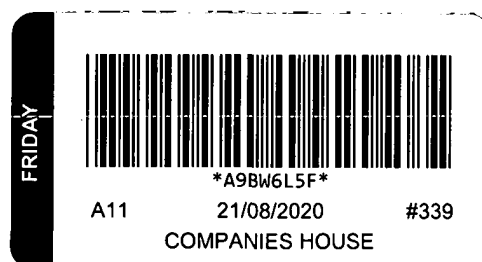


Fairview New Homes Limited

Annual report and financial statements

for the year ended 31 December 2019

Registered number: 04081723



Fairview New Homes Limited

Annual report and financial statements for the year ended 31 December 2019

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Fairview New Homes Limited

Strategic report

Fairview New Homes Limited is a subsidiary of Fairview Holdings Limited and is the intermediate holding company of the Fairview Group (“the Group”).

The Group specialises in the unconditional purchase of brownfield sites and develops a full range of homes from studio apartments to luxury family houses according to location. The Group’s core focus is on the first time buyer and second stepper market in London and the South East of England.

Results for 2019

The Company has performed in line with the expectations of shareholders. Turnover for the year was £5.9 million (2018: £5.6 million) consisting of charges for management services to Group companies. Operating loss for the year was £62.0 million (2018: £6.1 million). The Company received dividends of £43.9 million (2018: £28.0 million). Provisions against investments and loans to subsidiary and joint venture companies increased by £3.4 million (2018: decreased by £3.1 million). The pre-tax loss for the year was £21.6 million (2018: profit of £21.8 million). Detailed results for the Company are set out in the profit and loss account on page 9.

Shareholders’ funds were £244.1 million at 31 December 2019 (2018: £260.5 million).

Future prospects

The Help to Buy scheme remains an important factor in enabling first-time buyers to access the market. Changes to the scheme in 2021 are not expected to make a material difference to market conditions in London, although price caps in other regions will affect demand.

The complexity of the planning system remains a major obstacle to increasing housing supply exacerbated by the lack of adequate resource in local planning authorities. Four developments are currently the subject of planning appeals or local moratoriums on granting consents which will slow the delivery of much needed new homes in future years. However, 99% of sales completions forecast for the next two years already benefit from the necessary planning approvals.

Following the UK’s exit from the EU there remains a concern over the continued availability of sufficient skilled sub-contract labour and the ready supply of construction materials, with over half of those working on our London sites being from other EU countries.

The Covid-19 outbreak is having a significant impact on all aspects of residential development leading to delays in planning, construction and sales. The macroeconomic effects will become more apparent over time. The group has the financial resources, as disclosed in note 1c, to withstand a period of significant disruption, but it will inevitably result in an adverse impact on financial performance in the coming year. However more recently the Government announced that developers can meet with customers, reopen sales offices, and show homes and undertake viewings. Furthermore the group has started to gradually increase construction activity across its sites without encountering disruption of supply for labour and materials.

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 New Homes Limited

Strategic report (continued)

Stakeholder engagement

The Company is a 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.


More formally, the Company's board typically meet twelve times a year and whose directors are also on the Group board.

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.

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

26 May 2020

Registered office:
50 Lancaster Road
Enfield. EN2 0BY

Fairview New Homes Limited

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2019.

Directors

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

M Blakey
D J Cope
R B Davies (appointed 1 April 2019)
N M Dulcken (resigned 17 April 2019)
S J Garrett (appointed 23 October 2019)
G A Malton (Chairman)
D L McCormack (appointed 13 February 2019)
R J Paterson (resigned 31 March 2020)
J A Spring
M R Walker
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 or proposed during the current or preceding year.

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 cash flow risk, credit risk and liquidity risk. The use of financial derivatives is governed by the Company's policies approved by the board of directors. The Company does not use derivative financial instruments for speculative purposes.

Cash flow risk

The Company's activities expose it to the financial risks of changes in interest rates. The Company uses interest rate swap contracts to reduce these exposures.

