Company No: 03697440

FAIRHOLD HOMES (NO.6) LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 OCTOBER 2020

FAIRHOLD HOMES (NO.6) LIMITED

DIRECTORS AND OFFICERS

DIRECTORS

S J Lake
G J Parcell

SECRETARY

Law Debenture Corporate Services Limited

REGISTERED OFFICE

Berkeley House
304 Regents Park Road
London
N3 2JX

INDEPENDENT AUDITOR

RSM UK Audit LLP
Portland
25 High Street
Crawley
West Sussex
RH10 1BG

DIRECTORS' REPORT

The directors submit their report and the financial statements for the year ended 31 October 2020.

Principal activity

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

Business review

There were no changes in the company's investment property portfolio in the year.

Pursuant to a Shareholder Lock-Up Agreement on 14 December 2019, the then parent company, Fairhold Finance Limited (FFL), sold its entire shareholding in the company and other subsidiaries of FFL on 25 September 2020 to Fernando PropCo Holdings Limited. This was as a result of a planned debt restructuring on a going-concern basis. The aim of this restructuring was to make the debt of the company serviceable through its cashflows.

As a result of this restructuring, the directors consider the financial position of the company at the year-end to be satisfactory.

Results and Dividends

The profit for the year after tax amounted to £43.3m (2019: £68.4m loss). The movement in results year on year arise principally as a result of the restructuring which has resulted in net write offs of legacy debt amounting to £41.7m and the fair value adjustment to the value of investment properties which adversely affected the prior year performance. No dividends were declared in the year.

Investment properties

The investment properties have been valued by the directors at £59.5m (2019: £59.5m) having regard to the work undertaken to set the amounts of the new debt issued under the terms of the restructuring and valuation advice from professional advisers and market information. The accounting policy for investment properties is set out on page 10 of these financial statements.

Details of the investment properties are set out in note 8 to these financial statements.

Directors

The directors who served during the year were as follows:

W K Procter (resigned 25 September 2020)
C C McGill (resigned 25 September 2020)
S J Lake (appointed 25 September 2020)
G J Parcell (appointed 25 September 2020)
P A Hallam (appointed 10 March 2020 and resigned 25 September 2020)
S E Khadhouri (appointed 10 March 2020 and resigned 25 September 2020)

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 the 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, through the provision of a policy entered into by Fernando HoldCo Ltd on 27 July 2020, maintained insurance 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

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:

G J Parcell
Director

25 June 2021

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FAIRHOLD HOMES (NO.6) LIMITED

Disclaimer of opinion

We were engaged to audit the financial statements of Fairhold Homes (No.6) Limited (the 'company') for the year ended 31 October 2020 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 a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

We do not express an opinion on the accompanying financial statements of the company. Having regard to the significance of the matters described in the Basis for disclaimer of opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements.

Basis for disclaimer of opinion

1. Investment properties are carried at £59.5m in the company's statement of financial position at 31 October 2020, which represents over 74% of the company's gross assets at that date. In our opinion the valuation of these investment properties was not undertaken in accordance with a widely recognised valuation methodology or a recent fair value market transaction as indicated by the price in an orderly transaction between market participants. Deferred tax assets at 31 October 2020 (£2.5m) and resulting amounts in the statement of comprehensive income in respect of taxation (£2.4m) were derived from this valuation.

2. Included in the company's statement of financial position at 31 October 2020 are receivables and payables which resulted from the acquisition and restructuring of the group referred to in the Directors' Report on page 2. We were not provided with sufficient audit evidence to support the accounting entries made in respect of the transaction.

As a result of (1) and (2) above, we were unable to determine whether any adjustments were necessary in respect of the carrying amount of assets and liabilities at 31 October 2020, and the related elements making up the statement of comprehensive income and statement of changes in equity.

