Company Registration No: 03903631

THE RESIDENTIAL ORGANISATION LIMITED

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

MONDAY
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COMPANIES HOUSE

DIRECTORS AND OFFICERS

DIRECTORS

W K Procter
C C McGill
P A Hallam

SECRETARY

D Lau

REGISTERED OFFICE

Berkeley House
304 Regents Park Road
London
N3 2JX

AUDITOR

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

DIRECTORS' REPORT

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

Principal activity

The principal activity of the company during the year was that of property dealing.

Business review

The directors are satisfied with the financial position of the company at the year end. The results for the year are shown in the statement of comprehensive income on page 6.

Properties held for resale

The properties held for resale as stock are included in the financial statements at a cost of £1,043,705 (2017: £1,054,419) as at 31 December 2018.

Results and dividends

The profit for the year amounted to £92,153 (2017: £44,626). The directors do not recommend the payment of a final dividend.

Directors

The following directors have held office during the year and up until the date of signing the financial statements:

W K Procter
C C McGill
P A Hallam (Appointed: 10 July 2019)

Statement of directors' responsibilities

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

a. select suitable accounting policies and then apply them consistently;

b. make judgements and accounting estimates that are reasonable and prudent;

c. prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement as to disclosure of information to auditor

The directors who were in office on the date of approval of these financial statements have confirmed that, as far as they are aware, there is no relevant audit information of which the auditor is unaware. The directors have confirmed that they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

Insurance of Company Officers

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

Auditor

The auditor, RSM UK Audit LLP, Chartered Accountants, has indicated its willingness to continue in office.

This report has been prepared in accordance with the provisions applicable to companies entitled to the small companies exemption. The directors have also taken the available exemption from the requirement to prepare a strategic report.

By order of the Board:

P A Hallam
Director

27 September 2019

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE RESIDENTIAL ORGANISATION LIMITED

Opinion
We have audited the financial statements of Residential Organisation Limited (the 'company') for the year ended 31 December 2018 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of the profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006.

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

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

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

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:

- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception
In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report.

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

- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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; or
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report and in preparing the directors' report.

Responsibilities of directors
As explained more fully in the statement of directors' responsibilities set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

RSM UK LLP

Colin Roberts FCA (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
3rd Floor
One London Square
Cross Lanes
Guildford
Surrey
GU1 1UN

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THE RESIDENTIAL ORGANISATION LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018 £	2017 £
Turnover	2	52,320	11,811
Cost of sales		(10,714)	(3,555)
Gross profit		41,606	8,256
Administrative expenses		(136,260)	(167,383)
Other operating income	3	190,498	206,947
Operating profit		95,844	47,820
Interest payable and similar charges	4	(3,691)	(3,401)
Profit before taxation	5	92,153	44,419
Taxation	7	-	207
Profit after taxation		92,153	44,626
Other comprehensive income		-	-
Total comprehensive income for the year		92,153	44,626

THE RESIDENTIAL ORGANISATION LIMITED (Company Registration Number: 03903631)

STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2018

	Notes	2018 £	2017 £
Current assets			
Stocks	8	1,043,705	1,054,419
Debtors due within one year	9	70,461	65,674
		1,114,166	1,120,093
Creditors: amounts falling due within one year	10	(146,402)	(244,482)
Net assets		967,764	875,611
Capital and reserves			
Called up share capital	11	100,000	100,000
Profit and loss account		867,764	775,611
Total equity		967,764	875,611

The financial statements on pages 6 to 16 were approved by the board of directors and authorised for issue on 27/09/2019 and are signed on its behalf by:

P A Hallam
Director

THE RESIDENTIAL ORGANISATION LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018

	Share capital £	Profit and loss account £	Total £
Balance at 1 January 2017	100,000	730,985	830,985
Profit and total comprehensive income for the year	-	44,626	44,626
Balance at 31 December 2017	100,000	775,611	875,611
Profit and total comprehensive income for the year	-	92,153	92,153
Balance at 31 December 2018	100,000	867,764	967,764

1. Accounting policies

Company information

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

1.1 Basis of accounting

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006, including the provisions of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, and under the historical cost convention.

The financial statements of the Company are consolidated in the financial statements of Fairhold Holdings 2003 Limited. The consolidated financial statements of Fairhold Holdings 2003 Limited are available from Companies House, Crown Way, Cardiff, CF14 3UZ.

1.2 Reduced disclosures

In accordance with FRS 102, the Company has taken advantage of the exemptions from the following disclosure requirements;

- Section 4 'Statement of Financial Position' – Reconciliation of the opening and closing number of shares
- Section 7 'Statement of Cash Flows' – Presentation of a Statement of Cash Flow and related notes and disclosures
- Section 11 'Basic Financial Instruments' & Section 12 'Other Financial Instrument Issues' – Carrying amounts, interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income
- Section 33 'Related Party Disclosures' – Compensation for key management personnel.

1.3 Going concern

The company's principal creditor, Fairhold Holdings (2003) Limited, has agreed not to call its receivable balance to ensure the company can meet its running costs for the foreseeable future, being at least 12 months from the date of signing these financial statements. If necessary, a related party, Fairhold Services Limited has also agreed to provide limited financial support to enable the company to meet day to day running costs incurred in the ordinary course of business for a period of up to 12 months from the date of signing these financial statements.

As a result of the above the directors have assessed the operation of the company and, have determined that the company has, or can expect to have, sufficient working capital for its needs for at least 12 months from the date of approval of these financial statements. In view of this the directors consider it appropriate for the financial statements to be prepared on a going concern basis.

1.4 Functional and presentational currencies

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

1.5 Turnover

Turnover comprises the sale proceeds of trading stocks. Profit on the sale of properties is recognised on agreement of the sale.

