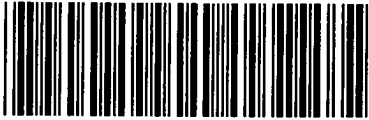


Fairholme Management Limited

Report and Financial Statements

31 August 2014

MONDAY



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COMPANIES HOUSE

Directors

S S Potel

G Potel

O H Hermes

Secretary

G Potel

Registered Office

47 St John's Wood High Street

St John's Wood

London NW8 7NJ

Registered No. 698486

Directors' report

The directors present their report and financial statements for the year ended 31 August 2014.

Principal activities

The company operates as an investment company.

Results

The results for the year ended 31 August are shown on page 6. During the year the company borrowed funds of £5,000,000 from its parent company, Fairholme Estates (Holdings) Limited, and invested in a variety of Goldman Sachs funds in order to earn a return.

Due to the limited activity of the company during the year, there are no other factors which the directors believe require further comment.

Directors

The directors who served the company during the year were as follows:

S S Potel
G Potel
O H Hermes

According to the register maintained as required under the Companies Act 2006, the directors had no interests in the share capital of the company.

S S Potel is a director of Fairholme Estates (Holdings) Limited, the parent undertaking, and has a beneficial interest in 48.2% and a non-beneficial interest as trustee in 8.55% of the issued share capital of that company.

Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the company's auditor, each director have taken all the steps that they are obliged to take as a directors in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Small Companies' Exemptions

In preparing this Directors' report, the directors have taken advantage of the small companies' exemption under section 415(A) of the Companies Act 2006. The directors have also taken the exemption from preparation of a strategic report under section 414(B) of The Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013.

By order of the Board



G Potel
Secretary

11 JUNE 2015

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 company and of the profit and loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquires of fellow directors and the company's auditor, each director has taken all the steps that he is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

Independent auditors' report

to the members of Fairholme Management Limited

We have audited the financial statements of Fairholme Management Limited for the year ended 31 August 2014 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes 1 to 13. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 August 2014 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent auditors' report

to the members of Fairholme Management Limited

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.
- the directors were not entitled prepare the financial statements in accordance with the small companies regime and to take advantage of small companies exemption in not preparing the strategic report.

Ernst & Young LLP

Matthew Williams (Senior statutory auditor)
for and on behalf of Ernst & Young LLP,
London

11 June 2015

Profit and loss account

for the year ended 31 August 2014

	<i>Notes</i>	<i>2014</i> £	<i>2013</i> £
Dividend income		9,897	–
Loss on disposal of investments		(38,097)	–
Provision against investments		(30,578)	–
Fees and commissions		(33,770)	–
Investment return		<u>(92,548)</u>	–
Administrative expenses		<u>(4,500)</u>	–
Loss before taxation	4	(97,047)	–
Tax	6	–	–
Loss after taxation	11	<u>(97,047)</u>	–

All amounts relate to continuing activities.

Statement of total recognised gains and losses

for the year ended 31 August 2014

There are no recognised gains or losses other than the loss attributable to the shareholders of the company of £97,047 in the year ended 31 August 2014 (2013 - £nil).

Balance sheet

at 31 August 2014

	Notes	2014 £	2013 £
Fixed assets			
Investments	7	4,898,553	–
Current assets			
Amount due from parent undertaking	8	650	1,650
Cash	5	200,695	–
		<u>201,345</u>	<u>1,650</u>
Creditors: amounts falling due within one year	9	(5,195,295)	–
		<u>(4,993,950)</u>	<u>1,650</u>
Net current (liabilities)/assets			
		<u>(95,397)</u>	<u>1,650</u>
Capital and reserves			
Called up share capital	10	1,650	1,650
Profit and loss account	11	(97,047)	–
		<u>(95,397)</u>	<u>1,650</u>
Shareholders' (deficit)/funds			
		<u>(95,397)</u>	<u>1,650</u>

These financial statements have been prepared in accordance with the special provisions for small companies under Part 15 of the Companies Act 2006.

Approved by the board

S S Patel
Director

11 JUNE 2015

Notes to the financial statements

at 31 August 2014

1. Accounting policies

Basis of preparation

The financial statements are prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards.

Going concern

The financial statements have been prepared on a going concern basis. The directors consider this to be appropriate on the grounds that the company's ultimate parent undertaking, Fairholme Estates (Holdings) Limited, has committed to provide continuing financial support to the company to allow it to meet its debts as they fall due for a period of at least 12 months from the date of approval of these financial statements. The directors consider Fairholme Estates (Holdings) Limited to have sufficient financial resources to fulfil this obligation should financial support be required.

Statement of cash flows

The company has taken advantage of the exemption to prepare a statement of cash flows under Financial Reporting Standard 1 on the basis that the company is small.

