

Fairview Estates (Housing) Limited

**Annual report and financial statements
for the year ended 31 December 2021**

Registered number: 00769922



Fairview Estates (Housing) Limited

Annual report and financial statements for the year ended 31 December 2021

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Fairview Estates (Housing) Limited

Strategic report

The Company is a wholly owned subsidiary of Fairview New Homes Limited and provides residential planning, construction and management services to other companies within the Fairview Holdings Limited group (the “Group”) and its joint ventures.

Results for 2021

The Company has performed in line with the expectations of shareholders. Turnover for the year was £184.8 million (2020: £181.2 million). The profit before tax was £5.2 million (2020: £3.0 million).

Detailed results are set out in the statement of income and retained earnings on page 11.

Shareholders’ funds were £11.7 million at 31 December 2021 (2020 : £6.8 million).

The Company’s operations are dependent on the activities of the other companies in the Group and its jointly-controlled entities.

Future prospects

The Government’s Help to Buy scheme continues to be an important factor in enabling first-time buyers to access the housing market. The current cliff-edge expiry of the scheme at the end of March 2023 may lead to a period of adjustment as purchasers adopt other financing options. However, the scheme remains fully operational for the current year and the change is not expected to impact on results for 2022.

There remain concerns over the continued supply of construction materials and availability of sufficient skilled sub-contract labour as the economy continues to adjust to post-Brexit trading arrangements and production & distribution remains affected by COVID disruption. It is unclear to what extent trade sanctions imposed in response to Russia’s invasion of Ukraine may over time affect the availability of materials.

The increasing complexity, inconsistency and politicisation of the planning system remains a major obstacle to increasing housing supply, exacerbated by the lack of adequate resource in local planning authorities. This results in delays and additional expense as applications are taken to appeal and will reduce the supply of new homes in future years. However, over 95% of sales completions forecast for the Group forecast for 2022 and 2023 already benefit from the necessary planning approvals.

In early 2022 the Department for Levelling Up, Housing and Communities announced proposals to require residential developers to remediate fire safety defects in any buildings above 11 metres in height that they constructed in the past 30 years and also to fund similar works for any other residential buildings, for which the developer could not be traced or could not be forced to pay. The Group supports the principle that the costs of fire safety remediation should not fall to leaseholders and will continue to work constructively with Government and the wider industry to reach a proportionate solution. It is possible that additional costs may accrue to the Group as further work progresses or as Government legislation or regulations evolve.

Set against these challenges there remains good underlying demand for new homes in the Group’s area of operation supported by the lifting of restrictions to manage COVID-19 and a progressive return to cities and offices.

Principal risks and uncertainties

In addition to the specific risks referred to above, the principal risks and uncertainties affecting the Group are considered to be the impact of changes or uncertainties in the economic or political environment on the demand for and pricing of new homes, including the level of employment, buyer confidence, availability of mortgages and interest rates, availability of bank finance, the impact of new government policies and regulations, the unpredictable nature and time scales associated with the planning system and competition from other developers for land, personnel, subcontractors and in the sales market. The directors monitor these risks through regular assessment of their potential impact on the Group’s performance and adopt policies and procedures considered appropriate to mitigate their effect.

Fairview Estates (Housing) Limited

Strategic report (continued)

Stakeholder engagement

The Company is a wholly owned subsidiary of the Group and in carrying out their duties under s172(1)(a) to (f), the Directors contribute to the Group as a whole in having regard to both the short- and long-term impact of their decisions, the interests of the Group's employees, its sub-contractors, suppliers, consultants and purchasers of new homes developed by the Group, the impact of its activities on the communities in which it operates and the environment. Other key business relationships are with land vendors and their agents, planning authorities, new home warranty providers and building control, housing association purchasers of affordable homes, the Group's bank lenders, taxation authorities and The Fairview Holdings Limited Employee Benefit Trust, the Group's sole shareholder.

The Company contributes to the Group's business model which is based on providing purchasers with value-for-money new homes, built to a good standard, delivered on programme, generally on previously-developed land. The Group aims to optimise the development potential of sites in consultation with planning authorities and local communities; provide a well-ordered and safe working environment for employees and sub-contractors; make prompt payment to all members of its supply chain (except in the case of dispute); operate in compliance with applicable laws and regulations; and conduct its business in an open and direct manner with all stakeholders. From contact with the Group's various stakeholders over many years, these are considered to be the most important factors in our engagement with them.

