

Company Registration No: 05086036

**FAIRHOLD HOMES (NO.20) LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**



FAIRHOLD HOMES (NO.20) LIMITED

DIRECTORS AND OFFICERS

DIRECTORS

W K Procter
C C McGill
P A Hallam
M D Watson

SECRETARY

D T Lau

REGISTERED OFFICE

Berkeley House
304 Regents Park Road
London
N3 2JX

AUDITOR

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

FAIRHOLD HOMES (NO.20) LIMITED

DIRECTORS' REPORT

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

Principal activities

The principal activity of the company during the year was property investment.

Results and dividends

The statement of comprehensive income is set out on page 8 and shows the results for the year. The company's profit for the year amounted to £1,656,322 (2020: £10,128,287). The directors did not recommend the payment of a dividend for the current year and no dividend was paid in the prior year.

Business review and future developments

The directors are satisfied with the financial position of the company at the year end.

The directors do not expect there to be significant future developments which could adversely impact the business however notice should be taken of the potential legislative changes disclosed in the critical accounting estimates and assumptions section of note 1.9.

Investment properties

The investment properties have been valued by the directors at £97,000,000 (2020: £88,818,000). The resultant fair value gain in the year amounted to £8,182,000 (2020: £13,668,000). Details of the investment properties are set out in note 8.

Public pledge for leaseholders

In June 2019 a number of residential real estate developers and freeholders, of which the company was a party, signed a government-backed public pledge in relation to leaseholders. This pledge is a crucial step towards positive change in the residential leasehold market and reflects our commitment to promoting good practice. The company's appointed agent, Estates & Management Limited, a company related by virtue of common control and directors, also signed this pledge.

The pledge sets out a number of principles which will assist existing and future leaseholders in ensuring the leasehold system is as fair and transparent as possible. It also includes undertakings to work with other freeholders and stakeholders to develop a comprehensive Code of Practice which establishes the responsibilities of freeholders and enshrines the highest standards for the management and maintenance of properties.

Directors

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

W K Procter
C C McGill
P A Hallam
M D Watson (Appointed 22 February 2021)

FAIRHOLD HOMES (NO.20) LIMITED

DIRECTORS' REPORT (continued)

Statement of directors' responsibilities

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

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

In preparing those financial statements, the directors are required to:

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

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

Statement as to disclosure of information to auditor

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

Insurance of company officers

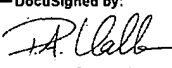
The company has maintained insurance throughout the year for its directors and officers against the consequences of actions which may be brought against them in relation to their duties for the company.

Auditor

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

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

On behalf of the Board:

DocuSigned by:

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P A Hallam
Director

Date: 30 November 2022

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FAIRHOLD HOMES (NO.20) LIMITED

Opinion

We have audited the financial statements of Fairhold Homes (No.20) Limited (the 'Company') for the year ended 31 December 2021 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Emphasis of matter – Valuation of investment properties

We draw attention to the disclosures made in the accounting policies on page 13 and in notes 8 and 18 to the financial statements concerning the carrying values of the company's investment properties which are valued on an actuarial basis. The investment properties totalling £97.0m (2020: £88.8m) included in the financial statements at 31 December 2021 were valued by the directors, having regard to a 31 December 2017 interim valuation prepared by the actuaries, further analysis carried out by an independent firm of consultants as part of the review of investment properties as at 31 December 2021 and taking account of the outcome of action taken by the Competition and Markets Authority and legislation substantively enacted at 31 December 2021. As indicated in the notes, considerable volatility exists in these valuations. This is demonstrated by the increase in valuation of £8.2m in the current year when compared to the directors' valuation at 31 December 2020, which in turn had increased by £13.7m when compared to the directors' valuation at 31 December 2019, and as set out in note 8 where the impact of changes in the underlying assumptions are detailed. Additionally, as noted in the accounting policies, the directors also recognise, given the lack of a regular market for significant portfolios of such assets, that their carrying values would not be realised should the company seek to dispose of any or all of the investment properties. Our opinion is not modified in respect of this matter.

