

# FAIRACRES GROUP LIMITED

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

### 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:

	2017 £	2016 £
Turnover		
Property rental		
Tolls	511,452	497,007
Hotel - services	3,056,480	3,057,547
Hotel - goods	3,663,139	3,391,067
	2,311,242	2,048,686
	<u>9,542,313</u>	<u>8,994,307</u>

### 4 Operating profit

	2017 £	2016 £
Operating profit for the year is stated after charging/(crediting):		
Depreciation of owned tangible fixed assets	529,524	653,138
(Profit)/loss on disposal of tangible fixed assets	-	4,767
Amortisation of intangible assets	105,183	100,000
Cost of stocks recognised as an expense	1,368,792	1,166,604
	<u>1,368,792</u>	<u>1,166,604</u>

The amortisation of intangible assets is included within administration expenses.

### 5 Auditors' remuneration

	2017 £	2016 £
Fees payable to the company's auditor and its associates:		
For audit services		
Audit of the financial statements of the group and company	13,750	14,500
Audit of the company's subsidiaries	29,800	31,475
	<u>43,550</u>	<u>45,975</u>

# FAIRACRES GROUP LIMITED

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

### 6 Employees

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

	2017 Number	2016 Number
Operations	209	191
Administration	40	26
	<u>249</u>	<u>217</u>

Their aggregate remuneration comprised:

	2017 £	2016 £
Wages and salaries	3,482,186	3,301,533
Social security costs	205,663	190,911
Pension costs	61,247	56,933
	<u>3,749,096</u>	<u>3,549,377</u>

### 7 Interest receivable and similar income

	2017 £	2016 £
Interest income		
Interest on bank deposits	31,420	30,413
Other interest income	7	451
Total income	<u>31,427</u>	<u>30,864</u>

Investment income includes the following:

Interest on financial assets not measured at fair value through profit or loss	<u>31,420</u>	<u>30,413</u>
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### 8 Directors' remuneration

	2017 £	2016 £
Remuneration for qualifying services	<u>257,100</u>	<u>309,705</u>

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

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

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

### 9 Interest payable and similar expenses

	2017 £	2016 £
Interest on financial liabilities measured at amortised cost:		
Interest on bank overdrafts and loans	278,857	264,176
Other finance costs:		
Other interest	208	-
Total finance costs	<u>279,065</u>	<u>264,176</u>

### 10 Taxation

	2017 £	2016 £
Current tax		
UK corporation tax on profits for the current period	289,731	313,973
Adjustments in respect of prior periods	(71,965)	(222,570)
Total current tax	<u>217,766</u>	<u>91,403</u>
Deferred tax		
Origination and reversal of timing differences	(53,600)	565,600
Tax losses carried forward	47,600	(47,600)
Other adjustments	(4,000)	45,000
Total deferred tax	<u>(10,000)</u>	<u>563,000</u>
Total tax charge	<u>207,766</u>	<u>654,403</u>

# FAIRACRES GROUP LIMITED

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

### 10 Taxation

(Continued)

The actual charge for the year can be reconciled to the expected charge based on the profit or loss and the standard rate of tax as follows:

	2017 £	2016 £
Profit before taxation	1,252,044	1,617,904
Expected tax charge based on the standard rate of corporation tax in the UK of 20.00% (2016: 20.00%)	250,409	323,581
Tax effect of expenses that are not deductible in determining taxable profit	18,589	17,091
Gains not taxable	(5,000)	(105,335)
Tax effect of utilisation of tax losses	(16,778)	-
Unutilised tax losses carried forward	-	62,507
Change in unrecognised deferred tax assets	26,582	9,197
Adjustments in respect of prior years	(71,965)	(222,570)
Permanent capital allowances in excess of depreciation	(16,936)	(49,335)
Depreciation on assets not qualifying for tax allowances	32,865	59,008
FRS102 transitional adjustments	-	(2,741)
Deferred tax movement	(10,000)	563,000
Tax expense for the year	207,766	654,403

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:

	2017 £	2016 £
Deferred tax arising on: Revaluation of property	(146,516)	(119,000)

### 11 Dividends

	2017 £	2016 £
Interim paid	18,200	-

# FAIRACRES GROUP LIMITED

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

### 12 Intangible fixed assets

Group	Goodwill £	Other Intangibles £	Total £
<b>Cost</b>			
At 1 April 2016	1,000,000	-	1,000,000
Additions - separately acquired	-	10,365	10,365
At 31 March 2017	1,000,000	10,365	1,010,365
<b>Amortisation and impairment</b>			
At 1 April 2016	530,411	-	530,411
Amortisation charged for the year	100,000	5,183	105,183
At 31 March 2017	630,411	5,183	635,594
<b>Carrying amount</b>			
At 31 March 2017	369,589	5,182	374,771
At 31 March 2016	469,589	-	469,589

# FAIRACRES GROUP LIMITED

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

### 13 Tangible fixed assets

Group	Freehold land and buildings	Motor ferry	Fixtures, fittings and machinery and equipment	Plant, machinery and motor vehicles	Total
	£	£	£	£	£
<b>Cost or valuation</b>					
At 1 April 2016	28,866,504	1,900,000	1,845,991	200,297	32,812,792
Additions	203,373	-	47,159	-	250,532
At 31 March 2017	29,069,877	1,900,000	1,893,150	200,297	33,063,324
<b>Depreciation and impairment</b>					
At 1 April 2016	813,771	542,858	604,749	159,280	2,120,638
Depreciation charged in the year	188,545	135,714	181,216	24,049	529,524
At 31 March 2017	1,002,316	678,572	785,965	183,309	2,650,162
<b>Carrying amount</b>					
At 31 March 2017	28,067,561	1,221,428	1,107,185	16,988	30,413,162
At 31 March 2016	28,052,733	1,357,142	1,241,242	41,037	30,692,154
<b>Analysis of cost or valuation at 31 March 2017</b>					
<b>Valuation</b>					
Cost	11,985,937	1,900,000	-	-	13,885,937
	17,083,940	-	1,893,150	200,297	19,177,387
	29,069,877	1,900,000	1,893,150	200,297	33,063,324

### Company

	Fixtures, fittings and equipment
	£
<b>Cost or valuation</b>	
At 1 April 2016 and 31 March 2017	14,226
<b>Depreciation and impairment</b>	
At 1 April 2016	
Depreciation charged in the year	13,408
At 31 March 2017	408
<b>Carrying amount</b>	
At 31 March 2017	13,816
At 31 March 2016	410
	818

# FAIRACRES GROUP LIMITED

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

### 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 £510,466 and book value at 31 March 2017 of £325,941. The motor ferry would be included at a cost of £2,123,690 and a £nil net book value at 31 March 2017.