The principal means of engaging with stakeholders are:

- direct line management and team meetings with employees as well as appraisals;
- regular dialogue between the Company's land acquisition team, land vendors and their agents;
- pre-application meetings with planning authorities and public exhibitions & consultations on new development proposals;
- regular contact with suppliers and sub-contractors, consultants and warranty providers, both at corporate and site level;
- on-site and head office sales teams communicating closely with purchasers and potential purchasers during the course of marketing and progression of sales reservations through to completion, supported by a dedicated post-completion customer service team;
- monthly reporting and regular dialogue with the Group's bank lenders.

The Company's business model has remained unchanged over the course of the year. Individual developments and the Group's operations have continued to be carried out in line with these principles.

Employee engagement

The principal means of employee engagement to which the Company contributes is through the Group's clearly-defined line management structure. As is typical for a business of this size, directors and senior management are closely involved in operational matters providing ample opportunity for engagement with employees at all levels. There is an open-door culture affording all employees the opportunity to raise matters with directors and senior management in addition to their direct line manager. During periods of remote working regular business updates have been issued to all staff. More formally, the Company's board typically meet four times a year and whose meetings are attended by at least two Group Board directors.

Formal policies and procedures applicable to employees are included in a staff handbook and health & safety requirements and responsibilities are advised in a manual that is updated annually.

Decisions to acquire new sites and the optimisation of development proposals are carried out in "round-robin" format with reporting and representation from employees of all departments within the business integral to the development process.

Fairview Estates (Housing) Limited

Strategic report (continued)

Employee engagement (continued)

Employees participate in various incentive schemes designed to align their interests with those of the business more widely.

Approved by the Board and signed on its behalf by:



R K Williams
Director

30 March 2022

Registered office:
50 Lancaster Road,
Enfield,
Middlesex. EN2 0BY

Fairview Estates (Housing) Limited

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2021.

Directors

The directors holding office during the year and, except where noted, to date are set out below.

| | |
|--------------|-----------------------------|
| D J Carroll | |
| R B Davies | (resigned 28 February 2022) |
| S Eastwood | |
| B H Green | (resigned 31 December 2021) |
| C W Hood | |
| M J Jackson | |
| D T Lawlor | |
| O D Leedham | (appointed 2 February 2022) |
| G A Malton | (Chairman) |
| P C Quinn | |
| J A B Reid | |
| T S Sellens | |
| R K Williams | |

Directors' indemnities

The Company had in place during the year qualifying third party indemnity provisions for the benefit of its directors. These remain in force at the date of this report.

Dividends

No dividends were paid during the year (2020: £3.8 million).

Going concern

The directors believe that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts. Further details of the going concern basis are given in note 1b.

Financial risk management objectives and policies

The Company's activities expose it to a number of financial risks including credit risk and liquidity risk.

Credit risk

The Company's principal financial assets are bank balances, cash, trade receivables and amounts owed by group undertakings. Credit risk is limited due to the limited nature of third party receivables and cash balances.

Liquidity risk

In order to maintain liquidity to ensure that sufficient funds are available to provide the services to other group companies the Company utilises intra-group funding provided by its parent, Fairview New Homes Limited.

Fairview Estates (Housing) Limited

Directors' report (continued)

Business outlook

Details of business outlook can be found in the Strategic report on page 1 and form part of this report by cross-reference.

Stakeholder engagement and employee engagement

Details of stakeholder engagement and employee engagement can be found in the Strategic report on page 2 and form part of this report by cross-reference.

Auditor

Each of the persons who are directors at the date of approval of this report confirm that:

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

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Deloitte LLP have indicated their willingness to continue in office as auditor and appropriate arrangements have been put in place for them to be deemed reappointed.

Approved by the Board and signed on its behalf by:



R K Williams
Director

30 March 2022

Registered office:
50 Lancaster Road,
Enfield,
Middlesex
EN2 0BY

Fairview Estates (Housing) Limited

Statement of directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable laws 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), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". 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 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 United Kingdom 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 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.