Emphasis of matter – contingent liabilities

We also draw attention to the disclosures in note 15, Contingent Liabilities, which details matters that could create additional liabilities in the future as a consequence of the Building Safety Act 2022. The ultimate outcome of these matters cannot presently be determined, and no provision for any liability that may result has been made in the financial statements. Our opinion is not modified in respect of this matter.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FAIRHOLD HOMES (NO.20) LIMITED (continued)

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.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report.

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

- adequate accounting records have not been kept, 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; or
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report or in preparing the directors' report.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FAIRHOLD HOMES (NO.20) LIMITED (continued)

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the audit engagement team:

- obtained an understanding of the nature of the industry and sector, including the legal and regulatory frameworks that the company operates in and how the company is complying with the legal and regulatory frameworks;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

As a result of these procedures we consider the most significant laws and regulations that have a direct impact on the financial statements are FRS 102, the Companies Act 2006, tax compliance regulations and property laws and regulations. We performed audit procedures to detect non-compliances which may have a material impact on the financial statements which included reviewing financial statement disclosures, evaluating advice received from tax advisors, reviewing client information with respect to ongoing legal matters and reviewing and monitoring government releases regarding leasehold reforms and Building Safety regulations. Potential changes to property laws and regulations and their impact on these financial statements are further discussed in the accounting policies on page 15.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FAIRHOLD HOMES (NO.20) LIMITED (continued)

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

The audit engagement team identified the risk of management override of controls as the area where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed included but were not limited to testing manual journal entries and other adjustments and evaluating the business rationale in relation to any significant, unusual transactions and transactions entered into outside the normal course of business.

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

Use of our report

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



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

Date:

30/11/22

FAIRHOLD HOMES (NO.20) LIMITED

STATEMENT OF COMPREHENSIVE INCOME


FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 £	2020 £
Turnover	2	711,098	715,326
Administrative expenses		(161,248)	(166,557)
Operating profit		<u>549,850</u>	<u>548,769</u>
Fair value gain on investment property	8	8,182,000	13,668,000
Interest receivable and similar income	3	-	25
Interest payable and similar expenses	4	(146,364)	(172,507)
Profit before taxation	5	<u>8,585,486</u>	<u>14,044,287</u>
Taxation	7	(6,929,164)	(3,916,000)
Profit for the financial year		<u><u>1,656,322</u></u>	<u><u>10,128,287</u></u>

FAIRHOLD HOMES (NO.20) LIMITED**STATEMENT OF FINANCIAL POSITION (Company Registration Number: 05086036)****AT 31 DECEMBER 2021**

	Notes	2021 £	2020 £
Fixed assets			
Investment properties	8	97,000,000	88,818,000
Current assets			
Debtors	9	30,882	28,026
Creditors: amounts falling due within one year	10	(123,102)	(90,585)
Net current liabilities		(92,220)	(62,559)
Total assets less current liabilities		96,907,780	88,755,441
Creditors: amounts falling due in more than one year	11	(5,248,285)	(5,615,268)
Provisions for liabilities	12	(21,952,000)	(15,089,000)
Net assets		69,707,495	68,051,173
Capital and reserves			
Called up share capital	13	1	1
Profit and loss account	13	69,707,494	68,051,172
Total equity		69,707,495	68,051,173

The financial statements on pages 8 to 22 were approved by the board of directors and authorised for issue and are signed on its behalf by:

DocuSigned by:

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P A Hallam
 Director

Date: 30 November 2022

FAIRHOLD HOMES (NO.20) LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021

	Share capital £	Profit and loss account £	Total £
Balance at 1 January 2020	1	57,922,885	57,922,886
Profit and total comprehensive income for the year	-	10,128,287	10,128,287
Balance at 31 December 2020	<u>1</u>	<u>68,051,172</u>	<u>68,051,173</u>
Profit and total comprehensive income for the year	-	1,656,322	1,656,322
Balance at 31 December 2021	<u>1</u>	<u>69,707,494</u>	<u>69,707,495</u>

FAIRHOLD HOMES (NO.20) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

1. Accounting policies

Company information

Fairhold Homes (No.20) Limited ("the company") is a private company limited by shares, domiciled and incorporated in England. The address of the company's registered office and principal place of business is Berkeley House, 304 Regents Park Road, London, N3 2JX. The principal activity of the company during the year was that of property investment.