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 2017 £	2016 £	Company 2017 £	2016 £
Cost				
Accumulated depreciation based on historic cost	2,789,751	2,673,703	-	-
	2,460,927	2,338,850	-	-
Carrying value	<u>328,824</u>	<u>334,853</u>	<u>-</u>	<u>-</u>

### 14 Investment property

	Group 2017 £	Company 2017 £
Fair value		
At 1 April 2016 and 31 March 2017		
Net gains or losses through fair value adjustments	10,313,000	-
	25,000	-
At 31 March 2017	<u>10,338,000</u>	<u>-</u>

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 professional valuation obtained by the directors as at 31 March 2017. The valuation was made on a fair value basis by reference to market evidence of transaction prices for similar properties.

At 31 March 2017 obtained a professional valuation of the commercial properties. This valuation showed a value of £8,660,000. 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 (2016: £3,507,734).

# FAIRACRES GROUP LIMITED

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

### 15 Fixed asset investments

	Notes	Group 2017 £	2016 £	Company 2017 £	2016 £
Investments in subsidiaries	31	-	-	518,740	518,740

### Movements in fixed asset investments Company

	Shares in group undertakings £
Cost or valuation At 1 April 2016 and 31 March 2017	518,740
Carrying amount At 31 March 2017	518,740
At 31 March 2016	518,740

### 16 Financial instruments

	Group 2017 £	2016 £	Company 2017 £	2016 £
Carrying amount of financial assets				
Debt instruments measured at amortised cost	168,535	233,358	14,091,231	14,104,867
Carrying amount of financial liabilities				
Measured at amortised cost	15,243,458	15,713,507	20,887	17,220

### 17 Debtors

	Group 2017 £	2016 £	Company 2017 £	2016 £
Amounts falling due within one year:				
Trade debtors	161,621	226,999	-	-
Amounts due from subsidiary undertakings	-	-	14,091,231	14,104,867
Other debtors	6,914	6,359	-	-
Prepayments and accrued income	359,351	351,302	-	-
	527,886	584,660	14,091,231	14,104,867

# FAIRACRES GROUP LIMITED

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

### 18 Stocks

	Group 2017 £	2016 £	Company 2017 £	2016 £
Raw materials and consumables	220,129	259,946	-	-
Finished goods and goods for resale	150,690	139,976	-	-
	<u>370,819</u>	<u>399,922</u>	<u>-</u>	<u>-</u>

### 19 Creditors: amounts falling due within one year

	Notes	Group 2017 £	2016 £	Company 2017 £	2016 £
Bank loans and overdrafts	21	6,146,348	6,692,457	-	-
Trade creditors		390,862	490,998	3,082	470
Corporation tax payable		149,723	313,521	-	-
Other taxation and social security		206,490	229,377	34,680	28,345
Other creditors		(1,291,825)	(1,418,665)	55	-
Accruals and deferred income		298,073	248,717	17,750	16,750
		<u>5,899,671</u>	<u>6,556,405</u>	<u>55,567</u>	<u>45,565</u>

### 20 Creditors: amounts falling due after more than one year

	Notes	Group 2017 £	2016 £	Company 2017 £	2016 £
Bank loans and overdrafts	21	8,000,000	8,000,000	-	-
Other creditors		1,700,000	1,700,000	-	-
		<u>9,700,000</u>	<u>9,700,000</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 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.

Directors' loans totalling £1,700,000 are secured by a fixed charge over one of the properties held in fixed assets.

# FAIRACRES GROUP LIMITED

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

### 21 Loans and overdrafts

	Group 2017 £	2016 £	Company 2017 £	2016 £
Bank loans	8,000,000	8,000,000	-	-
Bank overdrafts	4,446,348	4,992,457	-	-
Directors' loan accounts	1,700,000	1,700,000	-	-
	<u>14,146,348</u>	<u>14,692,457</u>	<u>-</u>	<u>-</u>
Payable within one year	4,446,348	4,992,457	-	-
Payable after one year	9,700,000	9,700,000	-	-

### 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 2017 £	Liabilities 2016 £
Accelerated capital allowances	531,000	584,600
Tax losses	-	(47,600)
Revaluations	659,484	806,000
Investment property	41,000	45,000
	<u>1,231,484</u>	<u>1,388,000</u>

The company has no deferred tax assets or liabilities.

### Movements in the year:

	Group 2017 £	Company 2017 £
Liability at 1 April 2016	1,388,000	-
Credit to profit or loss	(10,000)	-
Credit to other comprehensive income	(146,516)	-
Liability at 31 March 2017	<u>1,231,484</u>	<u>-</u>

# FAIRACRES GROUP LIMITED

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

### 23 Retirement benefit schemes

Defined contribution schemes	2017 £	2016 £
Charge to profit and loss in respect of defined contribution schemes	61,247	56,933

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	
	2017 £	2016 £
Ordinary share capital issued and fully paid		
3,480 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 2017**

### **25 Reserves**

#### **Other reserves**

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

#### **Equity reserve**

#### **Profit and loss reserve**

Included within the profit and loss reserve is £555,676 of fair value gains on investment properties, less £45,000 of associated deferred tax. This total of £510,676 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 £7,297,008 (2016: £6,947,389) based on a period of 33 years (2016: 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 £364,749 (2016: £479,410).

### **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 (2016: £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 Boumemouth-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 £4,446,348 (2016: £4,992,457).

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 of that company's commercial properties, all group assets and a guarantee from Fairacres Group Limited for £5,000,000.

# FAIRACRES GROUP LIMITED

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

### 27 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 £14,091,231 (2016: £14,104,866) by its subsidiary undertakings.

Included within creditors at the year end is £1,700,000 (2016: £850,000) owed to directors. These amounts are repayable 12 months after a written demand for repayment is issued.

### 28 Capital commitments

Amounts contracted for but not provided in the financial statements:

	Group 2017 £	2016 £	Company 2017 £	2016 £
Acquisition of tangible fixed assets	454,100	82,740	-	-

### 29 Events after the reporting date

Since the balance sheet date a civil claim has been settled in favour of one of the subsidiaries of the group. A total of £753,846 has been received since the balance sheet date in relation to this claim.

### 30 Directors' transactions

During the year dividends paid to directors totalled £18,200 (2016: £Nil).

# FAIRACRES GROUP LIMITED

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

### 31 Subsidiaries

Details of the company's subsidiaries at 31 March 2017 are as follows:

Name of undertaking	Registered office	Nature of business	Class of shares held	% 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	England	Operation of a motor ferry	Ordinary	100.00	

### 32 Cash generated from operations

	2017 £	2016 £
Profit for the year	1,044,278	963,501
Adjustments for:		
Taxation charged	207,766	654,403
Finance costs	279,065	264,176
Investment income	(31,427)	(30,864)
(Gain)/loss on disposal of tangible fixed assets	-	4,767
Fair value gains and losses on foreign exchange contracts and investment properties	(25,000)	(526,676)
Amortisation and impairment of intangible assets	105,183	100,000
Depreciation and impairment of tangible fixed assets	529,524	653,138
Movements in working capital:		
Decrease/(increase) in stocks	29,103	(90,999)
Decrease/(increase) in debtors	56,774	(126,715)
Increase in creditors	53,173	155,448
<b>Cash generated from operations</b>	<b>2,248,439</b>	<b>2,020,179</b>

Company Registration No. 03021137 (England and Wales)

**FAIRACRES GROUP LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2018**

## **FAIRACRES GROUP LIMITED**

### **COMPANY INFORMATION**

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

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## **FAIRACRES GROUP LIMITED**

### **CONTENTS**

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	<b>Page</b>
Strategic report	1
Directors' report	2 - 3
Independent auditor's report	4 - 6
Profit and loss account	7
Statement of comprehensive income	8
Group balance sheet	9
Company balance sheet	10
Group statement of changes in equity	11
Company statement of changes in equity	12
Group statement of cash flows	13
Notes to the financial statements	14 - 32

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# **FAIRACRES GROUP LIMITED**

## **STRATEGIC REPORT**

**FOR THE YEAR ENDED 31 MARCH 2018**

The directors present the strategic report for the year ended 31 March 2018.