Fairview Estates (Housing) Limited

Independent auditor's report to the members of Fairview Estates (Housing) Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements Fairview Estates (Housing) Limited (the 'Company'):

- give a true and fair view of the state of the Company's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of the Company which comprise

- the statement of income and retained earnings;
- the balance sheet; and
- the related notes 1 to 18.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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 contained within the annual report. 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.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

Fairview Estates (Housing) Limited

Independent auditor's report to the members of Fairview Estates (Housing) Limited (continued)

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the Company's industry and its control environment, and reviewed the Company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory frameworks that the Company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included the UK Companies Act, Pensions Act 2008 and tax legislation and;
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the Company's ability to operate or to avoid a material penalty. These included environmental regulations, planning and health and safety law.

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

Fairview Estates (Housing) Limited

Independent auditor's report to the members of Fairview Estates (Housing) Limited (continued)

Extent to which the audit was considered capable of detecting irregularities, including fraud (continued)

As a result of performing the above, we identified the greatest potential for fraud in the following areas, and our specific procedures performed to address them are described below:

- Revenue on Group recharges is recognised using an agreed mechanism based on agreed percentage margins, which could be subject to override. We have challenged the mechanism assumptions and recalculated the recharges to ensure they were in accordance with the mechanism.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and external legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance.

Report on other legal and regulatory requirements

Opinion on other matter 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 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.

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic report and the Directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters 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.

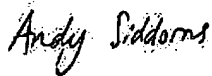
We have nothing to report in respect of these matters.

Fairview Estates (Housing) Limited

Independent auditor's report to the members of Fairview Estates (Housing) Limited (continued)

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.



Andy Siddorns FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom

31st March 2022

Fairview Estates (Housing) Limited

Statement of income and retained earnings Year ended 31 December 2021

| | Note | 2021 £'000 | 2020 £'000 |
|--|-------------|-----------------------|-----------------------|
| Turnover | 3 | 184,792 | 181,194 |
| Cost of sales | | <u>(160,884)</u> | <u>(158,866)</u> |
| Gross profit | | 23,908 | 22,328 |
| Administrative expenses | | <u>(18,695)</u> | <u>(19,318)</u> |
| Operating profit | 5 | 5,213 | 3,010 |
| Finance costs | | <u>-</u> | <u>(2)</u> |
| Profit before taxation | | 5,213 | 3,008 |
| Tax on profit | 7 | <u>(262)</u> | <u>46</u> |
| Profit for the financial year | | 4,951 | 3,054 |
| Retained profits at 1 January | | 6,769 | 7,519 |
| Dividends paid | 8 | <u>-</u> | <u>(3,804)</u> |
| Retained profits at 31 December | | <u><u>11,720</u></u> | <u><u>6,769</u></u> |

All amounts relate to continuing operations and are wholly attributable to the equity shareholders of the Company.

There are no other comprehensive income or expenses in either year other than as stated above. Accordingly no statement of comprehensive income has been presented.

Fairview Estates (Housing) Limited

Balance sheet 31 December 2021

| | Note | 2021 £'000 | 2020 £'000 |
|---|------|---------------|---------------|
| Fixed assets | | | |
| Tangible assets | 9 | 555 | 768 |
| Current assets | | | |
| Stocks | 10 | 2,804 | 5,707 |
| Debtors | 11 | 23,020 | 33,268 |
| Cash at bank and in hand | | 12 | 17 |
| | | 25,836 | 38,992 |
| Creditors: amounts falling due within one year | 12 | (14,664) | (32,984) |
| Net current assets | | 11,172 | 6,008 |
| Total assets less current liabilities | | 11,727 | 6,776 |
| Net assets | | 11,727 | 6,776 |
| Capital and reserves | | | |
| Called up share capital | 14 | 7 | 7 |
| Profit and loss account | 14 | 11,720 | 6,769 |
| Total shareholders' funds | | 11,727 | 6,776 |

The financial statements of Fairview Estates (Housing) Limited (registered number 00769922) were approved by the board of directors and authorised for issue on 30 March 2022. They were signed on its behalf by:



R K Williams
Director

Fairview Estates (Housing) Limited

Notes to the financial statements Year ended 31 December 2021

1. Accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year.

a. General information and basis of accounting

Fairview Estates (Housing) Limited is a private company, limited by shares, incorporated in the United Kingdom under the Companies Act 2006 and is registered in England and Wales. The address of the registered office and the nature of the Company's operations and its principal activities are set out in the strategic report on page 1.