Turnover is recognised at the fair value of the consideration received or receivable for the sale of property to external customers in the ordinary nature of the business. Turnover is shown net of value added tax.

1.6 Other operating income

Rental income is recognised in accordance with the terms of the lease and is presented within other operating income.

Other operating income represents lease extension premiums and other ancillary income received on leases held by the company.

1.7 Stocks

Properties acquired with a view to resale are identified as trading stock and stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises the cost of acquisition including directly attributable fees and expenses, excluding finance costs which are written off to the statement of comprehensive income.

At each reporting date, the company assesses whether stocks are impaired or if an impairment loss recognised in prior periods has reversed. Any excess of the carrying amount of stock 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.

1.8 Taxation

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

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

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

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

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

Current tax assets and current tax liabilities and deferred tax assets and deferred tax liabilities are offset, if and only if, there is a legally enforceable right to set off the amounts and the entity intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

1.9 Financial instruments

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

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

Financial assets
Trade debtors

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

Financial liabilities and equity
Creditors

Creditors payable within one year that do not constitute a financing transaction are initially measured at the transaction price and subsequently measured at amortised cost, being the transaction price less any amounts settled.

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

Derecognition of financial assets and liabilities

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

1.10 Critical accounting estimates and areas of judgement

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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

Valuation of stock

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

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

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

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

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

However, the likelihood of the changes coming in to effect and the financial consequences of those changes are too uncertain to enable the directors to reasonably estimate the impact of such changes and it is assumed therefore that the net realisable value of these assets remains higher than their cost.

2. Turnover

	2018	2017
	£	£
Proceeds from sales of trading stock	52,320	11,811

The total turnover of the company for the year has been derived from its principal activity wholly undertaken in the United Kingdom.

3. Other operating income

	2018	2017
	£	£
Rent receivable	99,709	98,652
Other income	90,789	108,295
	190,498	206,947

4. Interest payable and similar charges

	2018	2017
	£	£
Interest on parent company loan	3,691	3,401

5. Profit before taxation

	2018	2017
	£	£
The profit before taxation is stated after charging:		
- Auditor's remuneration	6,350	6,200

6. Employees and directors

There were no employees during the year other than the directors. The directors are remunerated by the related party Fairhold Services Limited and this is recharged to the company as part of the management charge from Estates & Management Limited. This management charge, which in 2018 amounted to £127,844 (2017: £123,954) also includes a recharge of administration costs borne by Fairhold Services Limited on behalf of the company and it is not possible to identify separately the amount relating to the director's remuneration.

7. Taxation

	2018	2017
	£	£
Current tax		
UK corporation tax	-	(207)
Total current tax	-	(207)
Deferred tax:		
Origination and reversal of timing differences	-	-
Total deferred tax	-	-
Total tax on profit	-	(207)

Factors affecting the tax charge for the year.

The tax assessed for the year is lower than the standard rate of corporation tax in the UK 19% (2017: effective rate 19.25%).

The differences are explained below:

	2018	2017
	£	£
Profit before tax	92,153	44,419
Profit multiplied by the standard rate of corporation tax in the UK of 19% (2017: effective rate 19.25%).	17,509	8,551
Effects of:		
Group relief received without charge	(17,509)	(8,551)
Adjustment in respect of prior year	-	(207)
Tax credit	-	(207)

The Company has estimated losses of £214,148 (2017: £214,148) available to carry forward against future trading profits. No deferred tax asset has been recognised in respect of these losses due to uncertainty of recovery.

8. Stocks

	2018	2017
	£	£
Properties held for resale	1,043,705	1,054,419

9. Debtors	**2018**	2017
	£	£
Amounts due within one year:		
Trade debtors	55,618	50,687
Prepayments and accrued income	14,843	14,987
	70,461	65,674

10. Creditors: amounts falling due within one year	**2018**	2017
	£	£
Accruals and deferred income	24,849	25,650
Amount owed to parent undertaking	121,553	218,832
	146,402	244,482

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

11. Share capital and reserves	**2018**	2017
	£	£
Company share capital		
Allotted, issued and fully paid:		
100,000 ordinary shares of £1 each	100,000	100,000

Ordinary share rights
The company's ordinary shares, which carry no right to fixed income, each carry the right to one vote at general meetings of the company.

Reserves

Reserves of the Company represent the following:

Retained earnings
Cumulative profit and loss net of distributions to owners.

12. Guarantees and contingent liabilities

The company has provided an unlimited guarantee in respect of related party borrowings. At 31 December 2018 the total amount outstanding subject to that guarantee was £76,052,283 (2017: £67,105,897). These amounts are included in short term creditors in the borrowing companies. There is no current intention for the amounts to be recalled in one year.

The company as a subsidiary is included in a group registration for VAT purposes and is therefore jointly and severally liable for all other participating group undertakings' unpaid debts in this connection.

13. Ultimate parent company and ultimate controlling party

The company's immediate parent company is Fairhold Holdings (2003) Limited, which is domiciled and incorporated in England. This parent undertaking is the holding company of both the largest and smallest group for which group accounts are prepared and of which the company is a member. Copies of the financial statements are available from Companies House, Crown Way, Cardiff CF14 3UZ.

The directors consider the ultimate parent undertaking to be Euro Investments Overseas Incorporated, a company incorporated in the British Virgin Islands.

The ultimate controlling party is the Tchenguiz Family Trust.

14. Related party transactions

The company has taken advantage of the exemptions provided by Section 33 of FRS 102 'Related Party Disclosures' and has not disclosed transactions entered into between two or more members of a group, provided that any subsidiary undertaking which is party to the transaction is wholly owned by a member of that group.

During the year the company incurred a management charge of £127,844 (2017: £123,954) from a company related party by virtue of common control and common director.