Other information

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

Opinion on other matters prescribed by the Companies Act 2006

Notwithstanding our disclaimer of an opinion on the financial statements, 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 the applicable legal requirements.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FAIRHOLD HOMES (NO.6) LIMITED *(continued)*

Matters on which we are required to report by exception
Arising from the limitation of our work referred to above:

- we have been unable to determine whether there are any material misstatements in the director's report in light of the knowledge and understanding of the company and its environment obtained in the course of the audit;
- we have not obtained all the information and explanations that we considered necessary or the purpose of the audit; and
- we were unable to determine whether adequate accounting records have been kept.

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

- 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
- 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.

Responsibilities of directors
As explained more fully in the directors' responsibilities statement 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 responsibility is to conduct an audit of the financial statements in accordance with International Standards on Auditing (UK) and to issue an auditor's report. However, because of the matters described in the Basis for disclaimer of opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements.

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.

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

RSM UK Audit LLP

William Farren FCA (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
Portland, 25 High Street
Crawley
West Sussex
RH10 1BG

25 June 2021

FAIRHOLD HOMES (NO.6) LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 OCTOBER 2020

	Notes	2020 £	2019 £
Rent receivable	1	1,038,245	1,012,358
Administrative expenses		(662,950)	(398,508)
Other operating income		388,797	410,936
Operating profit		764,092	1,024,786
Fair value loss on investment property	8	-	(53,897,000)
Interest receivable and similar income	2	1,544,431	1,537,851
Interest payable and similar expenses	3	(3,050,646)	(25,819,859)
Other exceptional finance income	4	41,710,920	-
Profit / (Loss) before taxation	5	40,968,797	(77,154,222)
Taxation	7	2,363,924	8,740,000
Profit / (Loss) after taxation		43,332,721	(68,414,222)
Other comprehensive income		-	-
Total comprehensive income for the year		43,332,721	(68,414,222)

FAIRHOLD HOMES (NO.6) LIMITED

STATEMENT OF FINANCIAL POSITION (Company Registration Number: 03697440)

AT 31 OCTOBER 2020

	Notes	2020 £	2019 £
Fixed assets			
Investment properties	8	59,503,000	59,503,000
Current assets			
Debtors due within one year	9	17,860,013	16,856,146
Debtors due after more than one year	10	2,483,859	-
Cash at bank and in hand		-	431,768
		20,343,872	17,287,914
Creditors: amounts falling due within one year	11	(467,711)	(100,846,883)
Net current assets / (liabilities)		19,876,161	(83,558,969)
Total assets less current liabilities		79,379,161	(24,055,969)
Creditors: amounts falling due after more than one year	12	(30,727,441)	-
Net assets / (liabilities)		48,651,720	(24,055,969)
Capital and reserves			
Called up share capital	14	591	2
Profit and loss account		48,651,129	(24,055,971)
Total equity		48,651,720	(24,055,969)

The financial statements on pages 6 to 20 were approved by the board of directors and authorised for issue on 25 June 2021 and are signed on its behalf by:

G J Parcell
Director

FAIRHOLD HOMES (NO.6) LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 OCTOBER 2020

	Share Capital £	Share Premium £	Profit & Loss £	Total £
Balance at 1 November 2018	**2**	**-**	**44,358,251**	**44,358,253**
Loss and total comprehensive income for the year	-	-	(68,414,222)	(68,414,222)
Balance at 31 October 2019	**2**	**-**	**(24,055,971)**	**(24,055,969)**
Transactions with owners in their capacity as owners				
Issue of shares	591	59,120,310	(29,745,933)	29,374,968
Capital Reduction	(2)	(59,120,310)	59,120,312	-
Total transactions with owners	**589**	**-**	**29,374,379**	**29,374,968**
Profit and total comprehensive Income for the year	-	-	43,332,721	43,332,721
Balance at 31 October 2020	**591**	**-**	**48,651,129**	**48,651,720**

Company information

Fairhold Homes (No.6) 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.