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

The functional currency of Fairview Estates (Housing) Limited is considered to be pounds sterling because that is the currency of the primary economic environment in which the Company operates.

The financial statements present information about the Company as an individual undertaking and not as a group. The Company is exempt from the obligations to prepare and deliver group accounts under section 400 of the Companies Act 2006 as it is a greater than 50% owned subsidiary undertaking of Fairview Holdings Limited and is included in the parent company's consolidated accounts, which are available from 50 Lancaster Road, Enfield, EN2 0BY.

Fairview Estates (Housing) Limited meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it. Exemptions have been taken in relation to financial instruments, presentation of a cash flow statement and remuneration of key management personnel.

b. Going concern basis

The Company's business activities, together with the factors likely to affect its future development, performance and financial position are set out in the Strategic report on page 1. As stated in the Strategic report the principal risks and uncertainties affecting the Company are inextricably linked to those affecting the Group. The Group has significant financial resources and as a consequence the directors believe that the Group is well placed to manage its business risks successfully.

The Group regularly updates its trading and financial projections, which make allowance for anticipated market conditions. In preparing the projections, the Directors have considered the ability of customers to secure mortgage funding and note that the Help to Buy scheme is a significant benefit to potential customers in accessing the market and mortgage finance.

In addressing this scenario the Directors have considerable discretion over the Group's operational commitments and any payment of future corporate bonuses, a limited overhead base and a largely subcontract workforce. This alternative scenario, together with the baseline projections, show that the Group will be able to work within the terms and covenants of its committed borrowing facilities that run through to October 2024.

This alternative scenario, together with the baseline projections, show that the Group will be able to work within the terms and covenants of its committed borrowing facilities that run through to October 2024.

Fairview Estates (Housing) Limited

Notes to the financial statements (continued) Year ended 31 December 2021

1. Accounting policies (continued)

b. Going concern basis (continued)

After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

c. Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

| | |
|---|-----------|
| Improvements to leasehold property | 5 years |
| Fixtures and fittings, computers and site equipment | 3-4 years |
| Motor vehicles | 4 years |

Residual value represents the estimated amount which would currently be obtained from disposal of an asset, after deducting estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

d. Stocks

Stocks are stated at the lower of cost and net realisable value and represents cost incurred providing residential planning, construction and management services to other group companies which had not been recharged as at the end of the reporting period.

e. Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument.

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 Company after deducting all of its liabilities.

(i) Financial assets and liabilities

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a finance transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Debt instruments are subsequently measured at amortised cost using the effective interest method.

(ii) Equity instruments

Equity instruments issued by the Company are recorded at the fair value of cash received.

f. Impairment of assets

Assets are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss as described below.

Non-financial assets

An asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

Where indicators exist for a decrease in impairment loss, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

Fairview Estates (Housing) Limited

Notes to the financial statements (continued) Year ended 31 December 2021

1 Accounting policies (continued)

f. Impairment of assets (continued)

Financial assets

For financial assets carried at amortised cost, the amount of an impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

Where indicators exist for a decrease in impairment loss, and the decrease can be related objectively to an event occurring after the impairment was recognised, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired financial asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

g. Turnover

Turnover represents the value of services invoiced to group companies and third parties excluding value added tax and the fair value of work performed under construction contracts. Turnover is recognised as earned and is derived wholly in the United Kingdom. The Company operates as a single business segment, which is the provision of planning, construction and management services in the United Kingdom, and therefore no segmental analysis is required.

h. Employee benefits

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

i. Leases

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term.

j. Taxation

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

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it can be regarded as 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 using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of the timing difference.

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

Deferred tax assets and liabilities are offset only if: a) the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and b) the deferred tax assets and deferred tax liabilities relate

Fairview Estates (Housing) Limited

Notes to the financial statements (continued) Year ended 31 December 2021

1 Accounting policies (continued)

j. Taxation (continued)

to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

2. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 1, the directors are required to make judgements, estimates and assumptions about the carrying amounts 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 if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgement in applying the Company's accounting policies

The following is the critical judgements that the directors have made in the process of applying the Company's accounting policies and that has the most significant effect on the amounts recognised in the financial statements.