### **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 7.

The group's gross rental income increased to £523,735 from the prior year's £511,452. This division has therefore shown slightly improved results over the last couple of years, 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 £11,370,000 and reflects an increase in the year of £1,032,000 following extensive improvement works to one of the properties. The directors consider that the valuation is reasonable and reflective of the current market.

The turnover of the ferry division rose £74,382 this year to £3,130,862. The repair work that was completed on the ferry this year was at a reduced level, with other repair works to the roads and slipways remaining consistent with the previous years. This has enabled the division to report a pre tax profit of £1,483,368 compared to £1,244,072 in the previous year.

This year is the seventh full year of trading for Review Hotels Limited. This year the hotel has continued to increase gross income which now stands at £6,185,599 and represents an increase of 4% or £211,218 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 £444,873. While the company has an excess of liabilities over assets of £523,808 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 trading. 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. In the last few days of the year, a second hotel site was purchased and going forward both hotels are expected to contribute to the profitability of the group. As part of an overall group strategy, the directors continue to seek 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.

In all key performance indicators above there have been varying levels of improvement. The board are pleased with this progress and will continue to monitor these key areas going forward.

On behalf of the board

MPR Kaan  
Director  
10 December 2018

# **FAIRACRES GROUP LIMITED**

## **DIRECTORS' REPORT**

**FOR THE YEAR ENDED 31 MARCH 2018**

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The directors submit their twenty third annual report and audited financial statements of the group for the year ended 31 March 2018.

### **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 Seeger  
MPR Kean

### **Results and dividends**

The results for the year are set out on page 7.

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 2018**

#### **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 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 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 is aware of that information.

On behalf of the board

MPR Kean  
Director  
10 December 2018

# **FAIRACRES GROUP LIMITED**

## **INDEPENDENT AUDITOR'S REPORT**

### **TO THE MEMBERS OF FAIRACRES GROUP LIMITED**

#### **Opinion**

We have audited the financial statements of Fairacres Group Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 March 2018 which comprise the group profit and loss account, the group statement of comprehensive income, the group balance sheet, the company balance sheet, the group statement of changes in equity, the company statement of changes in equity, the group statement of cash flows, the company statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 March 2018 and of the group's 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.

#### **Basis for opinion**

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

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

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

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

#### **Other Information**

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

## **FAIRACRES GROUP LIMITED**

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

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#### **Opinions 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.

#### **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.

#### **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

## **FAIRACRES GROUP LIMITED**

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

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#### **Use of our report**

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

**Michael Breame (Senior Statutory Auditor)  
for and on behalf of Rickard Luckin Limited**

10 December 2018

**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 2018

		2018	2017
	Notes	£	£
Turnover			
Cost of sales	3	9,840,196 (4,498,836)	9,542,313 (4,850,447)
Gross profit		5,341,360	4,691,866
Administrative expenses		(3,875,571)	(3,452,635)
Other operating income		453,478	35,451
Operating profit	4	1,919,267	1,474,682
Interest receivable and similar income	7	31,059	31,427
Interest payable and similar expenses	9	(252,054)	(279,065)
Amounts written off investments		(168,486)	-
Fair value gains and losses on investment properties		-	25,000
Profit before taxation		1,529,786	1,252,044
Taxation	10	(381,511)	(207,766)
Profit for the financial year	26	1,148,275	1,044,278

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 2018**

	2018 £	2017 £
Profit for the year	1,148,275	1,044,278
Other comprehensive income		
Tax relating to other comprehensive income	178,414	146,516
Total comprehensive income for the year	<u>1,326,689</u>	<u>1,190,794</u>

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 2018

		2018		2017	
	Notes	£	£	£	£
<b>Fixed assets</b>					
Goodwill	12				
Other intangible assets	12		569,342		369,589
			-		5,182
<b>Total intangible assets</b>			<u>569,342</u>		<u>374,771</u>
Tangible assets	13		33,949,571		30,413,182
Investment properties	14		11,370,000		10,338,000
			<u>45,888,913</u>		<u>41,125,933</u>
<b>Current assets</b>					
Stocks	18	517,408		370,819	
Debtors	18	1,346,920		527,896	
Cash at bank and in hand		2,717,439		8,630,257	
		<u>4,581,767</u>		<u>9,528,962</u>	
<b>Creditors: amounts falling due within one year</b>	20	(4,554,381)		(5,899,871)	
<b>Net current assets</b>			<u>27,386</u>		<u>3,629,291</u>
<b>Total assets less current liabilities</b>			<u>45,916,299</u>		<u>44,755,224</u>
<b>Creditors: amounts falling due after more than one year</b>	21		(9,700,000)		(9,700,000)
<b>Provisions for liabilities</b>			<u>(1,084,070)</u>		<u>(1,231,484)</u>
<b>Net assets</b>			<u>35,132,229</u>		<u>33,823,740</u>
<b>Capital and reserves</b>					
Called up share capital	25		2,095		2,095
Share premium account			805,839		805,839
Other reserves			18,852,811		18,842,015
Motor ferry replacement reserve			2,491,091		1,931,434
Profit and loss reserves			12,836,065		12,097,829
Discount on acquisition			144,528		144,528
<b>Equity attributable to owners of the parent company</b>			<u>35,132,229</u>		<u>33,823,740</u>

The financial statements were approved by the board of directors and authorised for issue on 10 December 2018 and are signed on its behalf by:

MPR Kean  
Director

# FAIRACRES GROUP LIMITED

## COMPANY BALANCE SHEET

AS AT 31 MARCH 2018

	Notes	2018 £	£	2017 £	£
<b>Fixed assets</b>					
Tangible assets	13		2		410
Investments	15		518,740		518,740
			<u>518,742</u>		<u>519,150</u>
<b>Current assets</b>					
Debtors					
Cash at bank and in hand	19	20,084,446		14,091,231	
		<u>170</u>		<u>5,305,872</u>	
		20,084,616		19,397,103	
<b>Creditors: amounts falling due within one year</b>	20	<u>(238,503)</u>		<u>(55,567)</u>	
<b>Net current assets</b>			<u>19,826,113</u>		<u>19,341,536</u>
<b>Total assets less current liabilities</b>			<u>20,344,855</u>		<u>19,860,686</u>
<b>Capital and reserves</b>					
Called up share capital	25		2,095		2,095
Share premium account	26		805,839		805,839
Profit and loss reserves			<u>19,536,921</u>		<u>19,052,752</u>
<b>Total equity</b>			<u>20,344,855</u>		<u>19,860,686</u>