Basis of accounting

These financial statements have been prepared under the historical cost convention modified to include investment properties at fair value and 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.

With effect from 1 November 2019 the company has adopted the amendments to FRS 102 published in the Triennial Review 2017. There are no adjustments to the current or comparative period in relation to these amendments.

Reduced disclosures

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

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

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

Going concern

In preparing the accounts on the going concern basis the directors have given consideration to the company's results for the year and its net assets position following the restructuring referred to in the Directors' Report.

Liabilities and Debt Servicing

Prior to this restructuring, the company's borrowings from its then parent, Fairhold Finance Limited ("FFL"), were part of a securitised facility, of which the principal lender to FFL was Fairhold Securitisation Limited ("FSL"). The swaps associated with this structure were broken in October 2015 and, as a result, the company's liabilities to FFL were charged at a floating rate.

Following the restructuring, the company issued unsecured loan notes to Fernando SSN plc, a member of the Group. These notes total £31,063,254 and mature in 2026, bearing interest at LIBOR plus a margin as set out in note 12. Net income from the company is used to service this debt and any excess amounts after such servicing is used to repay the loan notes' principal. In the event of the company's net income being insufficient to service the debt fully then the deficit may be deferred at the election of Fernando SSN plc.

As set out in note 9, the company has also made loans to Fernando HoldCo Limited, another group undertaking, to allow it to pay various fees and expenses necessary for the operation of the group.

Going concern *(continued)*

Effect of Covid 19

The directors have considered the impact on net income of the Government's lock-down responses to the Covid 19 pandemic.

With the exception of transfer fees, rental and non-rental income has continued at levels similar to 2019 despite the lock-downs. Transfer fees have been impacted by the restrictions on movement, particularly since the vast majority of the company's lessees are elderly and have therefore been required to shield. Therefore, property sales, which are the main driver of transfer fees, have been suppressed.

The directors believe that this is a temporary effect, and that there may be some rebound as restrictions are eased, but for the purposes of considering the company's going concern status income has been modelled based on levels seen at the height of the pandemic in April 2020.

Impact on cashflows

The directors have modelled a range of cashflows for a series of scenarios. These include a plausible worst-case scenario in which income is suppressed to the levels seen at the height of the pandemic for the whole of 2020 to 2021 and where additional loans to Fernando HoldCo Limited are made to cover the maximum discretionary level of expenditure allowed in Fernando HoldCo Limited. In this scenario, the company continues to be able to fully meet its debt servicing obligations and has continued capacity to meets its other debts as well as to make payments of principal on its loan notes.

Conclusion

For the reasons stated above the directors are of the opinion that the company will continue to trade and all liabilities will continue to be met as they fall due for the foreseeable future, being 12 months from the date of approval of these financial statements.

Investment properties

The company's holdings of freehold reversionary interests are classified as Investment Properties and are originally measured at cost and subsequently measured at fair value whilst a reliable measure of fair value is available without undue cost or effort. Changes in fair value are recognised in profit or loss.

The company's freehold reversionary interests, as their name implies, represent interests held in the freehold land on which other third-party developers have built and sold long leasehold properties. As such these assets are more akin to financial investments, as they generate income in the form of annual ground rents and other ancillary income streams.

In normal circumstances there is an expectation that the properties are to be held for the long term. Due to the unusual nature of these investment properties and the lack of a regular market for such significant portfolios of such assets, which are in distinct contrast with the more regular "bricks and mortar" investment properties, the directors have relied upon the extensive valuation work undertaken as part of the restructuring referred to above and subsequent information provided by professional advisers rather than undertake a full actuarial valuation. The directors intend to use such market-based information supplemented, if appropriate, by professional advice for a three-year period and then undertake a triennial actuarial valuation. Since this year represents the first year of such an approach the next triennial valuation is planned for the year-ending 31 October 2022.

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

Further details are given in note 8.