Credit risk

The Company's principal financial assets are bank balances, cash and amounts owed by group undertakings. Credit risk on bank balances is limited because amounts are held with banks with strong investment grade credit ratings.

Liquidity risk

In order to maintain liquidity to ensure that sufficient funds are available to provide the services to other group companies, as described in the Strategic report, the company uses a revolving credit facility provided by its primary relationship banks.

Fairview New Homes 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.

Events after the balance sheet date

For details regarding Covid-19 refer to note 1b.

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:

- 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

26 May 2020

Registered office:
50 Lancaster Road
Enfield.
EN2 0BY

Fairview New Homes 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 New Homes Limited

Independent auditor's report to the member of Fairview New Homes Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Fairview New Homes Limited (the 'Company'):

- give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of its loss 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 which comprise:

- the profit and loss account;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 17.

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

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in 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.

We have nothing to report in respect of these matters.

Other information

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

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

We have nothing to report in respect of these matters.

Fairview New Homes Limited

Independent auditor's report to the member of Fairview New Homes 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.

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.

Fairview New Homes Limited

Independent auditor's report to the member of Fairview New Homes Limited (continued)

Matters on which we are required to report by exception

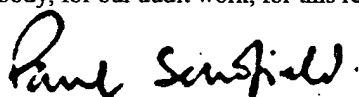
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- 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.

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.



Paul Schofield, FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
Cambridge, United Kingdom
27 May 2020

Fairview New Homes Limited

Profit and loss account Year ended 31 December 2019

	Note	2019 £'000	2018 £'000
Turnover	3	5,912	5,617
Administrative expenses - other		(5,306)	(4,986)
Administrative expenses - corporate bonuses		<u>(59,200)</u>	<u>(6,700)</u>
Administrative expenses - total		<u>(64,506)</u>	<u>(11,686)</u>
Operating loss		<u>(58,594)</u>	<u>(6,069)</u>
Income from shares in subsidiary companies		43,933	27,992
Decrease/(increase) in provision against cost of investments in subsidiary and jointly-controlled entities		113	(128)
(Increase)/decrease in provision against loans to subsidiary and jointly-controlled entities		(3,545)	3,224
Finance costs (net)	6	<u>(3,518)</u>	<u>(3,195)</u>
(Loss)/profit before taxation	7	<u>(21,611)</u>	<u>21,824</u>
Tax on (loss)/profit	8	<u>5,158</u>	<u>(10)</u>
(Loss)/profit for the financial year		<u><u>(16,453)</u></u>	<u><u>21,814</u></u>

All amounts relate to continuing operations and are wholly attributable to the equity holders of the company.

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

Fairview New Homes Limited

Balance sheet 31 December 2019

	Note	2019 £'000	2018 £'000
Fixed assets			
Investments	9	92,468	61,138
Current assets			
Debtors	10	230,806	300,628
Cash at bank and in hand		16,564	12,679
		247,370	313,307
Creditors: amounts falling due within one year	11	(71,760)	(51,588)
Net current assets		175,610	261,719
Total assets less current liabilities		268,078	322,857
Creditors: amounts falling due after more than one year	12	(24,012)	(62,338)
Net assets		244,066	260,519
Capital and reserves			
Called up share capital	13	12,001	12,001
Share premium account	13	750	750
Profit and loss account	13	231,315	247,768
Shareholder's funds		244,066	260,519

The financial statements of Fairview New Homes Limited (registered number 04081723) were approved by the board of directors and authorised for issue on 26 May 2020. They were approved on its behalf by:



R K Williams
Director

Fairview New Homes Limited

Statement of changes in equity 31 December 2019

	Called up share capital £'000	Share premium account £'000	Profit and loss account £'000	Total £'000
At 1 January 2018	12,001	750	225,954	238,705
Profit for the financial year, being total comprehensive income	-	-	21,814	21,814
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2018	12,001	750	247,768	260,519
Loss for the financial year, being total comprehensive expense	-	-	(16,453)	(15,443)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2019	<u>12,001</u>	<u>750</u>	<u>231,315</u>	<u>245,076</u>

Fairview New Homes Limited

Notes to the financial statements Year ended 31 December 2019

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 New Homes 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, modified to include certain items at fair value, and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

The functional currency of Fairview New Homes 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 New Homes 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, intra-group transactions 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 position are set out in the Strategic report. The Directors' report further describes the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments; and its exposure to credit risk and liquidity risk.