The financial statements were approved by the board of directors and authorised for issue on 10 December 2018 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 2018

	Share capital	Share premium account	Other reserves	Discount on acquisition	Motor ferry replacement loss reserve	Profit and reserves	Total
Notes	£	£	£	£	£	£	£
Balance at 1 April 2016	2,095	805,839	18,849,743	144,528	1,568,885	11,282,256	32,651,146
Period ended 31 March 2017:							
Profit for the year	-	-	-	-	-	-	-
Other comprehensive income:	-	-	-	-	-	-	-
Tax relating to other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	146,516	-	-	-	146,516
Dividends	-	-	146,516	-	-	-	146,516
Transfers	-	-	-	-	-	-	-
Balance at 31 March 2017	2,095	805,839	18,842,015	144,528	1,831,434	12,097,829	33,823,740
Period ended 31 March 2018:							
Profit for the year	-	-	-	-	-	-	-
Other comprehensive income:	-	-	-	-	-	-	-
Tax relating to other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	178,414	-	-	-	178,414
Dividends	-	-	178,414	-	-	-	178,414
Transfers	-	-	-	-	-	-	-
Transfer historic revaluation reserve	-	-	(154,244)	-	559,667	(405,413)	-
Balance at 31 March 2018	2,095	805,839	18,852,611	144,528	2,491,091	12,836,065	35,132,229

# **FAIRACRES GROUP LIMITED**

## **COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2018**

		Share capital	Share premium account	Profit and loss reserves	Total
	Notes	£	£	£	£
<b>Balance at 1 April 2016</b>		2,095	805,839	18,446,863	19,254,797
<b>Year ended 31 March 2017:</b>					
Profit and total comprehensive income for the year		-	-	624,069	624,069
Dividends	11	-	-	(18,200)	(18,200)
<b>Balance at 31 March 2017</b>		2,095	805,839	19,052,752	19,860,686
<b>Year ended 31 March 2018:</b>					
Profit and total comprehensive income for the year		-	-	502,369	502,369
Dividends	11	-	-	(18,200)	(18,200)
<b>Balance at 31 March 2018</b>		2,095	805,839	19,536,921	20,344,855

# FAIRACRES GROUP LIMITED

## GROUP STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2018

	Notes	2018 £	£	2017 £	£
<b>Cash flows from operating activities</b>					
Cash generated from operations	30	2,517,589		2,248,439	
Interest paid		(252,054)		(279,065)	
Income taxes paid		(266,887)		(381,564)	
<b>Net cash inflow from operating activities</b>		<u>1,998,648</u>		<u>1,587,810</u>	
<b>Investing activities</b>					
Purchase of intangible assets		(300,000)		(10,365)	
Purchase of tangible fixed assets		(4,127,809)		(250,532)	
Purchase of investment property		(1,200,486)		-	
Interest received		31,059		31,427	
<b>Net cash used in investing activities</b>		<u>(5,597,236)</u>		<u>(229,470)</u>	
<b>Financing activities</b>					
Dividends paid to equity shareholders		(18,200)		(18,200)	
<b>Net cash used in financing activities</b>		<u>(18,200)</u>		<u>(18,200)</u>	
<b>Net (decrease)/increase in cash and cash equivalents</b>		<u>(3,618,788)</u>		<u>1,340,140</u>	
Cash and cash equivalents at beginning of year		4,183,909		2,843,769	
<b>Cash and cash equivalents at end of year</b>		<u>565,121</u>		<u>4,183,909</u>	
<b>Relating to:</b>					
Cash at bank and in hand		2,717,439		6,630,257	
Bank overdrafts included in creditors payable within one year		<u>(2,152,318)</u>		<u>(4,446,348)</u>	

# **FAIRACRES GROUP LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018**

### **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, Ingatesstone, 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 £502,369 (2017: £624,089).

#### **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 2018.

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 2018

#### 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 where it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the cost or value of the asset 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 2018**

#### **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 2018**

#### **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 at bank and in hand 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 2018

### 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 2018**

### **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 Revlew 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 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 FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2018

### 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:

	2018 £	2017 £
Turnover		
Property rental		
Tolls	523,735	511,452
Hotel - services	3,130,862	3,056,480
Hotel - goods	3,768,552	3,663,139
	2,417,047	2,311,242
	<u>9,840,196</u>	<u>9,542,313</u>

### 4 Operating profit

	2018 £	2017 £
Operating profit for the year is stated after charging:		
Depreciation of owned tangible fixed assets	591,400	529,524
Amortisation of intangible assets	105,429	105,183
Cost of stocks recognised as an expense	1,308,412	1,368,782
	<u>2,005,241</u>	<u>1,993,489</u>

The amortisation of intangible assets is included within administration expenses.

### 5 Auditor's remuneration

	2018 £	2017 £
Fees payable to the company's auditor and associates:		
For audit services		
Audit of the financial statements of the group and company	14,585	13,750
Audit of the financial statements of the company's subsidiaries	29,990	29,800
	<u>44,575</u>	<u>43,550</u>

# FAIRACRES GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2018

### 6 Employees

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

	Group 2018 Number	2017 Number	Company 2018 Number	2017 Number
Operations	208	209	3	3
Administration	30	40	7	8
	<u>238</u>	<u>249</u>	<u>10</u>	<u>11</u>

Their aggregate remuneration comprised:

	Group 2018 £	2017 £	Company 2018 £	2017 £
Wages and salaries	3,781,772	3,482,186	586,030	386,868
Social security costs	235,917	205,863	69,014	44,189
Pension costs	52,089	61,247	-	-
	<u>4,069,778</u>	<u>3,749,096</u>	<u>655,044</u>	<u>431,057</u>

### 7 Interest receivable and similar income

	2018 £	2017 £
Interest income		
Interest on bank deposits	30,916	31,420
Other interest income	143	7
Total income	<u>31,059</u>	<u>31,427</u>

Investment income includes the following:

Interest on financial assets not measured at fair value through profit or loss	<u>30,916</u>	<u>31,420</u>
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### 8 Directors' remuneration

	2018 £	2017 £
Remuneration for qualifying services	<u>437,788</u>	<u>267,100</u>

# FAIRACRES GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2018

### 8 Directors' remuneration

(Continued)

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

Remuneration for qualifying services	183,000	150,000
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### 9 Interest payable and similar expenses

	2018 £	2017 £
Interest on financial liabilities measured at amortised cost:		
Interest on bank overdrafts and loans	252,036	278,857
Other finance costs:		
Other interest	18	208
Total finance costs	252,054	279,065