Valuation of stocks

Stocks include work in progress of £2.8 million (2020: £5.7 million) where costs incurred are yet to be recharged to group companies and third parties. This work in progress is reviewed at regular intervals to ensure that the Company is able to record revenue for these amounts in subsequent periods.

Key source of estimation uncertainty

The key assumption concerning the future that has a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year is discussed below.

Recognition of revenue

The Company provides residential planning, construction and management services to other companies within the Group. The directors are required to estimate the costs to be incurred in providing these services and they maintain estimates of anticipated revenues from group companies. The directors are required to employ judgement in estimating the profitability of these services and in assessing any impairment provisions which may be required.

3. Turnover

An analysis of the Company's turnover by class of business is set out below.

| | 2021 £'000 | 2020 £'000 |
|--|----------------|----------------|
| Recharges to fellow subsidiary undertakings | 149,977 | 124,934 |
| Recharges to jointly-controlled entities of the Fairview Group | 34,796 | 56,247 |
| Services rendered to third parties | 19 | 13 |
| | <u>184,792</u> | <u>181,194</u> |

The Company's turnover is wholly realised in the United Kingdom.

Fairview Estates (Housing) Limited

Notes to the financial statements (continued) Year ended 31 December 2021

4. Staff costs and numbers

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

| | 2021 Number | 2020 Number |
|--------------------------------|----------------|----------------|
| Site staff | 76 | 85 |
| Administrative and other staff | 152 | 156 |
| | <u>228</u> | <u>241</u> |

Their aggregate remuneration comprised:

| | 2021 £'000 | 2020 £'000 |
|-----------------------|---------------|---------------|
| Wages and salaries | 16,507 | 16,354 |
| Social security costs | 1,992 | 1,525 |
| Other pension costs | 811 | 868 |
| | <u>19,310</u> | <u>18,747</u> |

Defined contribution retirement benefit schemes

The Company operates defined contribution retirement benefit schemes for all qualifying employees. The total expense charged to profit or loss in the year ended 31 December 2021 was £811,000 (2020: £868,000). Pension contributions not paid at the year end are shown in note 11.

5. Profit before taxation

Profit before taxation is stated after charging/(crediting):

| | Note | 2021 £'000 | 2020 £'000 |
|--|------|---------------|---------------|
| Depreciation of tangible fixed assets | 9 | 404 | 454 |
| Operating lease rentals | | 302 | 306 |
| (Profit)/loss on disposal of tangible fixed assets | | (59) | 5 |
| Fees payable to the Company's auditor for the audit of the Company's annual accounts | | 14 | 12 |
| Fees payable to the Company's auditor for other services: | | | |
| Taxation compliance services | | 66 | 54 |
| Other taxation advisory services | | 44 | 45 |
| | | <u></u> | <u></u> |

Fairview Estates (Housing) Limited

Notes to the financial statements (continued) Year ended 31 December 2021

6. Directors' remuneration and transactions

G A Malton, R K Williams and R B Davies were remunerated by Fairview New Homes Limited, the parent company, and details of their emoluments are disclosed in those accounts. Details of directors' emoluments paid by the Company are as follows:

| | 2021 £'000 | 2020 £'000 |
|---|---------------|---------------|
| Directors' remuneration | | |
| Emoluments | 2,570 | 2,796 |
| Company contributions to money purchase pension schemes | 135 | 130 |
| | <u>2,705</u> | <u>2,926</u> |

| | 2021 Number | 2020 Number |
|--|----------------|----------------|
| The number of directors who: | | |
| Are members of a money purchase pension scheme | <u>9</u> | <u>10</u> |

| | 2021 £'000 | 2020 £'000 |
|---|---------------|---------------|
| Remuneration of the highest paid director: | | |
| Emoluments | 395 | 805 |
| Company contributions to money purchase pension schemes | 18 | 22 |
| | <u>413</u> | <u>827</u> |

Directors' advances, credits and guarantees

There were no transactions with directors during the year.