Investments

Investments held as fixed assets are stated at cost less provision for impairment in value.

Dividend income is recognised when the company is legally entitled to the distribution.

Sales of investments are recognised when the sale becomes unconditional. Cost is allocated to units disposed of on a weighted average cost basis.

The carrying values of investment are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

Deferred taxation

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or right to pay less or to receive more, tax, except that deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

2. Staff costs

The average monthly number of employees, including the directors, during the year was made up as follows:

	<i>No.</i>	<i>No.</i>
Administration	<u>3</u>	<u>3</u>

There were no employees, other than the directors, for the current and prior year.

3. Directors' remuneration

The directors' costs in the current and prior year were incurred by a parent undertaking, Fairholme Estates (Holdings) Limited. None of the directors received any remuneration for their services to this company.

Notes to the financial statements

at 31 August 2014

4. Loss before taxation

This is stated after charging:

	2014	2013
	£	£
Auditors' remuneration – audit of financial statements	2,500	–
Auditors' remuneration – taxation services	2,000	–
	<u>2,000</u>	<u>–</u>

5. Cash

	2014	2013
	£	£
Sterling	193,750	–
Other currency	6,945	–
	<u>200,695</u>	<u>–</u>

6. Tax

(a) Tax on loss

The tax charge is made up as follows:

	2014	2013
	£	£
Current tax (note 6(b))	–	–
Deferred tax	–	–
Tax on profit on ordinary activities	<u>–</u>	<u>–</u>

(b) Factors affecting tax profit for the year

The tax assessed for the year differs from the weighted standard rate of corporation tax in the UK of 22.16% (2013 – 23.58%). The differences are explained below:

	2014	2013
	£	£
Loss on ordinary activities before tax	<u>(97,047)</u>	–
Profit on ordinary at 22.16% (2013 – 23.58%).	<u>(21,505)</u>	–
<i>Effects of:</i>		
Non-taxable dividend income	(2,194)	–
Non-deductible impairment provision	6,776	–
Losses surrendered for group relief at nil payment	<u>(16,923)</u>	–
Current tax for the year (note 6(a))	<u>–</u>	<u>–</u>

(c) Factors that may affect future tax charges

The Finance Act 2013 included legislation to reduce the main rate of corporation tax from 23% to 21% from 1 April 2014 and to 20% from 1 April 2015.

Notes to the financial statements

at 31 August 2014

7. Investments

	<i>Investments</i>
	£
At 1 September 2013	–
Additions	5,178,914
Disposals	(248,783)
Impairment provision	(30,578)
At 31 August 2014	<u>4,898,553</u>

The fair value of the investments at the balance sheet date was £5,033,139 (2013: £nil).

In addition, at the balance sheet date, the company had Euro, Yen and US Dollar currency forwards with a fair value liability of £15,285.

A tax liability of £22,431 would have arisen if all the company's investments and currency forwards had been realised at fair value at the balance sheet date.

8. Amount due from parent undertaking

The amount due from the parent undertaking of £650 (2013: £1,650) does not fall due until after more than one year.

9. Creditors: amounts falling due within one year

	<i>2014</i>	<i>2013</i>
	£	£
Amounts due to parent undertaking	5,000,000	–
Accruals	4,500	–
Foreign currency overdraft	190,795	–
	<u>5,195,295</u>	<u>–</u>

The amount due to the parent undertaking of £5,000,000 (2013: £nil) is non interest bearing and repayable on demand.

10. Issued share capital

<i>Allotted, called up and fully paid</i>	<i>2014</i>		<i>2013</i>	
	<i>No.</i>	<i>£</i>	<i>No.</i>	<i>£</i>
Ordinary shares of £1 each	1,650	<u>1,650</u>	1,650	<u>1,650</u>

Notes to the financial statements

at 31 August 2014

11. Reconciliation of shareholders' funds and movements on reserves

	<i>Share capital</i>	<i>Profit and loss account</i>	<i>Share- holders' funds</i>
	£	£	£
At 1 September 2013	1,650	–	1,650
Profit for the year	–	(97,047)	(97,047)
At 31 August 2014	<u>1,650</u>	<u>(97,047)</u>	<u>(95,397)</u>

There were no movements on shareholders' funds for the year ended 31 August 2013.

12. Related party transactions

The company had taken advantage of the exemption in FRS 8 not to disclose related party transactions in respect of its ultimate parent undertaking and wholly owned fellow subsidiaries of Fairholme Estates (Holdings) Limited.

13. Ultimate parent undertaking and controlling party

The ultimate parent undertaking and controlling party is Fairholme Estates (Holdings) Limited and copies of its financial statements may be obtained from 47 St John's Wood High Street, St John's Wood, London, NW8 7NJ.