The Company meets its day to day working capital requirements through a revolving credit facility which is due for renewal on 1 October 2024.

Before Covid-19 started to impact the group, performance was in line with our expectations for both sales volumes and prices. The impact of Government actions to control the virus led to the phased reduction in activity across our sites and the inability of our customer base to view, reserve and complete home purchases as usual. Whilst sales volumes during the lockdown period have fallen as a result, prices have remained on plan. Our net borrowing position is currently in line with our plan and broadly consistent with the year end.

Recent Government guidelines have allowed our sites and show units/sales offices to re-open and to increase construction capacity on our sites to support our trading assumptions.

The Group regularly updates its trading and financial projections, which make allowance for anticipated market conditions. In preparing the current projections the directors have considered what we believe to be a reasonably likely scenario incorporating the impact of Covid-19 and Government actions to control the virus, which together are having a material impact on all aspects of residential development leading to delays in planning, construction and sales.

The Directors have considerable discretion over the Group's operational commitments, a limited overhead base and a largely subcontract workforce. The Directors have taken action to tighten control over the purchase of new land and commitment of development expenditure. The Directors also have discretion over the payment of future corporate bonuses.

Fairview New Homes Limited

Notes to the financial statements
Year ended 31 December 2019

Fairview New Homes Limited

Notes to the financial statements (continued) **Year ended 31 December 2019**

1. Accounting policies (continued)

b. Going concern basis (continued)

In addition to projections based on the anticipated market conditions described above, the directors have also considered a downside scenario further delaying the timing and limiting the extent of the recovery of build and sales volumes and making allowance for possible reductions in sales prices. In preparing the projections, the Directors have considered the ability of customers to secure mortgage funding and note that the Help to Buy scheme allows our customer base access to the market and mortgage finance.

These, 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.

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. 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) Investments

Investments (including investments in jointly controlled entities) are measured at cost less impairment.

(iii) Equity instruments

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

(iv) Fair value measurement

The best evidence of fair value is a quoted price for an identical asset in an active market. When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If the market is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, the fair value is estimated by using a valuation technique.

Fairview New Homes Limited

Notes to the financial statements (continued) Year ended 31 December 2019

1. Accounting policies (continued)

d. Impairment of assets

Assets, other than those measured at fair value, 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.

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.

e. Turnover

Turnover represents the value of services provided to group companies. 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 management services in the United Kingdom, and therefore no segmental analysis is required.

f. 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.

Fairview New Homes Limited

Notes to the financial statements (continued) Year ended 31 December 2019

1. Accounting policies (continued)

f. Taxation (continued)

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 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 judgement 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.

Carrying value of investments

Investments in subsidiary undertakings are carried at cost less any provision for impairment. The directors are required to determine whether there have been indicators of impairment and to estimate any impairment provision which may be required (see note 9).

Key sources of estimation uncertainty

The directors do not consider there to be any key sources of estimation uncertainty.

3. Turnover

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

	2019 £'000	2018 £'000
Management services fees	5,912	5,617

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

Fairview New Homes Limited

Notes to the financial statements (continued) Year ended 31 December 2019

4. Staff costs and numbers

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

	2019 Number	2018 Number
Administrative and other staff	10	9

Their aggregate remuneration comprised:

	2019 £'000	2018 £'000
Wages and salaries	4,639	4,473
Corporate bonuses (excluding social security costs)	91,032	13,867
Social security costs	13,167	2,497
	<u>108,838</u>	<u>20,837</u>

Corporate bonuses includes bonuses paid on behalf of certain subsidiaries of the Company, which have been excluded from the total presented on the face of the profit and loss account.