1.1 Basis of accounting

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

1.2 Reduced disclosures

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

- Section 4 'Statement of Financial Position' – Reconciliation of the opening and closing number of shares
- Section 7 'Statement of Cash Flows' – Presentation of a Statement of Cash Flows and related notes and disclosures

The financial statements of the company are consolidated in the financial statements of Renbuff Investments Limited. The consolidated financial statements of Renbuff Investments Limited are available from Companies House, Crown Way, Cardiff, CF14 3UZ.

1.3 Going concern

In preparing the accounts on the going concern basis the directors have given consideration to the company's result for the year and the company's net asset position.

The directors have taken into account the legislative changes disclosed in the critical accounting estimates and judgements section of note 1.9 and believe that the company has adequate financial resources to continue as a going concern for a period of one year from the date of signing the financial statements. This is on the grounds that the loan facility drawn down in 2015 by the company's parent company, Hathber GR Limited, is a 65 year fully amortising facility and there are reserves in place to ensure that the necessary liquidity is retained in the structure so that funds are available to meet debt service liabilities as they fall due in the period of 12 months following the signing of the accounts. The company's immediate parent company, Hathber GR Limited, has confirmed that it will provide financial support where needed in the period of 12 months following the signing of the accounts to enable the company to pay its debts as they fall due.

In addition to the matters described above, in arriving at their conclusion the Directors have also considered, Leasehold reform and Building Safety legislation:

Leasehold reform

Parliament has enacted legislation, the Leasehold Reform (Ground Rent) Act 2022, which prevents the inclusion of a ground rent in excess of a peppercorn on new residential long leases. The Act came into force on 30 June 2022 for leases on non-retirement properties and will come into effect on 1 April 2023 for leases on retirement properties. The legislation does not apply retrospectively although it does create restrictions on the ability of the group, of which this company is a member, to generate rental income beyond the existing term of current leases.

FAIRHOLD HOMES (NO.20) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

1.3 Going concern (continued)

As such, the impact of preventing the creation of future ground rents under the Act is not expected to have a material effect on the ability of the group, of which this company is a member, to meet its liabilities as they fall due for a reasonably foreseeable period.

Building Safety legislation

The Building Safety Act has been introduced by Parliament in April 2022 and is intended to strengthen and improve different elements of the building safety regime. It is also intended to create a framework for allocating responsibility for funding liabilities arising from certain building safety defects. It is understood that Parliament's intention is that in creating clarity on the funding of such liabilities it will ameliorate the problems faced by leaseholders in affected properties.

On buildings over 18 metres in height it is expected that either Government or developer funding will be available to ensure necessary remediation of these properties can be undertaken. For buildings between 11 metres and 18 metres in height the developer is expected to be primarily responsible for funding the necessary remediation. Under secondary legislation introduced on 28 June 2022 the freeholder has been given responsibility to fund should the original developer not be available to provide funding. The operation of this secondary legislation is not yet clear. However, should this new requirement to fund the remediation of building defects create financial hardship to the freeholder it will prevent the achievement of the Government's policy objectives to resolve the building safety crisis. Further clarification is expected as the additional secondary legislation that is required is created under the delegated powers given to the relevant Minister of State.

The directors note that the Government is due to announce details of the application of funds expected to be raised by the Building Safety Levy for the remediation of buildings in this height range where the developer is unable to provide the necessary funding. It is expected that in order to ensure the remediation of such buildings in as timely a manner as possible that these funds will be available as a priority over freeholder contributions.

The directors, having given consideration to the provisions of the Act, the uncertainty over how and when these provisions will be implemented and their impact on the company do not believe that the Act has a material effect on the company's ability to meet its liabilities as they fall due for a reasonably foreseeable period of time.

1.4 Functional and presentational currencies

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

1.5 Turnover

Turnover comprises rent receivable and other income arising from investment properties.

Rental income is recognised in accordance with the terms of the lease. Inflationary uplifts to rental income are recognised when received. Non-inflationary uplifts are also recognised when received as the directors are of the opinion that to recognise the impact of those uplifts on a straight line basis over such long term leases (up to 999 years) would not give a true and fair view as the period between recognition and actual collection would be of sufficient length to cause uncertainty over the value to be collected.