Fairview Estates (Housing) Limited

Notes to the financial statements (continued) Year ended 31 December 2021

7. Tax on profit

The tax (charge)/credit comprises:

| | 2021 £'000 | 2020 £'000 |
|--|---------------|---------------|
| Current tax on profit | | |
| UK corporation tax at 19% (2020: 19%) | - | - |
| Adjustment in respect of prior years | (350) | - |
| Total current tax | <u>(350)</u> | <u>-</u> |
| Deferred taxation | | |
| Origination and reversal of timing differences | 88 | 46 |
| Total deferred tax | <u>88</u> | <u>46</u> |
| Total tax on profit | <u>(262)</u> | <u>46</u> |

An increase in the rate of UK corporation tax to 25% with effect from 1 April 2023 was substantively enacted in the Finance Act 2021 on 24 May 2021. Existing timing differences may therefore unwind in periods subject to this increased rate.

There is no expiry date on timing differences, unused tax losses or tax credits.

The differences between the total tax credit shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows:

| | 2021 £'000 | 2020 £'000 |
|---|---------------|---------------|
| Profit before taxation | <u>5,213</u> | <u>3,008</u> |
| Tax (charge) on profit at 19% (2020: 19%) | (990) | (572) |
| Effects of: | | |
| Net expenses not deductible for tax purposes | (31) | (30) |
| Depreciation higher than capital allowances | (32) | (52) |
| Notional interest on intra-group balances | (74) | (91) |
| Movement in short term timing differences | 31 | 46 |
| Group relief claimed | 1,184 | 745 |
| Adjustment in respect of prior years | (350) | - |
| Total tax (charge)/credit for the year | <u>(262)</u> | <u>46</u> |

8. Dividends

During the prior year the Company paid dividends of £3,803,520 (2021: £nil).

Fairview Estates (Housing) Limited

Notes to the financial statements (continued) Year ended 31 December 2021

9. Tangible fixed assets

| | Improvements to leasehold property £'000 | Fixtures, fittings, computers and site equipment £'000 | Motor vehicles £'000 | Total £'000 |
|-----------------------|---|---|----------------------------|----------------|
| Cost | | | | |
| At 1 January 2021 | 37 | 1,110 | 1,220 | 2,367 |
| Additions | 12 | 66 | 131 | 209 |
| Disposals | - | (178) | (209) | (387) |
| At 31 December 2021 | 49 | 998 | 1,142 | 2,189 |
| Depreciation | | | | |
| At 1 January 2021 | 5 | 713 | 881 | 1,599 |
| Charge for the year | 10 | 183 | 211 | 404 |
| Disposals | - | (178) | (191) | (369) |
| At 31 December 2021 | 15 | 718 | 901 | 1,634 |
| Net book value | | | | |
| At 31 December 2021 | 34 | 280 | 241 | 555 |
| At 31 December 2020 | 32 | 397 | 339 | 768 |

10. Stocks

| | 2021 £'000 | 2020 £'000 |
|--|---------------|---------------|
| Costs to be recharged to group companies | 2,804 | 5,707 |

11. Debtors

| | 2021 £'000 | 2020 £'000 |
|---|---------------|---------------|
| Amounts falling due within one year: | | |
| Trade debtors | 752 | 1,620 |
| Amounts owed by parent company | 18,756 | 26,657 |
| Amounts owed by Fairview L&Q P R LLP (note 17) | 1,418 | 3,250 |
| Amounts owed by Citystyle Fairview VQ LLP (note 17) | 167 | 120 |
| Other debtors | 1 | 4 |
| Prepayments | 1,220 | 999 |
| Deferred tax asset (note 13) | 706 | 618 |
| | 23,020 | 33,268 |

Amounts owed by parent company are unsecured, interest free and repayable on demand.