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 2019 was £nil (2018: £nil).

5. Directors' remuneration and transactions

	2019 £'000	2018 £'000
Directors' remuneration		
Emoluments	4,468	4,590
Corporate bonuses	91,032	13,867
	<u>95,500</u>	<u>18,457</u>

	2019 £'000	2018 £'000
Remuneration of the highest paid director:		
Emoluments	497	480
Corporate bonuses	26,772	3,412
	<u>27,269</u>	<u>3,892</u>

Fairview New Homes Limited

Notes to the financial statements (continued) Year ended 31 December 2019

6. Finance costs (net)

	2019 £'000	2018 £'000
Interest payable and similar charges		
Interest payable on bank loans and overdrafts	884	1,812
Interest payable to group undertakings	30	32
Amortisation of loan arrangement costs	727	301
Bank commitment fees	821	745
Interest payable to Fairview New Homes (London) Limited	154	94
Interest payable to Fairview New Homes (London) No.2 Limited	26	-
Interest payable to Fairview New Homes (Epping Forest) No.1 Limited	409	-
Interest payable to Fairview New Homes (Epping Forest) No.2 Limited	160	-
Interest payable to jointly controlled entities	408	402
	<u>3,619</u>	<u>3,386</u>
Investment income		
Loan note interest receivable from Fairview New Homes (London) Limited	-	(75)
Bank and other interest receivable	(101)	(55)
	<u>(101)</u>	<u>(130)</u>
Net interest payable	<u>3,518</u>	<u>3,256</u>
Other finance costs		
Fair value gains on interest rate swaps	-	(61)
Finance costs (net)	<u><u>3,518</u></u>	<u><u>3,195</u></u>

7. (Loss)/profit before taxation

(Loss)/profit before taxation is stated after charging/(crediting):

	2019 £'000	2018 £'000
(Decrease)/increase in provision against cost of investments in subsidiary and jointly-controlled entities	(113)	128
Increase/(decrease) in provision against loans to subsidiary and jointly-controlled entities	<u>3,545</u>	<u>(3,224)</u>

Auditor's fees for the audit of the Company's accounts of £5,500 (2018: £5,250) have been borne by another Group company. There were no non-audit fees paid to the Company's auditor during the current or preceding year.

Fairview New Homes Limited

Notes to the financial statements (continued) Year ended 31 December 2019

8. Tax credit/(charge) on (loss)/profit

The tax credit/(charge) comprises:

	2019 £'000	2018 £'000
Current tax on (loss)/profit		
UK corporation tax at 19% (2018: 19%)	-	-
Total current tax	-	-
Deferred taxation		
Increase in estimate of recoverable deferred tax asset	5,158	-
Origination and reversal of timing differences	-	(10)
Total deferred tax	-	(10)
Total tax credit/(charge) on (loss)/profit	5,158	(10)

A reduction in the rate of UK corporation tax to 17% with effect from 1 April 2020 was substantively enacted in the Finance Act 2016 on 15 September 2016. Existing timing differences may therefore unwind in periods subject to this reduced rate.

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

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

	2019 £'000	2018 £'000
(Loss)/profit before taxation	(21,611)	21,824
Tax credit/(charge) on profit at 19% (2018: 19%)	4,106	(4,147)
Effects of:		
(Increase)/decrease in provisions against investments and loans in subsidiary undertakings that are not (deductible)/taxable	(652)	589
Dividend income not taxable	8,347	5,320
Share of partnership profits	(589)	(697)
Notional interest on intra-group balances	(735)	(877)
Group relief surrendered	(4,713)	(198)
Tax losses carried forward	(5,764)	-
Change in recognised deferred tax assets	5,158	-
Total tax credit/(charge) for the year	5,158	(10)