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

FAIRHOLD HOMES (NO.20) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

1.6 Investment properties

The company's holding of investment properties is comprised of freehold reversionary interests and these are initially measured at cost and subsequently measured at fair value where a reliable measure of fair value is available. Changes in fair value are recognised in the statement of comprehensive income.

These assets represent interests held in the freehold land on which third party developers have built and sold long leasehold properties. As such these assets generate income in the form of annual ground rents along with other ancillary income streams.

Recognising the nature of these investment properties and the lack of a regular market for significant portfolios of such assets, the directors are of the opinion that the best approximation to fair value for these properties is provided by a discounted cashflow valuation of the income streams generated by these assets. The valuation of the entire freehold reversionary interest portfolio is undertaken by the directors based on periodic actuarial valuations carried out by a leading firm of third party actuarial consultants.

The directors also recognise, given the lack of a regular market for significant portfolios of such assets, that these values would not be realised should the company seek to dispose of any or all of the investment properties.

Further details are given in note 8.

1.7 Taxation

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

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

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

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

For non-depreciable assets measured using the revaluation model and investment properties measured at fair value (except investment property with a limited useful life held by the company to consume substantially all of its economic benefits), deferred tax is measured using the tax rates and allowances that apply to the sale of the asset or property.

Current and deferred tax is charged or credited in the statement of comprehensive income, except when it relates to items charged or credited to other comprehensive income or equity, when the tax follows the transaction or event it relates to and is also charged or credited to other comprehensive income, or equity. Current tax assets and current tax liabilities and deferred tax assets and deferred tax liabilities are offset, if and only if, there is a legally enforceable right to set off the amounts and the entity intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

FAIRHOLD HOMES (NO.20) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

1.8 Financial instruments

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

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

Financial assets

Debtors

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

Financial liabilities

Creditors

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

Borrowings

Borrowings are initially recognised at the transaction price, including transaction costs, and subsequently measured at amortised cost using the effective interest method. Interest expense is recognised on the basis of the effective interest method and is included in interest payable and other similar charges.

Derecognition of financial assets and liabilities

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

1.9 Critical accounting estimates and areas of judgement

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

Critical accounting estimates and assumptions

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

FAIRHOLD HOMES (NO.20) LIMITED**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2021****1.9 Critical accounting estimates and areas of judgement (continued)***Valuation of investment properties*

A key accounting estimate in preparing these financial statements relates to the fair value of the investment properties. The company uses periodic external professional actuarial valuations as a basis for determining the directors' estimation of the fair value of the investment properties. However, the valuation of the company's investment properties is inherently subjective, as it is made on the basis of valuation assumptions which may in future prove not to be accurate. The risk of which is heightened due to the enacted and further potential legislative changes noted below.

Parliament has enacted legislation, the Leasehold Reform (Ground Rent) Act 2022, which prevents the inclusion of a ground rent in excess of a peppercorn on new residential long leases. The Act received Royal Assent after the Balance Sheet date on 8 February 2022. The Act came into force on 30 June 2022 for leases on non-retirement properties and it will come into effect on 1 April 2023 for leases on retirement properties. The legislation does not apply retrospectively although it does create restrictions on the ability of the company to generate rental income beyond the existing term of current leases as it impairs the ability of the freeholder and leaseholder to agree for the continuation of ground rent in the extension period when extending the lease beyond the current lease term.

In addition to the enacted legislation the Government, through the Department for Levelling Up, Housing and Communities (DLHC), made an announcement in January 2021 on a number of proposed changes to the law governing leasehold enfranchisement. These proposals, which have largely not yet been enacted but some of which are included in the Leasehold Reform (Ground Rent) Act 2022, include changes to the rights of leaseholders in relation to leasehold extensions and freehold purchases. These changes could reduce the level of premium received at the point of lease extension or enfranchisement and increase such incidence rates. It is unclear at this time to what extent this change will reduce the future cash flows of the company. The implementation of the legislative changes arising from these reforms could materially reduce the level of income generated by the portfolio of investment properties, and therefore reduce valuations in the future.