ACCOUNTING POLICIES *(continued)*

Taxation

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

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

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

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

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

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

Rent receivable

Rental income is recognised in accordance with the terms of the lease.

Interest receivable and interest payable

Interest receivable and interest payable are amortised on a straight line basis over the term of the loan to which they relate.

Exceptional items

Exceptional items are those items which are considered by the directors to be both unusual in nature and non-recurring and, therefore, not appropriate to recognise within operating profit and loss, as to do so would distort the comparison of the company's operating performance when compared to other periods.

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 all of its financial instruments.

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

Financial assets

Trade debtors

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

Financial liabilities

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 expenses.

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.

Critical accounting estimates and areas of judgement

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

Critical accounting estimates and assumptions

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

Valuation of investment properties

A key accounting estimate in preparing these financial statements relates to the carrying value of the investment property which is stated at fair value. In the light of the restructuring noted above, the directors have valued the investment properties based on the work undertaken in the restructuring and further analysis provided by financial advisors. However, the valuation of the group's investment property is inherently subjective, as it is made on the basis of valuation assumptions which may in future not prove to be accurate, the risk of which is heightened due to the potential legislative changes noted below.

In September 2018, the Law Commission published a consultation paper on reforming the enfranchisement regime. Following the conclusion of the consultation period, the Government asked the Law Commission to provide proposals on leasehold reform. The Law Commission published a series of interim reports throughout 2020 culminating in a final report in July 2020. In January 2021, the Government made an announcement as to their likely intentions on this matter. While not detailed, this suggested that, *inter alia*: the processes for lease extension and collective enfranchisement would be simplified; lease extensions would be for a term of 990 years; commonhold would be the preferred structure for new properties.

Any such legislative changes may affect the company's income streams to the extent that the underlying assumptions are no longer valid and the forecasts that underpin the valuation would not be achievable.

Separately, the Competitions and Market Authorities ("CMA") has been investigating mis-selling and breaches of consumer protection law. The CMA issued an update report on 28 February 2020 stating that they are concerned leasehold owners have been unfairly treated and prospective buyers misled by housing developers. The interim concerns flagged were:

(i) escalating ground rents making properties more difficult to sell and re-mortgage;

(ii) purchasers having been misled as to cost of acquiring freehold interest;

(iii) purchasers having been misled as to the nature of a lease and the charges to be paid; and

(iv) unreasonable fees being charged for routine requests.

In September 2020, the CMA launched enforcement action against four major housebuilders. The directors note that no express mention is made that the CMA is focusing on retirement developments or the types of leases owned by the company under which fees can be charged.

Further details of the valuation of the investment property are set out in note 8.

Critical accounting estimates and assumptions *(continued)*

Current taxation

In arriving at the tax charge for the year the directors have been required to consider legislation introduced by HMRC in respect of Corporate Interest Restrictions and restrictions on the use of losses from the 1st April 2017. These rules are complex and may have a material impact on the company's tax charge. In arriving at the tax charge, the directors have also utilised tax losses surrendered from other group companies. These surrendered tax losses are also based on assumptions regarding the tax treatment of certain income and expenses within those entities and the actual losses available for surrender could be higher or lower. The directors, having taken appropriate professional advice, believe that their assumptions are reasonable.

Deferred taxation

Deferred tax assets and 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.

A deferred tax asset of £2.5m (2019: £Nil), has been recognised in these financial statements. In arriving at the deferred tax asset, the directors have taken full allowance for the value of cumulative brought forward tax losses of £7.5m (2019: £7.3m).

1. Turnover

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

	2020	2019
	£	£
Rent receivable	1,038,245	1,012,358

2. Interest receivable and similar income

	2020	2019
	£	£
Bank interest	589	1,701
Interest receivable from other group undertakings	1,543,842	1,536,150
	1,544,431	1,537,851

3. Interest payable and similar expenses

	2020	2019
	£	£
Swap break costs and interest thereon	1,485,806	23,094,397
Interest payable to other group undertakings	22,129	1,189,312
Other interest	1,542,711	1,536,150
	3,050,646	25,819,859

4. Other exceptional finance income

Other exceptional finance income relates to the net reduction in loan liabilities of £41.7m which were written off in the year as a result of the debt restructuring as set out in the Directors' report.