Fairview New Homes Limited

Notes to the financial statements (continued) Year ended 31 December 2019

9. Investments

	2019 £'000	2018 £'000
Subsidiary undertakings	87,339	57,969
Jointly controlled entities	4,960	3,000
Other investments	169	169
Total	92,468	61,138

	Subsidiary undertakings £'000	Jointly controlled entities £'000	Other investments £'000	Total £'000
Cost				
At 1 January 2019	389,675	3,000	169	392,844
Additions	29,257	1,960	-	31,217
At 31 December 2019	418,932	4,960	169	424,061
Provisions for impairment				
At 1 January 2019	331,706	-	-	331,706
Credited to profit and loss	(113)	-	-	(113)
At 31 December 2019	331,593	-	-	331,593
Carrying value				
At 31 December 2019	87,339	4,960	169	92,468
At 31 December 2018	57,969	3,000	169	61,138

The Company holds 100% of the issued share capital and controls 100% of the voting rights of the following active subsidiaries:

Anglia Secure Homes (South East) Limited	Fairview New Homes (Developments) Limited
Bronte Energy Limited	Fairview New Homes (Harrow) Limited
Brycken Limited	Fairview New Homes (Lawn Road) Limited
Cricklewood Developments Limited	Fairview New Homes (Properties) Limited
Fairview Enfield Limited	Fairview New Homes (Puckeridge) Limited
Fairview Estates (Housing) Limited	Fairview New Homes (Queensbury) Limited
Fairview Homes Limited	Fairview New Homes (Watford) Limited
Fairview Land Limited	Fairview New Homes (Willow Way) Limited
Fairview Limited	Fairview Property Trading Limited
Fairview New Homes (Charlton) Limited	Fairview Ventures Limited
Fairview New Homes (Chase Road) Limited	Parkhurst Road Limited
Fairview New Homes (Chequers Way) Limited	Westprize Limited
Fairview New Homes (Colindale) Limited	

The holdings are of Ordinary shares with the exception of Anglia Secure Homes (South East) Limited (Ordinary shares and Deferred shares), Fairview New Homes (Properties) Limited (A shares and B shares), Fairview Ventures Limited (A shares and B shares) and Westprize Limited (A shares and B shares).

Fairview New Homes Limited

Notes to the financial statements (continued) **Year ended 31 December 2019**

9. Investments (continued)

Anglia Secure Homes (South East) Limited holds 100% of the issued share capital and controls 100% of the voting rights of Anglia Secure Homes (Properties) Limited, which holds 100% of the issued share capital and controls 100% of the voting rights of Anglia Secure Homes (Developments) Limited.

Fairview Ventures Limited holds 100% of the issued share capital and controls 100% of the voting rights of the following companies:

Fairview Ventures Crawley No. 1 Limited	Fairview Ventures Crawley No. 4 Limited
Fairview Ventures Crawley No. 2 Limited	Okus Properties Limited
Fairview Ventures Crawley No. 3 Limited	Enfield (JKL) Limited

Okus Properties Limited owns 100% of the issued share capital and controls 100% of the voting rights of Okus Developments Limited.

Fairview New Homes (Puckeridge) Limited holds 100% of the issued share capital and controls 100% of the voting rights of Fairview New Homes (Management Company) Limited.

The Company holds 80% of the issued share capital and controls 80% of the voting rights of Fairview New Homes (London) Limited, Fairview New Homes (London) No.2 Limited, Fairview New Homes (Epping Forest) No.1 Limited and Fairview New Homes (Epping Forest) No.2 Limited.

Fairview New Homes Limited holds 100% of the issued share capital and controls 100% of the voting rights of the following dormant subsidiaries:

Cabot Housing Limited	Fairview New Homes (Hoddesdon) Limited
Crossways Property Limited	Fairview New Homes (Kingsley) Limited
Enfield (MNO) Limited	Fairview New Homes (Northgate) Limited
Fairview New Homes (Beeston) Limited	Fairview New Homes (Westminster Drive) Limited
Fairview New Homes (Hindhead) Limited	Fairview Realty Limited

Where an application has been made to Companies House to strike off a dormant company it has not been included above.