The directors are of the view that the proposed changes, if introduced in total, would be very damaging to the residential property market and against the interests of consumers and other property owners. The directors have engaged, and continue to engage, actively in consultations with Government, other stakeholders and interested parties in order to convey the company's opposition to the current proposals. Public announcements by government and in the Law Commission's report have recognised that any proposals to make wholesale reforms retrospectively pose real problems with respect to the contravention of human rights legislation.

The directors are of the opinion that the impact of the reforms are likely to be greatest for future leases and not those already in existence.

An intrinsic element of the long-term forecasts is the continuing rental income and lease extension premiums generated by the property assets held by the company. The potential legislative changes raised above may affect these forecasts to the extent that the underlying assumption is no longer valid.

Similarly, the group's debt service requirements are primarily dependent upon this continuing rental income and these potential legislative changes, if introduced in their current form, could affect the group's ability to meet its obligations in the long term.

However, the financial consequences of some of these changes are too uncertain to enable the directors to reasonably estimate the impact of such changes on their forecasts. It is assumed that the current methodology continues to represent a fair value of these assets and that the group's ability to meet its long-term obligations is not compromised. Further details of the valuation of the investment property are set out in note 8.

FAIRHOLD HOMES (NO.20) LIMITED**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2021****1.9 Critical accounting estimates and areas of judgement (continued)***Deferred taxation*

Deferred tax liabilities are assessed on the basis of assumptions regarding the future, the likelihood that assets will be realised and liabilities will be settled and estimates as to the timing of those future events and as to the future tax rates that will be applicable.

2. Turnover

An analysis of the company's turnover by class of business is as follows:

	2021 £	2020 £
Rent receivable	419,002	436,977
Other income	292,096	278,349
	<u>711,098</u>	<u>715,326</u>

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

3. Interest receivable and other income

	2021 £	2020 £
Other Interest	-	25
	<u>-</u>	<u>25</u>

4. Interest payable and similar expenses

	2021 £	2020 £
Interest on parent company loan	143,805	168,676
Finance costs recharged	1,875	3,831
Corporation tax interest	684	-
	<u>146,364</u>	<u>172,507</u>

5. Profit before taxation

	2021 £	2020 £
The profit before taxation is stated after charging:		
- Auditor's remuneration	7,100	7,300
	<u>7,100</u>	<u>7,300</u>

FAIRHOLD HOMES (NO.20) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

6. Employees and directors

There were no employees during the year other than the directors who are considered key management. The directors are remunerated by the related party Fairhold Services Limited and this is recharged to the company as part of the management charge from Estates & Management Limited. This management charge, which in 2021 amounted to £29,698 (2020: £35,605) also includes a recharge of administration costs borne by Fairhold Services Limited on behalf of the company and it is not possible to identify separately the amount relating to the directors' remuneration.

7. Taxation

	2021	2020
	£	£
Current tax		
UK corporation tax	29,671	-
UK corporation tax adjustments in respect of prior periods	36,493	-
Total current tax	<u>66,164</u>	<u>-</u>
Deferred tax:		
Movement on potential chargeable gain liability	2,045,500	2,597,000
Effect of change in tax rate	4,777,500	1,319,000
Effect of trading losses on deferred tax	40,000	-
Total deferred tax	<u>6,863,000</u>	<u>3,916,000</u>
Total tax on profit	<u><u>6,929,164</u></u>	<u><u>3,916,000</u></u>

Factors affecting the tax charge for the year.

The tax assessed for the year is higher (2020: higher) than the standard rate of corporation tax in the UK of 19% (2020: 19%). The differences are explained below:

	2021	2020
	£	£
Profit before tax	<u>8,585,486</u>	<u>14,044,287</u>
Profit multiplied by the standard rate of corporation tax in the UK of 19% (2020: 19%).	1,631,242	2,668,414
Effects of:		
Corporate interest restriction	-	1,492
Adjustments in respect of prior periods	36,493	-
Movement on potential chargeable gain liability	2,045,500	2,597,000
Effect of change in tax rate	4,777,500	1,319,000
Group relief received without charge	(38,706)	-
Fair value movement on investment properties	(1,554,580)	(2,596,920)
Tax losses utilised	(8,285)	(36,493)
Other timing differences, incl. capital allowances	-	(36,493)
Effect of trading losses on deferred tax	40,000	-
Tax expense	<u><u>6,929,164</u></u>	<u><u>3,916,000</u></u>

FAIRHOLD HOMES (NO.20) LIMITED**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2021****7. Taxation (continued)**

In the current period, the Finance Act 2021 was enacted and included legislation to increase the main rate of tax to 25%. As this change was substantively enacted at the balance sheet date deferred tax is recognised at 25% in the current period (2020: 19%).