Fairview Estates (Housing) Limited

Notes to the financial statements (continued) Year ended 31 December 2021

12. Creditors: amounts falling due within one year

| | 2021 £'000 | 2020 £'000 |
|---|---------------|---------------|
| Bank loans and overdrafts | - | 1 |
| Trade creditors | 1,827 | 5,757 |
| Amounts owed to Fairview L&Q P R LLP (note 17) | 3,808 | 4,800 |
| Amounts owed to Citystyle Fairview VQ LLP (note 17) | 6 | 34 |
| VAT payable | 144 | 3,386 |
| Other taxation and social security | 2,431 | 14,144 |
| Other creditors | 68 | 76 |
| Accruals | 6,150 | 4,559 |
| Defined contribution pension scheme accrual | 230 | 227 |
| | <u>14,664</u> | <u>32,984</u> |

Amounts owed to Fairview L&Q P R LLP and Citystyle Fairview VQ LLP are unsecured, interest free and repayable on demand.

13. Deferred tax assets

Movement in the year:

| | 2021 £'000 | 2020 £'000 |
|-----------------------------|---------------|---------------|
| Asset at 1 January | 618 | 572 |
| Credited to profit and loss | 88 | 46 |
| | <u>706</u> | <u>618</u> |
| Asset at 31 December | | |

The deferred tax provided in the financial statements is as follows:

| | 2021 £'000 | 2020 £'000 |
|--------------------------------|---------------|---------------|
| Decelerated capital allowances | 113 | 82 |
| Other timing differences | 593 | 536 |
| | <u>706</u> | <u>618</u> |

14. Called-up share capital and reserves

| | Number | £'000 |
|---|--------------|----------|
| Allotted, called-up and fully paid: | | |
| At 31 December 2020 and 31 December 2021 – Ordinary shares of £1 each | <u>6,720</u> | <u>7</u> |

The profit and loss reserve represents cumulative profits or losses net of dividends paid and other adjustments.

Fairview Estates (Housing) Limited

Notes to the financial statements (continued)

Year ended 31 December 2021

15. Financial commitments

Total future minimum lease payments under non-cancellable operating leases are as follows:

| | 2021 £'000 | 2020 £'000 |
|----------------------------|---------------|---------------|
| Within one year | 292 | 309 |
| Between one and five years | 1,036 | 970 |
| After more than five years | 141 | 383 |
| | <u>1,469</u> | <u>1,662</u> |

16. Contingent liabilities

The Company has entered into various counter indemnities for performance bonds relating to subsidiary company activities arising in the normal course of business.

At 31 December 2021 the Company had given a guarantee in respect of bank loan facilities totalling £90 million (2020: £90 million) available to the Company and its parent company, Fairview New Homes Limited. There was £nil drawn under bank facilities at 31 December 2021 (2020: £nil).

17. Related party transactions

Amounts charged to Fairview L&Q P R LLP

During the year the Company charged £33,351,046 (2020: £53,090,723) to Fairview L&Q P R LLP for development costs and management services. Fairview New Homes Limited, the parent company, holds 50% of the partner capital and controls 50% of the voting rights of Fairview L&Q P R LLP. Amounts due to Fairview L&Q P R LLP at 31 December 2021 were £3,807,513 (2020: £4,799,857). Amounts due from Fairview L&Q P R LLP at 31 December 2021 were £1,417,703 (2020: £3,250,429).

Amounts charged to Citystyle Fairview VQ LLP

During the year the Company charged £1,445,049 (2020: £2,490,211) to Citystyle Fairview VQ LLP for development costs and management services. Fairview New Homes Limited, the parent company, holds 50% of the partner capital and controls 50% of the voting rights of Citystyle Fairview VQ LLP. Amounts due to Citystyle Fairview VQ LLP at 31 December 2021 were £6,130 (2020: £34,390). Amounts due from Citystyle Fairview VQ LLP at 31 December 2021 were £167,012 (2020: £119,973).

The Company has taken advantage of the exemption granted by paragraph 33.1A of FRS 102 not to disclose related party transactions with wholly owned subsidiaries within the Group.

18. Controlling party

At 31 December 2021 the immediate parent company was Fairview New Homes Limited and the ultimate parent company was Fairview Holdings Limited, both companies are incorporated in the United Kingdom and are registered in England and Wales at 50 Lancaster Road, Enfield, Middlesex EN2 0BY.

The largest and smallest group of undertakings for which group accounts to 31 December 2021 are drawn up and of which the Company is a member is Fairview Holdings Limited. Copies of the group accounts may be obtained from 50 Lancaster Road, Enfield, Middlesex EN2 0BY.