

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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.

Janis Osborne (Senior Statutory Auditor)
for and on behalf of Rickard Luckin Limited

28.09.2017

Chartered Accountants
Statutory Auditor

Aquila House
Waterloo Lane
Chelmsford
Essex
CM1 1BN

FAIRACRES GROUP LIMITED

GROUP PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2017

		2017	2016
	Notes	£	£
Turnover	3	9,542,313	8,994,307
Cost of sales		(4,650,447)	(4,276,571)
Gross profit		4,891,866	4,717,736
Administrative expenses		(3,452,635)	(3,459,283)
Other operating income		35,451	66,087
Operating profit	4	1,474,682	1,324,540
Interest receivable and similar income	7	31,427	30,884
Interest payable and similar expenses	9	(279,065)	(264,176)
Fair value gains and losses on investment properties		25,000	526,676
Profit before taxation		1,252,044	1,617,904
Taxation	10	(207,766)	(654,403)
Profit for the financial year	25	1,044,278	963,501

The profit and loss account has been prepared on the basis that all operations are continuing operations.

FAIRACRES GROUP LIMITED

GROUP STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2017

	2017 £	2016 £
Profit for the year	1,044,278	963,501
Other comprehensive income		
Tax relating to other comprehensive income	146,516	119,000
Total comprehensive income for the year	1,190,794	1,082,501

Total comprehensive income for the year is all attributable to the owners of the parent company.

FAIRACRES GROUP LIMITED

GROUP BALANCE SHEET

AS AT 31 MARCH 2017

		2017		2016	
	Notes	£	£	£	£
Fixed assets					
Goodwill	12		369,589		469,589
Other intangible assets	12		5,182		-
Total intangible assets			<u>374,771</u>		<u>469,589</u>
Tangible assets	13		30,413,162		30,692,154
Investment properties	14		10,338,000		10,313,000
			<u>41,125,933</u>		<u>41,474,743</u>
Current assets					
Stocks	18	370,819		399,922	
Debtors	17	527,886		584,660	
Cash at bank and in hand		8,630,257		7,836,226	
		<u>9,528,962</u>		<u>8,820,808</u>	
Creditors: amounts falling due within one year	19	<u>(5,899,671)</u>		<u>(6,556,405)</u>	
Net current assets			<u>3,629,291</u>		<u>2,264,403</u>
Total assets less current liabilities			<u>44,755,224</u>		<u>43,739,146</u>
Creditors: amounts falling due after more than one year	20		(9,700,000)		(9,700,000)
Provisions for liabilities			<u>(1,231,484)</u>		<u>(1,388,000)</u>
Net assets			<u>33,823,740</u>		<u>32,651,146</u>
Capital and reserves					
Called up share capital	24		2,095		2,095
Share premium account			805,839		805,839
Other reserves			18,842,015		18,849,743
Motor ferry replacement reserve			1,931,434		1,566,685
Profit and loss reserves			12,097,829		11,282,256
Discount on acquisition			144,528		144,528
Equity attributable to owners of the parent company			<u>33,823,740</u>		<u>32,651,146</u>

The financial statements were approved by the board of directors and authorised for issue on 28.09.17 and are signed on its behalf by:


 MPR Kean
 Director

FAIRACRES GROUP LIMITED

COMPANY BALANCE SHEET

AS AT 31 MARCH 2017

	Notes	2017 £	£	2016 £	£
Fixed assets					
Tangible assets	13		410		818
Investments	15		518,740		518,740
			<u>519,150</u>		<u>519,558</u>
Current assets					
Debtors	17	14,091,231		14,104,867	
Cash at bank and in hand		5,305,872		4,675,937	
		<u>19,397,103</u>		<u>18,780,804</u>	
Creditors: amounts falling due within one year	19	(55,567)		(45,565)	
Net current assets			<u>19,341,536</u>		<u>18,735,239</u>
Total assets less current liabilities			<u>19,860,686</u>		<u>19,254,797</u>
Capital and reserves					
Called up share capital	24	2,095		2,095	
Share premium account	25	805,839		805,839	
Profit and loss reserves		19,052,752		18,446,863	
Total equity			<u>19,860,686</u>		<u>19,254,797</u>

The financial statements were approved by the board of directors and authorised for issue on 28.09.17 and are signed on its behalf by:



MPR Kean
Director

Company Registration No. 03021137

FAIRACRES GROUP LIMITED

GROUP STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2017

	Notes	Share capital £	Share premium account £	Other reserves £	Discount on acquisition £	Motor ferry replacement reserve £	Profit and loss reserves £	Total £
Balance at 1 April 2016		2,095	805,839	18,935,608	144,628	1,067,275	10,583,300	31,568,845
Period ended 31 March 2016:								
Profit for the year		-	-	-	-	-	963,501	963,501
Other comprehensive income:								
Tax relating to other comprehensive income		-	-	119,000	-	-	-	119,000
Total comprehensive income for the year		-	-	119,000	-	-	963,501	1,082,501
Transfers		-	-	(204,866)	-	479,410	(274,545)	-
Balance at 31 March 2016		2,095	805,839	18,849,743	144,628	1,566,685	11,282,256	32,651,146
Period ended 31 March 2017:								
Profit for the year		-	-	-	-	-	1,044,278	1,044,278
Other comprehensive income:								
Tax relating to other comprehensive income		-	-	146,516	-	-	-	146,516
Total comprehensive income for the year		-	-	146,516	-	-	1,044,278	1,190,794
Dividends	11	-	-	-	-	-	(18,200)	(18,200)
Transfers		-	-	(154,244)	-	364,749	(210,505)	-
Balance at 31 March 2017		2,095	805,839	18,842,015	144,628	1,931,434	12,097,829	33,823,740

FAIRACRES GROUP LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2017

	Notes	Share capital £	Share premium account £	Profit and loss reserves £	Total £
Balance at 1 April 2015		2,095	805,839	17,837,251	18,645,185
Year ended 31 March 2016:					
Profit and total comprehensive income for the year		-	-	609,612	609,612
Balance at 31 March 2016		2,095	805,839	18,446,863	19,254,797
Year ended 31 March 2017:					
Profit and total comprehensive income for the year		-	-	624,089	624,089
Dividends	11	-	-	(18,200)	(18,200)
Balance at 31 March 2017		2,095	805,839	19,052,752	19,860,686

FAIRACRES GROUP LIMITED

GROUP STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2017

	Notes	2017 £	£	2016 £	£
Cash flows from operating activities					
Cash generated from operations	32	2,248,439		2,020,179	
Interest paid		(279,065)		(264,176)	
Income taxes (paid)/refunded		(381,564)		67,424	
Net cash inflow from operating activities		1,587,810		1,823,427	
Investing activities					
Purchase of intangible assets		(10,365)		-	
Purchase of tangible fixed assets		(250,532)		(369,417)	
Proceeds on disposal of tangible fixed assets		-		1	
Interest received		31,427		30,864	
Net cash used in investing activities		(229,470)		(338,552)	
Financing activities					
Repayment of borrowings		-		(920,000)	
Dividends paid to equity shareholders		(18,200)		-	
Net cash used in financing activities		(18,200)		(920,000)	
Net increase in cash and cash equivalents		1,340,140		564,875	
Cash and cash equivalents at beginning of year		2,843,769		2,278,894	
Cash and cash equivalents at end of year		4,183,909		2,843,769	
Relating to:					
Cash at bank and in hand		8,630,257		7,836,226	
Bank overdrafts included in creditors payable within one year		(4,446,348)		(4,992,457)	

FAIRACRES GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017

1 Accounting policies

Company information

Fairacres Group Limited ("the company") is a private limited company domiciled and incorporated in England and Wales. The registered office is Fairacres, Stock Lane, Ingatestone, Essex, CM4 9QL.

The group consists of Fairacres Group Limited and all of its subsidiaries.

1.1 Accounting convention

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.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of freehold properties and to include investment properties and certain financial instruments at fair value. The principal accounting policies adopted are set out below.

As permitted by s408 Companies Act 2006, the Company has not presented its own profit and loss account and related notes. The company's profit after taxation for the year was £624,089 (2016: £609,612)

1.2 Basis of consolidation

The consolidated financial statements incorporate those of Fairacres Group Limited and all of its subsidiaries (i.e. entities that the Group controls through its power to govern the financial and operating policies so as to obtain economic benefits). Subsidiaries acquired during the year are consolidated using the purchase method. Their results are incorporated from the date that control passes. All financial statements are made up to 31 March 2017.

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the Group.

The cost of a business combination is the fair value at the acquisition date of the assets given, equity instruments issued and liabilities incurred or assumed, plus costs directly attributable to the business combination. The excess of the cost of a business combination over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recognised as goodwill.

The cost of the combination includes the estimated amount of contingent consideration that is probable and can be measured reliably, and is adjusted for changes in contingent consideration after the acquisition date.