The company has estimated non-trading losses of £nil (2020: £43,606), available to carry forward against future profits. A deferred tax asset was recognised at 31 December 2020 on the non-trading losses carried forward and was used to reduce the provision for deferred tax in relation to the revaluation of investment properties (note 12).

8. Investment properties

	Freehold reversionary interests	
	2021	2020
	£	£
Fair value		
As at 1 January	88,818,000	75,150,000
Fair value gain	8,182,000	13,668,000
As at 31 December	97,000,000	88,818,000

The investment properties represent a portfolio of freehold reversionary interests that generate ground rents as the principal income stream. The fair value of these properties is calculated based on a discounted cash flow methodology which is reliant on the assumptions used to estimate the future cash flows (see note 1.9).

The investment properties were valued on an actuarial basis by a leading firm of independent financial and actuarial consultants as at the 31 December 2013. A subsequent interim actuarial valuation was undertaken as at 31 December 2017 with further analysis carried out by an independent firm of actuarial consultants as part of the review of investment properties as at 31 December 2021.

The directors, in carrying out their valuation at 31 December 2021, have concluded that there have been changes in the critical assumptions and key valuation drivers since the interim actuarial valuation. Accordingly, the directors have assessed these changes and, consider the updated valuation of the investment properties of £97,000,000 at 31 December 2021 (2020: £88,818,000) to be appropriate for adoption for the purposes of these financial statements.

The basis of the most recent independent valuation performed on an actuarial basis was to project risk adjusted income streams generated by the portfolio over 150 years discounted by a risk free rate of return.

The principal assumptions used in the independent actuarial valuation were:

- RPI basis for inflation assumptions - implied inflation vector taken from the Bank of England website;
- Residential property inflation - derived from market rental yields as found in the ARLA report and the UK Government gilt curve;
- Risk free discount rate - a series of rates reflecting the UK government gilt yield curve as applicable to each cash flow date up to 40 years, with forward rates interpolated between 40 and 50 years and a fixed forward rate of 4.2% per annum after 50 years;

FAIRHOLD HOMES (NO.20) LIMITED**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2021****8. Investment properties (continued)**

- Incidence rates for lease extensions and the price charged - historic rates and FTT valuation;
- Taxation - no allowance has been made for taxation in projecting the future revenue flow.

The input to the model with the most significant impact on the valuation is the discount rate used. Per the 31 December 2021 review undertaken, on a group basis, a 50-basis point increase or decrease in this rate reduces or increases the valuation by 22% and 39% respectively. See note 18 for further information.

If investment properties were stated on a historical cost basis rather than a fair value basis, the amounts would have been included as follows:

	Freehold reversionary Investment Properties	
	2021	2020
	£	£
Cost	7,178,420	7,178,420

The company's investment property is subject to a debenture and charge in connection with a guarantee provided by company in respect of the indebtedness of the holding company and other related parties (see note 14).

9. Debtors

	2021	2020
	£	£
Trade debtors	9,788	8,038
Prepayments and accrued income	21,094	19,988
	<u>30,882</u>	<u>28,026</u>

10. Creditors: amounts falling due within one year

	2021	2020
	£	£
Accruals and deferred income	93,431	90,585
Corporation tax payable	29,671	-
	<u>123,102</u>	<u>90,585</u>

FAIRHOLD HOMES (NO.20) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

11. Creditors: amounts falling due in more than one year

	2021 £	2020 £
Amount owed to parent undertaking	5,248,285	5,615,268
	<u>5,248,285</u>	<u>5,615,268</u>

The loan from the parent company is due for repayment in 2080. Interest is charged at 6 month Libor +2.4%.