### 10 Taxation

	2018 £	2017 £
Current tax		
UK corporation tax on profits for the current period	381,355	289,731
Adjustments in respect of prior periods	(30,844)	(71,965)
Total current tax	350,511	217,766
Deferred tax		
Origination and reversal of timing differences	31,000	(53,600)
Tax losses carried forward	-	47,600
Other adjustments	-	(4,000)
Total deferred tax	31,000	(10,000)
Total tax charge for the year	381,511	207,766

# FAIRACRES GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2018

### 10 Taxation

(Continued)

The actual charge for the year can be reconciled to the expected charge based on the profit or loss and the standard rate of tax as follows:

	2018 £	2017 £
Profit before taxation	1,529,786	1,252,044
Expected tax charge based on the standard rate of corporation tax in the UK of 18.00% (2017: 20.00%)	290,659	250,409
Tax effect of expenses that are not deductible in determining taxable profit	41,740	18,589
Gains not taxable	-	(5,000)
Tax effect of utilisation of tax losses not previously recognised	-	(16,778)
Change in unrecognised deferred tax assets	32,938	26,582
Adjustments in respect of prior years	(30,844)	(71,965)
Effect of change in corporation tax rate	1,032	-
Permanent capital allowances in excess of depreciation	-	(16,936)
Depreciation on assets not qualifying for tax allowances	14,966	32,865
Deferred tax movement	31,000	(10,000)
Taxation charge for the year	381,511	207,766

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:

	2018 £	2017 £
Deferred tax arising on: Revaluation of property	(178,414)	(146,516)

### 11 Dividends

	2018 £	2017 £
Interim paid	18,200	18,200

# FAIRACRES GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2018

### 12 Intangible fixed assets

Group	Goodwill	Other intangibles	Total
	£	£	£
<b>Cost</b>			
At 1 April 2017			
Additions - separately acquired	1,000,000	10,365	1,010,365
	300,000	-	300,000
At 31 March 2018	1,300,000	10,365	1,310,365
<b>Amortisation and impairment</b>			
At 1 April 2017			
Amortisation charged for the year	630,411	5,183	635,594
	100,247	5,182	105,429
At 31 March 2018	730,658	10,365	741,023
<b>Carrying amount</b>			
At 31 March 2018	569,342	-	569,342
At 31 March 2017	369,589	5,182	374,771

# FAIRACRES GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2018

### 13 Tangible fixed assets

Group	Freehold land and buildings	Motor ferry	Fixtures, fittings and equipment	Plant, machinery and motor vehicles	Total
	£	£	£	£	£
<b>Cost or valuation</b>					
At 1 April 2017	29,089,877	1,800,000	1,893,150	200,297	33,083,324
Additions	4,032,576	19,753	40,374	35,106	4,127,809
Disposals	-	-	-	(80,000)	(80,000)
At 31 March 2018	33,102,453	1,919,753	1,933,524	155,403	37,111,133
<b>Depreciation and impairment</b>					
At 1 April 2017	1,002,316	678,572	785,965	183,308	2,650,162
Depreciation charged in the year	239,873	135,911	203,074	12,542	591,400
Eliminated in respect of disposals	-	-	-	(80,000)	(80,000)
At 31 March 2018	1,242,189	814,483	989,039	115,851	3,161,562
<b>Carrying amount</b>					
At 31 March 2018	31,860,264	1,105,270	944,485	39,552	33,949,571
At 31 March 2017	28,052,733	1,357,142	1,241,242	16,988	30,413,102
<b>Analysis of cost or valuation at 31 March 2018</b>					
Valuation	11,985,937	1,900,000	-	-	13,885,937
Cost	21,136,269	-	1,933,524	155,403	23,225,196
	33,122,206	1,900,000	1,933,524	155,403	37,111,133

### Company

Fixtures, fittings and equipment

<b>Cost or valuation</b>	£
At 1 April 2017 and 31 March 2018	14,226
<b>Depreciation and impairment</b>	
At 1 April 2017	13,818
Depreciation charged in the year	408
At 31 March 2018	14,224
<b>Carrying amount</b>	
At 31 March 2018	2
At 31 March 2017	410

# FAIRACRES GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2018

### 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 £511,015 and book value at 31 March 2018 of £302,155. The motor ferry would be included at a cost of £2,123,690 and a £nil net book value at 31 March 2018.

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 2018	2017	Company 2018	2017
	£	£	£	£
Cost	2,745,406	2,789,751	-	-
Accumulated depreciation based on historic cost	2,505,899	2,460,927	-	-
Carrying value	239,507	328,824	-	-

### 14 Investment property

	Group 2018	Company 2018
	£	£
Fair value		
At 1 April 2017 and 31 March 2018	10,338,000	-
Additions through external acquisition	1,200,486	-
Net gains or losses through fair value adjustments	(168,486)	-
At 31 March 2018	11,370,000	-

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 professional valuation obtained by the directors as at 31 March 2017. The directors do not believe the value of the residential investment property has changed materially to 31 March 2018. The valuation was made on a fair value basis by reference to market evidence of transaction prices for similar properties.

At 31 March 2018 the directors completed a valuation of the commercial investment properties. This valuation showed a value of £9,745,000, which is the fair value used 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 £4,708,219 (2017: £3,507,734).

# FAIRACRES GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2018

### 15 Fixed asset investments

	Notes	Group 2018 £	2017 £	Company 2018 £	2017 £
Investments in subsidiaries	16	-	-	518,740	518,740
<b>Movements in fixed asset investments</b>					
<b>Company</b>					<b>Shares in group undertakings</b>
<b>Cost or valuation</b>					<b>£</b>
At 1 April 2017 and 31 March 2018					518,740
<b>Carrying amount</b>					
At 31 March 2018					518,740
At 31 March 2017					518,740

### 16 Subsidiaries

Details of the company's subsidiaries at 31 March 2018 are as follows:

Name of undertaking	Registered office	Nature of business	Class of shares held	% Held	
				Direct	Indirect
Review Hotels Limited	England	Hoteller	Ordinary	100.00	
Silvermist Properties (Chelmsford) Limited	England	Commercial property	Ordinary	100.00	
Silvermist Properties (Residential Developments) Limited	England	Residential Property	Ordinary	100.00	
The Bournemouth-Swanage Motor Road and Ferry Company	England	Operation of a motor ferry	Ordinary	100.00	

### 17 Financial instruments

	Group 2018 £	2017 £	Company 2018 £	2017 £
<b>Carrying amount of financial assets</b>				
Debt instruments measured at amortised cost	317,113	188,535	20,064,446	14,091,231
<b>Carrying amount of financial liabilities</b>				
Measured at amortised cost	11,133,849	15,243,458	9,077	20,887

# FAIRACRES GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2018

### 18 Stocks

	Group 2018 £	2017 £	Company 2018 £	2017 £
Raw materials and consumables	326,296	220,129	-	-
Finished goods and goods for resale	191,112	150,690	-	-
	<u>517,408</u>	<u>370,819</u>	<u>-</u>	<u>-</u>