1.3 Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

FAIRACRES GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2017

1 Accounting policies

(Continued)

1.4 Turnover

Credit is taken for rents on a daily basis. Any amounts of rent received in advance are carried forward.

Credit is taken for the toll income on a daily basis. Any amount received in advance is carried forward.

Hotel turnover represents amounts receivable for goods and services net of VAT and trade discounts.

1.5 Intangible fixed assets - goodwill

Acquired goodwill is written off in equal annual instalments over its estimated useful economic life which the directors believe to be 10 years.

1.6 Intangible fixed assets other than goodwill

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Intangible assets acquired on business combinations are recognised separately from goodwill at the acquisition date if the fair value can be measured reliably.

Amortisation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Other intangibles	2 years
-------------------	---------

1.7 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Fixed assets are stated at cost or professional valuation, less depreciation. Depreciation is calculated to write off fixed assets over their estimated useful lives at the following annual rates:

Freehold land and buildings	Nil
Motor ferry	33 years straight line basis
Fixtures, fittings and equipment	5 - 10 years straight line basis
Plant, machinery and motor vehicles	20-25% reducing balance basis and 20% straight line basis

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in the profit and loss account.

The group has adopted the transitional arrangements included within FRS102 and have chosen to "freeze" the valuation of certain land and buildings and the Motor Ferry as at the date of transition; 31st March 2014. No subsequent valuations are therefore included and the valuation at that date becomes the "deemed cost".

FAIRACRES GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2017

1 Accounting policies

(Continued)

1.8 Investment properties

Investment property, which is property held to earn rentals and/or for capital appreciation, is measured using the fair value model and stated at its fair value as the reporting end date. The surplus or deficit on revaluation is recognised in the profit and loss account.

Investment properties are included in the balance sheet at their fair value. Although this accounting policy is in accordance with FRS102, it is a departure from the general requirements of The Companies Act 2006 for all tangible fixed assets to be depreciated. In the opinion of the directors compliance with the standard is necessary for the accounts to give a true and fair view. Depreciation or amortisation is only one of many factors reflected in the annual valuation.

Where fair value cannot be achieved without undue cost or effort, investment property is accounted for as tangible fixed assets.

1.9 Fixed asset investments

A subsidiary is an entity controlled by the group. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities. Subsidiaries are carried in the company's balance sheet at cost less provision for impairment.

1.10 Impairment of fixed assets

At each reporting period end date, the group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The carrying amount of the investments accounted for using the equity method is tested for impairment as a single asset. Any goodwill included in the carrying amount of the investment is not tested separately for impairment.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

FAIRACRES GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2017

1 Accounting policies

(Continued)

1.11 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell.

Stocks held for distribution at no or nominal consideration are measured at cost, adjusted where applicable for any loss of service potential.

Stocks held for the purpose of the ferry re-fit are stated at cost and are not held for sale.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

1.12 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.13 Financial instruments

The group has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the group's balance sheet when the group becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method 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. Financial assets classified as receivable within one year are not amortised.

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

FAIRACRES GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2017

1 Accounting policies

(Continued)

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. 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 profit or loss.

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 profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the group transfers the financial asset and substantially all the risks and rewards of ownership to another entity, 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.

Classification of financial liabilities

Financial liabilities and equity instruments are classified 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 group after deducting all of its liabilities.

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, 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 payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts 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 creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Derecognition of financial liabilities

Financial liabilities are derecognised when the group's contractual obligations expire or are discharged or cancelled.

1.14 Equity Instruments

Equity instruments issued by the group are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the group.

1.15 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

FAIRACRES GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2017

1 Accounting policies

(Continued)

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset if, and only if, there is a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

In accordance with FRS102 deferred tax is provided in respect of historically revalued assets as appropriate.

In the consolidated financial statements current tax on profits for the current period is shown prior to the application of group relief. Group relief is applied where available and each company pays or receives £1 for every £1 of tax saved. This is accounted for at the point of submission of the appropriate returns. Amounts payable or receivable are eliminated on consolidation.

1.16 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.17 Retirement benefits

The Bournemouth-Swanage Motor Road and Ferry Co Inc and Review Hotels Limited operate defined contribution schemes for the benefit of their employees. Contributions payable are charged to the profit and loss account in the year they are payable.

1.18 Motor ferry replacement reserve

An amount is set aside over a period of 33 years (previously 28) from 31 March 1993 to renew the motor ferry by the transfer of an amount to the Motor Ferry Replacement Reserve, where sufficient funds are available. As this is an allocation of profit and loss account reserves it may be necessary, in the future, to utilise part of the provision to fund substantial other items of expenditure.