Jointly controlled entities

Fairview New Homes Limited holds 50% of the partner capital and controls 50% of the voting rights of Fairview L&Q P R LLP. Fairview New Homes Limited also holds 50% of the issued share capital and controls 50% of the voting rights of Markhome Limited.

During 2019, Fairview Enfield Limited held 50% of the issued share capital and controlled 50% of the voting rights of Fairview New Homes (South East) Limited. A contract was entered into on 11 December 2019 for Fairview New Homes Limited to acquire the other 50% of the issued share capital of Fairview New Homes (South East) Limited and the contract completed on 6 March 2020. As a result, the Fairview Group now controls 100% of Fairview New Homes (South East) Limited's voting rights.

Other investments

Other investments include a £169,000 (2018: £169,000) investment in HBF Insurance PCC Limited related to the Government's NewBuy mortgage guarantee initiative.

Principal activity and jurisdiction

The principal activity of all subsidiaries and joint ventures is residential development and related activities and they operate in Great Britain. All subsidiaries and joint ventures are registered at the same address as the Company, given on page 1. HBF Insurance PCC Limited is registered in Guernsey at PO Box 155, Mill Court, La Charroterie, St Peter Port, Guernsey, GY1 4ET.

Fairview New Homes Limited

Notes to the financial statements (continued) Year ended 31 December 2019

10. Debtors

	2019 £'000	2018 £'000
Amounts falling due within one year:		
Amounts owed by parent company	4,046	308
Amounts owed by subsidiaries	181,526	270,867
Amounts owed by jointly controlled entities	32,906	25,564
Corporation tax paid on behalf of group undertakings	6,597	2,905
Other debtors	550	959
Prepayments	23	25
Deferred tax asset	5,158	-
	<u>230,806</u>	<u>300,628</u>

Amounts owed by the parent company, amounts owed by subsidiaries and amounts owed by jointly controlled entities are unsecured, interest free and repayable on demand.

11. Creditors: amounts falling due within one year

	2019 £'000	2018 £'000
Amounts owed to subsidiaries	56,465	44,779
Amounts owed to jointly controlled entities (note 15)	13,058	5,907
Other creditors	1	1
Accruals	2,236	901
	<u>71,760</u>	<u>51,588</u>

Amounts owed to parent company and amounts owed to subsidiaries are unsecured, interest free and repayable on demand except for £27,682,338 (2018: £1,289,091) which is unsecured, subject to a variable rate of interest and is repayable on demand.

12. Creditors: amounts falling due after more than one year

	2019 £'000	2018 £'000
Bank loans	<u>24,012</u>	<u>62,338</u>

Borrowings are repayable as follows:

	2019 £'000	2018 £'000
Bank loans		
Between two and five years	<u>25,000</u>	<u>63,000</u>
Total repayable	25,000	63,000
Capitalised facility fees	<u>(988)</u>	<u>(662)</u>
	<u>24,012</u>	<u>62,338</u>

Fairview New Homes Limited

Notes to the financial statements (continued) Year ended 31 December 2019

12. Creditors: amounts falling due after more than one year (continued)

The Company had secured bank loan facilities of £90 million at 31 December 2019 (2018: £130 million) of which £25 million (2018: £63 million) were drawn. Loans under the facility are subject to interest at floating rates linked to LIBOR. The facility expires in October 2024.

The Company has granted a fixed and floating charge on its assets to secure bank borrowings of £25 million (2018: £63 million).

13. Called-up share capital and reserves

	2019 £'000	2018 £'000
Allotted, called-up and fully paid:		
12,000,000 Ordinary Shares of £1 each	12,000	12,000
1,000 B Shares of £1 each	1	1

Fairview Holdings Limited, Bencasco Limited and Geminiri Limited hold 9,000,000 Ordinary Shares, 1,209,000 Ordinary Shares and 1,791,000 Ordinary Shares respectively, representing 75%, 10.075% and 14.925% respectively of the Ordinary Shares of the Company.