### 19 Debtors

	Group 2018 £	2017 £	Company 2018 £	2017 £
Amounts falling due within one year:				
Trade debtors	282,334	181,621	-	-
Amounts owed from subsidiary undertakings	-	-	20,064,446	14,091,231
Other debtors	642,680	6,914	-	-
Prepayments and accrued income	421,906	359,351	-	-
	<u>1,346,920</u>	<u>527,886</u>	<u>20,064,446</u>	<u>14,091,231</u>

### 20 Creditors: amounts falling due within one year

	Notes	Group 2018 £	2017 £	Company 2018 £	2017 £
Bank loans and overdrafts	22	2,152,318	4,446,348	184,576	-
Trade creditors		778,870	390,862	9,022	3,082
Corporation tax payable		231,347	149,723	-	-
Other taxation and social security		79,721	206,490	28,100	34,680
Other creditors		654,979	408,175	55	55
Accruals and deferred income		657,148	298,073	18,750	17,750
		<u>4,554,381</u>	<u>5,899,671</u>	<u>238,503</u>	<u>55,567</u>

# FAIRACRES GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2018

### 21 Creditors: amounts falling due after more than one year

	Notes	Group 2018 £	2017 £	Company 2018 £	2017 £
Bank loans and overdrafts	22	8,000,000	8,000,000	-	-
Other creditors		1,700,000	1,700,000	-	-
		<u>9,700,000</u>	<u>9,700,000</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 which has a carrying value of £9,745,000, 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.

Directors' loans totalling £1,700,000 are secured by a fixed charge over one of the properties held in fixed assets.

### 22 Loans and overdrafts

	Group 2018 £	2017 £	Company 2018 £	2017 £
Bank loans	8,000,000	8,000,000	-	-
Bank overdrafts	2,152,318	4,446,348	184,576	-
Directors' loan accounts	1,700,000	1,700,000	-	-
	<u>11,852,318</u>	<u>14,146,348</u>	<u>184,576</u>	<u>-</u>
Payable within one year	2,152,318	4,446,348	184,576	-
Payable after one year	9,700,000	9,700,000	-	-

### 23 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 2018 £	Liabilities 2017 £
Accelerated capital allowances	576,000	531,000
Revaluations	481,070	659,484
Investment property	27,000	41,000
	<u>1,084,070</u>	<u>1,231,484</u>

# FAIRACRES GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2018

### 23 Deferred taxation

(Continued)

The company has no deferred tax assets or liabilities.

	Group 2018 £	Company 2018 £
<b>Movements in the year:</b>		
Liability at 1 April 2017		-
Charge to profit or loss	1,231,484	-
Credit to other comprehensive income	31,000	-
	(178,414)	-
Liability at 31 March 2018	<u>1,084,070</u>	<u>-</u>

### 24 Retirement benefit schemes

	2018 £	2017 £
<b>Defined contribution schemes</b>		
Charge to profit and loss in respect of defined contribution schemes	<u>52,089</u>	<u>61,247</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.

### 25 Share capital

	Group and company 2018 £	2017 £
<b>Ordinary share capital issued and fully paid</b>		
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 2018**

#### **26 Reserves**

##### **Other reserves**

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

##### **Equity reserve**

##### **Profit and loss reserve**

Included within the profit and loss reserve is £565,248 of fair value gains on investment properties, less £27,000 of associated deferred tax. This total of £538,248 is not distributable to the members.

##### **Motor ferry replacement reserve**

In June 2006, 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 £7,646,627 (2017: £7,297,008) based on a period of 33 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 £559,657 (2017: £364,749).

#### **27 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 (2017: £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 Boumemouth-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 £1,967,742 (2017: £4,448,348).

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 of that company's commercial properties, all group assets and a guarantee from Fairacres Group Limited for £5,000,000.

# FAIRACRES GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2018

### 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 £20,064,446 (2017: £14,091,231) by its subsidiary undertakings.

Included within creditors at the year end is £1,700,000 (2017: £1,700,000) owed to directors. These amounts are repayable 12 months after a written demand for repayment is issued.

### 29 Directors' transactions

During the year dividends paid to directors totalled £18,200 (2017: £18,200).

### 30 Cash generated from group operations

	2018 £	2017 £
Profit for the year after tax	1,148,275	1,044,278
Adjustments for:		
Taxation charged	381,511	207,786
Finance costs	252,054	279,065
Investment income	(31,059)	(31,427)
Fair value gains and losses on foreign exchange contracts and investment properties	188,486	(25,000)
Amortisation and impairment of intangible assets	105,429	105,183
Depreciation and impairment of tangible fixed assets	581,400	528,624
Movements in working capital:		
(Increase)/decrease in stocks	(146,589)	29,103
(Increase)/decrease in debtors	(211,133)	58,774
(Decrease)/increase in creditors	(90,785)	53,173
Increase in deferred income	350,000	-
Cash generated from operations	2,517,589	2,248,439

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.

**Company Registration No. 03021137 (England and Wales)**

**FAIRACRES GROUP LIMITED  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2019**

## **FAIRACRES GROUP LIMITED**

### **COMPANY INFORMATION**

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

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# **FAIRACRES GROUP LIMITED**

## **CONTENTS**

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	<b>Page</b>
Strategic report	1
Directors' report	2 - 3
Independent auditor's report	4 - 6
Profit and loss account	7
Statement of comprehensive income	8
Group balance sheet	9
Company balance sheet	10
Group statement of changes in equity	11
Company statement of changes in equity	12
Group statement of cash flows	13
Notes to the financial statements	14 - 33

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# **FAIRACRES GROUP LIMITED**

## **STRATEGIC REPORT**

**FOR THE YEAR ENDED 31 MARCH 2019**

The directors present the strategic report for the year ended 31 March 2019.

### **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 7.

The group's gross rental income increased to £582,522 from the prior year's £523,735. This division has therefore continued to show improved results over the last couple of years. Following extensive improvement works to one of the properties last year, this property is now partly tenanted and the directors are confident of further improvement in this area of the business.

The turnover of the ferry division fell £822,419 this year to £2,508,443. The repair work that was completed on the ferry this year was extensive and involved the ferry being out of the water for an extended period as part of the four yearly cycle of refit works. This combined with some major mechanical challenges and the refusal of the toll application has resulted in the company not being able to grow. The division has reported a pre tax profit of £5,416 compared to £1,483,368 in the previous year.

This year is the eighth full year of trading for Review Hotels Limited. The results for this division now include a full year of trading from a second hotel which was purchased at the end of the previous accounting period. As a result of this acquisition and the continued growth of revenue streams at the existing site, gross income has risen to £7,214,627, from £6,185,589 in the previous year. The hotel has had to undertake significant remedial works in the year which have been partly funded by associated claim income. As a result of this and works across both sites the division has made a loss before tax of £351,859. While the company has an excess of liabilities over assets of £866,862 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. The directors plan to refurbish and extend the new site in the near future.

### **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 trading. 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. The directors are working towards plans to develop some of the properties held within the group. As part of an overall group strategy, the directors continue to seek 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.

In all key performance indicators above there have been varying levels of improvement except in respect of ferry turnover. The board are pleased with this progress with the exception of the ferry turnover which has been the result of unforeseen issues. They will continue to monitor these key areas going forward.