5. Profit / (loss) before taxation

Profit / (loss) before taxation is stated after charging:	**2020**	2019
	£	£
Auditor's remuneration	-	-

The auditor's remuneration of £13,714 (2019: £13,144) has been borne by the parent company, Fernando HoldCo Limited.

6. Employees and directors

No persons were employed during the year or the prior year, other than the directors. The directors are not remunerated by the company, and it has not been possible to apportion any remuneration paid accordingly.

7. Taxation

	2020	2019
	£	£
Current tax		
UK corporation tax	119,935	-
Total current tax	119,935	-
Deferred tax:		
Origination and reversal of timing differences	(2,012,412)	-
Adjustments in respect of prior periods	(421,821)	-
Effects of tax rate change on opening balance	(49,626)	-
Losses on investment property	-	(8,740,000)
Total deferred tax credit	(2,483,859)	(8,740,000)
Total tax on profit / (loss)	(2,363,924)	(8,740,000)

Factors affecting the tax credit for the year.

The tax assessed for the year is lower than the effective rate of corporation tax in the UK 19% (2019: 19%). The differences are explained below:

	2020	2019
	£	£
Profit / (loss) before tax	40,968,797	(77,154,222)
Profit / (loss) multiplied by the effective rate of corporation tax in the UK of 19% (2019: 19%).	7,784,071	(14,659,302)
Effects of:		
Deferred tax adjustment in respect of investment property	-	1,500,000
UK transfer pricing adjustments	55,827	55,827
Income not taxable for tax purposes	(7,925,075)	
Disallowable expenditure	-	75,716
Group relief claimed	(22,033)	-
Corporate interest restriction	-	4,287,759
Adjustments to deferred tax in respect of previous periods	(421,821)	-
Effect of changes in deferred tax rates	(500,924)	-
Deferred tax not recognised	(1,333,969)	-
Total tax credit for the year	(2,363,924)	(8,740,000)

The company has estimated losses of £39.3m (2019: £42.9m) available to carry forward against future trading profits. A deferred tax asset has been recognised on these losses included in note 13.

7. **Taxation** *(continued)*

Factors that may affect future tax charges

The closing deferred tax assets and liabilities have been recognised at 19% which is the corporation tax rate in effect at the balance sheet date. In the Budget on 3 March 2021, it was announced that the UK corporation tax rate will increase to 25% from 1 April 2023. This will have a consequential effect on the company's future tax charge. If this rate change had been substantively enacted at the current balance sheet date, the deferred tax asset would have increased by £0.9m

8. **Investment properties**

	Freehold reversionary interests
Valuation	**£**
At 1 November 2019	59,503,000
At 31 October 2020	59,503,000

The investment properties represent a portfolio of Freehold Reversionary Interests that generate ground rents as the principal income stream.

In normal circumstances there is an expectation that the properties are to be held for the long term. Due to the unusual nature of these investment properties and the lack of a regular market for such significant portfolios of such assets, which are in distinct contrast with the more regular "bricks and mortar" investment properties, the directors have assessed fair value for these properties based on the valuation work undertaken for the restructuring with further recent advice and updates from professional advisors. The basis for both these evaluations was a marketing exercise undertaken in 2017 which indicated that the key indicator of value was the real interest rate. The directors have used these updated projections and factored in the effects of: changes in the ownership following the restructuring; current revenue streams; the costs of administering the estate though its agents; and, a conservative estimate of upside opportunities identified.

The historical cost of the properties at 31 October 2020 was £14,413,615 (2019: £14,413,615).