Fairview Holdings Limited also holds all of the 1,000 B Shares. The B Shares have no voting rights.

The Company's other reserves are as follows:

The profit and loss reserve represents cumulative profits or losses, including unrealised profit on the re-measurement of derivative financial instruments, net of dividends paid and other adjustments.

The share premium reserve contains the premium arising on issue of equity shares, net of issue expenses.

14. Contingent liabilities

At 31 December 2019 the Company had given a guarantee in respect of bank loan facilities totalling £90 million (2018: £130 million) available to the Company and a subsidiary company, Fairview Estates (Housing) Limited. There was £25 million drawn under bank facilities at 31 December 2019 (2018: £63 million).

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

Fairview New Homes Limited

Notes to the financial statements (continued) **Year ended 31 December 2019**

15. Related party transactions

Fairview New Homes (Epping Forest) No.1 Limited

On 26 April 2019 the Company subscribed £168,000 for 168,000 newly-issued Ordinary Shares in Fairview New Homes (Epping Forest) No.1 Limited representing an 80% stake. On the same date M Blakey and G A Malton each subscribed £20,000 for 20,000 newly-issued shares and R K Williams subscribed £2,000 for 2,000 newly-issued shares. Subsequently, on 16 May 2019, the Company subscribed £13,776,000 for 13,776,000 newly-issued Ordinary Shares in Fairview New Homes (Epping Forest) No.1 Limited representing an 80% stake. On the same date M Blakey and G A Malton each subscribed £1,640,000 for 1,640,000 newly-issued shares and R K Williams subscribed £164,000 for 164,000 newly-issued shares.

Fairview New Homes (Epping Forest) No.2 Limited

On 26 April 2019 the Company subscribed £672,000 for 672,000 newly-issued Ordinary Shares in Fairview New Homes (Epping Forest) No.2 Limited representing an 80% stake. On the same date M Blakey and G A Malton each subscribed £80,000 for 80,000 newly-issued shares and R K Williams subscribed £8,000 for 8,000 newly-issued shares. Subsequently, on 16 May 2019, the Company subscribed £14,616,000 for 14,616,000 newly-issued Ordinary Shares in Fairview New Homes (Epping Forest) No.2 Limited representing an 80% stake. On the same date M Blakey and G A Malton each subscribed £1,740,000 for 1,740,000 newly-issued shares and R K Williams subscribed £174,000 for 174,000 newly-issued shares.

Funding of Fairview L&Q P R LLP

During the year the Company advanced a partner loan of £31,109,397 (2018: £21,220,722) to Fairview L&Q P R LLP of which £23,766,465 was repaid during the year (2018: £20,259,997). The loan outstanding at 31 December 2019 was £32,902,388 (2018: £25,559,456).

Loan from Fairview New Homes (South East) Limited

At 31 December 2019 the Company had received an unsecured loan of £13,057,768 (2018: £5,907,116) from Fairview New Homes (South East) Limited. The loan is repayable on demand and is subject to a market rate of interest.

Funding of Citystyle Fairview VQ LLP

During the year the Company contributed partner capital of £1,959,934 (2018: £nil) to Citystyle Fairview VQ LLP.

Other related party transactions

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.

16. Controlling party

At 31 December 2019 the immediate and ultimate parent company was Fairview Holdings Limited, a company incorporated in the United Kingdom and 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 2019 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.

17. Events after the balance sheet date

A contract was entered into on 11 December 2019 for Fairview New Homes Limited to acquire the issued B share capital of Fairview New Homes (South East) Limited and the contract completed on 6 March 2020. As a result, the Fairview Group now controls 100% of Fairview New Homes (South East) Limited's voting rights. The directors have considered the impact of Covid-19 (see note 1b).