On behalf of the board

MPR Kean  
Director  
18 July 2019

# **FAIRACRES GROUP LIMITED**

## **DIRECTORS' REPORT**

**FOR THE YEAR ENDED 31 MARCH 2019**

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The directors submit their twenty fourth annual report and audited financial statements of the group for the year ended 31 March 2019.

### **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 (Deceased)  
Mrs SE Seeger  
MPR Kean

(Resigned 28 December 2018)

### **Results and dividends**

The results for the year are set out on page 7.

During the year a dividend of £130,000 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 2019**

#### **Disabled persons**

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment within the group continues and that the appropriate training is arranged. It is the policy of the group that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

#### **Employee involvement**

The group's policy is to consult and discuss with employees at meetings, matters likely to affect employees' interests. Information about matters of concern to employees is given through information bulletins and reports which seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the group's performance.

#### **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 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 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 is aware of that information.

On behalf of the board

MPR Kean  
Director  
18 July 2019

## **FAIRACRES GROUP LIMITED**

### **INDEPENDENT AUDITOR'S REPORT**

#### **TO THE MEMBERS OF FAIRACRES GROUP LIMITED**

##### **Opinion**

We have audited the financial statements of Fairacres Group Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 March 2019 which comprise the group profit and loss account, the group statement of comprehensive income, the group balance sheet, the company balance sheet, the group statement of changes in equity, the company statement of changes in equity, the group statement of cash flows, the company statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 March 2019 and of the group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

##### **Basis for opinion**

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

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

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

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

##### **Other Information**

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

## **FAIRACRES GROUP LIMITED**

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

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#### **Opinions 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.

#### **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.

#### **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

## **FAIRACRES GROUP LIMITED**

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

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#### **Use of our report**

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

**Michael Breame (Senior Statutory Auditor)  
for and on behalf of Rickard Luckin Limited**

19 July 2019

**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 2019

		2018	2018
	Notes	£	£
Turnover	3	10,305,592	9,840,196
Cost of sales		(6,305,879)	(4,498,836)
Gross profit		3,999,913	5,341,360
Administrative expenses		(4,862,653)	(3,875,571)
Other operating income		432,264	453,478
Operating (loss)/profit	4	(230,476)	1,919,267
Interest receivable and similar income	6	27,825	31,059
Interest payable and similar expenses	9	(303,896)	(252,054)
Fair value loss on investment property		-	(188,486)
(Loss)/profit before taxation		(508,747)	1,529,786
Taxation	10	177,694	(381,511)
(Loss)/profit for the financial year		(329,053)	1,148,275

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 2019**

	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
<b>(Loss)/profit for the year</b>	<b>(328,063)</b>	<b>1,148,275</b>
<b>Other comprehensive income</b>		
Revaluation of tangible fixed assets	1,514,157	
Tax relating to other comprehensive income	(208,988)	178,414
<b>Other comprehensive income for the year</b>	<b>1,305,159</b>	<b>178,414</b>
<b>Total comprehensive income for the year</b>	<b>976,106</b>	<b>1,326,689</b>

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 2019

		2019		2018	
	Notes	£	£	£	£
<b>Fixed assets</b>					
Goodwill	12		439,260		569,342
Tangible assets	13		33,730,933		33,949,571
Investment properties	14		11,353,189		11,370,000
			<u>45,523,382</u>		<u>45,888,913</u>
<b>Current assets</b>					
Stocks	18	2,090,936		517,408	
Debtors	19	1,116,402		1,346,920	
Cash at bank and in hand		2,912,713		2,717,439	
		<u>6,120,051</u>		<u>4,581,767</u>	
Creditors: amounts falling due within one year	20	(4,619,031)		(4,554,381)	
<b>Net current assets</b>			<u>1,501,020</u>		<u>27,386</u>
<b>Total assets less current liabilities</b>			<u>47,024,402</u>		<u>45,916,299</u>
Creditors: amounts falling due after more than one year	21		(9,800,000)		(9,700,000)
Provisions for liabilities	23		(1,248,068)		(1,084,070)
<b>Net assets</b>			<u>35,978,334</u>		<u>35,132,229</u>
<b>Capital and reserves</b>					
Called up share capital	25		2,095		2,095
Share premium account			805,839		805,839
Other reserves	26		20,071,365		18,852,611
Motor ferry replacement reserve	26		2,565,735		2,491,091
Profit and loss reserves	26		12,388,772		12,836,086
Discount on acquisition			144,528		144,528
<b>Equity attributable to owners of the parent company</b>			<u>35,978,334</u>		<u>35,132,229</u>

The financial statements were approved by the board of directors and authorised for issue on 18 July 2019 and are signed on its behalf by:

MPR Kean  
Director

# FAIRACRES GROUP LIMITED

## COMPANY BALANCE SHEET

AS AT 31 MARCH 2019

	Notes	2019 £	£	2018 £	£
<b>Fixed assets</b>					
Tangible assets	13		-		2
Investments	15		518,740		518,740
			<u>518,740</u>		<u>518,742</u>
<b>Current assets</b>					
Debtors	19	20,056,998		20,064,446	
Cash at bank and in hand		236		170	
		<u>20,057,234</u>		<u>20,064,616</u>	
Creditors: amounts falling due within one year	20	(421,947)		(238,503)	
<b>Net current assets</b>			<u>19,635,287</u>		<u>19,826,113</u>
<b>Total assets less current liabilities</b>			<u>20,154,027</u>		<u>20,344,855</u>
<b>Capital and reserves</b>					
Called up share capital	25		2,085		2,085
Share premium account			805,839		805,839
Profit and loss reserves			<u>19,346,093</u>		<u>19,536,921</u>
<b>Total equity</b>			<u>20,154,027</u>		<u>20,344,855</u>

The financial statements were approved by the board of directors and authorised for issue on 18 July 2019 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 2019

	Share capital	Share premium account	Other reserves	Discount on acquisition	Motor ferry replacement reserve	Profit and reserves	Total
Notes	£	£	£	£	£	£	£
Balance at 1 April 2017	2,095	805,839	18,842,015	144,528	1,991,434	12,097,829	33,823,740
Period ended 31 March 2018:							
Profit for the year	-	-	-	-	-	1,148,275	1,148,275
Other comprehensive income:							
Tax relating to other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	178,414	-	-	-	178,414
Dividends	-	-	178,414	-	-	-	-
Transfers	-	-	-	-	-	-	-
Transfer historic revaluation reserve	-	-	(154,244)	-	559,657	(18,200)	(18,200)
	-	-	(13,574)	-	-	(405,413)	-
Balance at 31 March 2018	2,095	805,839	18,852,611	144,528	2,491,091	12,836,085	35,132,229
Period ended 31 March 2019:							
Loss for the year	-	-	-	-	-	(329,053)	(329,053)
Other comprehensive income:							
Revaluation of tangible fixed assets	-	-	1,514,157	-	-	-	1,514,157
Tax relating to other comprehensive income	-	-	(208,998)	-	-	-	(208,998)
Total comprehensive income for the year	-	-	1,305,159	-	-	(329,053)	976,106
Dividends	-	-	-	-	-	(130,000)	(130,000)
Transfers	-	-	(86,405)	-	74,844	11,761	-
Balance at 31 March 2019	2,095	805,839	20,071,365	144,528	2,565,735	12,388,772	35,978,334