12. Provision for liabilities

	Deferred taxation £
1 January 2021	15,089,000
Increase in provision in the year	6,863,000
31 December 2021	<u>21,952,000</u>

Provision for deferred tax liabilities recognised by the company is as follows:

	2021 £	2020 £
Deferred tax arising on assets measured at fair value	21,952,000	15,129,000
Tax losses available	-	(40,000)
	<u>21,952,000</u>	<u>15,089,000</u>

13. Share capital & Reserves

Share capital

	2021 £	2020 £
Allotted, issued and fully paid: 1 ordinary share of £1	1	1
	<u>1</u>	<u>1</u>

Ordinary share rights

The company's ordinary share, which carries no right to fixed income, carries the right to one vote at general meetings of the company.

Reserves

Reserves of the company represent the following:

Profit and loss account

Cumulative profit and loss net of distributions to owners.

FAIRHOLD HOMES (NO.20) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

14. Guarantees

The company has given an unlimited guarantee in respect of some of the indebtedness of its holding company Hathber GR Limited. The guarantee is supported by a debenture and a charge over the Group's property holdings including the company's investment properties. At 31 December 2021 the total amount outstanding subject to that guarantee was £194.3m (2020: £191.2m).

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

15. Contingent liabilities

Building Safety Act 2022

The directors are currently assessing the potential impact of the Building Safety Act 2022, which received Royal Assent on 28 April 2022. Given the nature of the legislation (see page 12), it is not currently clear what the likely probability or quantum of any potential liability to fund the remediation of building defects would be. Therefore, no provision has been included in these financial statements.

16. Immediate parent company, ultimate parent company and ultimate controlling party

The company's immediate parent company is Hathber GR Limited which is the smallest group for which group accounts containing this company are prepared. Hathber GR Limited is domiciled and incorporated in the UK. The ultimate UK parent company is Renbuff Investments Limited, which is the largest group for which group accounts containing this company are prepared. Copies of the financial statements are available from Companies House, Crown Way, Cardiff CF14 3UZ.

The directors regard the ultimate holding company to be Euro Investments Overseas Incorporated, a company incorporated in the British Virgin Islands.

The ultimate controlling party is the Tchenguiz Family Trust.

17. Related party transactions

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

Management fees of £29,698 (2020: £35,605) were charged to the Company in the year by Estates & Management Limited, a company related by virtue of common control and common directors.

FAIRHOLD HOMES (NO.20) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

18. Post balance sheet events

Financing

The group of which the company is part restructured its financial arrangements with its lender on 17 August 2022. The restructuring transactions, which impacted a number of entities in the wider Euro Investments Overseas group, included various additional drawdowns of borrowing, repayments and property transactions. The effect of these changes was to reduce this group's liabilities to its lender by £14.3 million.

Conclusion of CMA investigation

On 4 August 2022 the group, of which the company is a part, agreed undertakings with the CMA that ended the CMA's investigation of the group. These undertakings restrict certain group companies' ability to charge uplift rents on certain leases and create obligations to refund certain rents and fund certain costs for the variation of leases, should a leaseholder choose to enter into such lease variation. The reduction in future rents has been assessed in the determination of the Fair Value of the relevant Investment Properties.

In addition to the undertakings agreed with the CMA the company agreed Framework Agreements with the developers who created the leases that were the subject of the CMA's investigation. These Framework Agreements have resulted in the receipt of payments from those developers. The payments received are in excess of the costs that will be incurred by the company in meeting the requirements of the CMA undertakings. Neither the income receivable or the costs expected to be incurred have been included in the financial statements of the company.

Leasehold Reform (Ground Rents) Act 2022

The Leasehold Reform (Ground Rents) Act 2022 received Royal Assent on 8 February 2022. See Note 1.3 for further information on the potential implications of this Act.

Building Safety Act 2022

The Building Safety Act 2022 received Royal Assent on 28 April 2022. See Notes 1.3 and 15 for further information on the potential implications of this Act.

Movements in discount rate

As described in note 8, the risk free discount rate has a significant impact on the calculation of the value of investment properties. Subsequent to the year end, risk free discount rates have increased and this has led to a significant fall in the value of investment properties. As at 31 August 2022, the directors have estimated the value of investment properties at £56.4m, representing a 42% reduction in value from 31 December 2021.