9. **Debtors: amounts due within one year**

	2020	2019
	£	£
Trade debtors	48,823	37,598
Sundry debtors	7,722	-
Interest-bearing amounts due from group undertakings	533,079	16,818,548
Non-interest-bearing amounts due from group undertakings	17,270,389	-
	17,860,013	16,856,146

Interest-bearing amounts due from group undertakings relate to amounts receivable from Fernando HoldCo Limited. These amounts bear interest at LIBOR + 2.05% and are repayable on demand.

10. **Debtors: amounts due after more than one year**

	2020	2019
	£	£
Deferred tax (note 13)	2,483,859	-

11. **Creditors - amounts falling due within one year**

	2020	2019
	£	£
Other loan and accrued interest	-	15,947,621
Amounts due to group undertakings	24,543	84,527,916
Accruals and deferred income	323,233	371,346
Corporation tax	119,935	
	467,711	100,846,883

12. **Creditors - amounts falling due after more than one year**

	2020	2019
	£	£
Unsecured loan notes payable to group undertakings	30,727,441	-

On 25 September 2020, the company issued to Fernando SSN plc, another Group company, £31,063,254 of unsecured loan notes with a maturity of 2026. These loan notes bear interest as follows:-

Period	**Rate**
25th September 2020 to 14th October 2021	LIBOR + 0.65%
15th October 2021 to 14th October 2023	LIBOR + 1.15%
15th October 2023 to 14th October 2025	LIBOR + 1.45%
Thereafter	LIBOR + 1.65%

£335,813 of outstanding loan notes were repaid on 25 September 2020.

13. Deferred tax

	2020 £	2019 £
At the beginning of the year	-	(8,740,000)
Charged to profit and loss in the year	2,483,859	8,740,000
At the end of the year	2,483,859	-

Deferred tax assets / (liabilities) recognised by the company are as follows:

	2020 £	2019 £
Fixed assets measured at fair value	(7,107,824)	(7,286,000)
Short term timing differences	2,132,347	
Tax losses available (as restated)	7,459,336	7,286,000
	2,483,859	-

14. Share capital and reserves

Share capital

	2020 £	2019 £
Allotted, issued and fully paid:		
59,120,903 ordinary shares of £0.00001 each	591	2

During the year the company undertook the following share transactions:

(i) 59,120,901 new £0.00001 ordinary shares issued for £1 per share in consideration for the release of liabilities owed by the company.

(ii) Capital reduction to reduce the nominal value of existing £1 ordinary shares to nominal value of £0.00001 per share and to reduce the share premium to nil.

Ordinary share rights

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

Reserves
Reserves of the company represent the following:

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

Share Premium
Share premium represents the consideration paid for shares in excess of their nominal value.

15. Contingent liabilities

The company is part of a wider group, ultimately headed by Fernando Parent Limited. As part of the financing arrangements of the group, the company has given a fixed and floating charge against all of its assets to cover the liabilities due by the group as a whole in respect of secured loan notes issued by the group.

Under a back-to-back arrangement, the company has received, via other group companies, a proportion of the funding raised from the secured loan notes and this amount is set out in note 12.

16. Immediate holding company

The company is a wholly owned subsidiary undertaking of Fernando PropCo Holdings Limited, which is registered in England and Wales. The largest group in which the results of the company are consolidated is that headed by Fernando Parent Limited, 8th Floor, 100 Bishopsgate, London, EC2N 4AG. The smallest group in which the results of the company are consolidated is that headed by Fernando PropCo Holdings Limited, 8th Floor, 100 Bishopsgate, London, EC2N 4AG. Copies of the financial statements are available from Companies House, Crown Way, Cardiff, CF4 3UZ.

17. Ultimate parent company

The directors consider Fernando Parent Limited, a company incorporated in the United Kingdom, as the ultimate parent company.

18. Ultimate controlling party

There is no ultimate controlling party.

19. 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.