# **FAIRACRES GROUP LIMITED**

## **COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2019**

	Notes	Share capital £	Share premium account £	Profit and loss reserves £	Total £
<b>Balance at 1 April 2017</b>		2,095	805,839	19,052,752	19,860,686
<b>Year ended 31 March 2018:</b>					
Profit and total comprehensive income for the year		-	-	502,369	502,369
Dividends	11	-	-	(18,200)	(18,200)
<b>Balance at 31 March 2018</b>		2,095	805,839	19,536,921	20,344,855
<b>Year ended 31 March 2019:</b>					
Loss and total comprehensive income for the year		-	-	(60,828)	(60,828)
Dividends	11	-	-	(130,000)	(130,000)
<b>Balance at 31 March 2019</b>		2,095	805,839	19,346,093	20,154,027

# FAIRACRES GROUP LIMITED

## GROUP STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2019

	Notes	2019 £	£	2018 £	£
<b>Cash flows from operating activities</b>					
Cash generated from operations	31	507,775		2,517,569	
Interest paid		(303,696)		(252,054)	
Income taxes paid		(186,243)		(268,887)	
<b>Net cash inflow from operating activities</b>		<u>15,636</u>		<u>1,996,648</u>	
<b>Investing activities</b>					
Purchase of intangible assets		-	(300,000)		
Purchase of tangible fixed assets		(343,663)	(4,127,809)		
Purchase of investment property		(58,189)	(1,200,486)		
Interest received		27,825	31,059		
<b>Net cash used in investing activities</b>		<u>(374,447)</u>		<u>(5,597,236)</u>	
<b>Financing activities</b>					
Dividends paid to equity shareholders		(130,000)	(18,200)		
<b>Net cash used in financing activities</b>		<u>(130,000)</u>		<u>(18,200)</u>	
<b>Net decrease in cash and cash equivalents</b>		<u>(488,811)</u>		<u>(3,618,788)</u>	
Cash and cash equivalents at beginning of year		565,121		4,183,809	
<b>Cash and cash equivalents at end of year</b>		<u>76,310</u>		<u>565,121</u>	
<b>Relating to:</b>					
Cash at bank and in hand		2,912,713		2,717,439	
Bank overdrafts included in creditors payable within one year		<u>(2,836,403)</u>		<u>(2,152,318)</u>	

# **FAIRACRES GROUP LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 MARCH 2019**

### **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, Ingatstone, 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 loss after taxation for the year was £80,828 (2018: profit of £502,369).

#### **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 2019.

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 2019

#### 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
Motor ferry	40 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.

##### 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 2019**

#### **1 Accounting policies**

(Continued)

##### **1.9 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.

##### **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.

Properties held in stock for development have been transferred from investment properties at fair value at the date of transfer which now represents deemed cost. Subsequent development costs are carried at cost.

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 at bank and in hand 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.

# FAIRACRES GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2019

### 1 Accounting policies

(Continued)

#### 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 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.

##### *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.

## **FAIRACRES GROUP LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2019**

#### **1 Accounting policies**

**(Continued)**

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.

#### **1.13 Equity instruments**

Equity instruments issued by the group are recorded at the proceeds received, net of transaction 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.

# FAIRACRES GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2019

### 1 Accounting policies

(Continued)

#### *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.

#### 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 being set aside over the period to 31 March 2032 to renew the motor ferry by the transfer of an estimated amount to the Motor Ferry Replacement Reserve, when sufficient funds are available. To ensure the reserve is available for the replacement of the Ferry with sufficient time, the reserve is being built up to the required level 2 years before the anticipated replacement year of 2034. The directors have specifically ring fenced this reserve for the purpose of the ferry replacement.

# FAIRACRES GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

### 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:

	2019 £	2018 £
<b>Turnover</b>		
Property rental		
Tolls	582,522	523,735
Hotel - services	2,508,443	3,130,882
Hotel - goods	4,413,713	3,788,552
	2,800,914	2,417,047
	<u>10,305,592</u>	<u>9,840,196</u>

### 4 Operating (loss)/profit

Operating (loss)/profit for the year is stated after charging:

	2019 £	2018 £
Depreciation of owned tangible fixed assets	526,878	591,400
Amortisation of intangible assets	130,082	105,429
Cost of stocks recognised as an expense	1,638,646	1,309,412
	<u>2,295,586</u>	<u>1,999,941</u>

The amortisation of intangible assets is included within administration expenses.

### 5 Auditor's remuneration

Fees payable to the company's auditor and associates:

	2019 £	2018 £
<b>For audit services</b>		
Audit of the financial statements of the group and company	14,450	14,585
Audit of the financial statements of the company's subsidiaries	33,310	29,990
	<u>47,760</u>	<u>44,575</u>

# FAIRACRES GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

### 6 Interest receivable and similar income

	2019 £	2018 £
Interest income		
Interest on bank deposits	7,228	30,916
Other interest income	20,397	143
Total income	<u>27,625</u>	<u>31,059</u>

Investment income includes the following:

Interest on financial assets not measured at fair value through profit or loss	<u>7,228</u>	<u>30,916</u>
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### 7 Employees

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

	Group 2019 Number	2018 Number	Company 2019 Number	2018 Number
Operations	237	208	3	3
Administration	32	30	7	7
	<u>269</u>	<u>238</u>	<u>10</u>	<u>10</u>

Their aggregate remuneration comprised:

	Group 2019 £	2018 £	Company 2019 £	2018 £
Wages and salaries	4,321,357	3,781,772	423,109	566,030
Social security costs	253,321	235,917	49,819	69,014
Pension costs	47,879	52,089	-	-
	<u>4,622,557</u>	<u>4,069,778</u>	<u>472,728</u>	<u>635,044</u>

### 8 Directors' remuneration

	2019 £	2018 £
Remuneration for qualifying services	<u>312,656</u>	<u>437,788</u>

# FAIRACRES GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2019

### 8 Directors' remuneration

(Continued)

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

Remuneration for qualifying services

132,000	183,000
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### 9 Interest payable and similar expenses

Interest on financial liabilities measured at amortised cost:

Interest on bank overdrafts and loans

Other finance costs:

Other interest

2019 £	2018 £
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283,492	252,036
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20,404	18
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Total finance costs

303,896	252,054
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### 10 Taxation

Current tax

UK corporation tax on profits for the current period

Adjustments in respect of prior periods

Total current tax

Deferred tax

Origination and reversal of timing differences

Total tax (credit)/charge

2019 £	2018 £
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17,177	381,355
(147,871)	(30,844)

(130,694)	350,511
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(47,000)	31,000
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(177,694)	381,511
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