

Company Registration No. 03778310 (England and Wales)

FERNHAM HOMES LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2019

**REGISTRAR'S COPY
OF ACCOUNTS**



Cavendish
Chartered Certified Accountants
68 Grafton Way
London
W1T 5DS

Ref: 5074

FERNHAM HOMES LIMITED

COMPANY INFORMATION

Directors	I D Fern D E Masters M C Canham
Secretary	P Rosbrook
Company number	03778310
Registered office	68 Grafton Way London W1T 5DS
Auditor	Cavendish Chartered Certified Accountants Statutory Auditor 68 Grafton Way London W1T 5DS
Business address	Canham Business Centre 426 Vale Road Tonbridge Kent TN9 1SW

FERNHAM HOMES LIMITED

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FERNHAM HOMES LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 JULY 2019

The directors present the strategic report for the year ended 31 July 2019.

Fair review of the business

The business has continued to grow in the year delivering an increase in turnover of £6.8m (+40%) £16.9m to £23.7m, with the prior period being 17 months. Completions are similar at 52 compared to 51 with average selling prices increasing from £330k to £456k.

Gross margin has fallen from 23.4% to 20.4%, this mainly reflects timings of site completions. The management consider the current year's margin to be strong and in the upper quartile when compared to our competitors.

Profit before tax is £2.2m, £0.98m (+80%) up on the previous period with the additional turnover flowing through to the bottom line with both interest and overhead costs being held in the line with the previous period.

The business has seven sites in construction ranging from 7 to 41 units with an average of 28 units. These sites will continue to support further growth in 2020 along with a strong land bank that will contribute units from 2021.

There have been several staff changes in the year as the business continues to grow and put in place its ambitious expansion plan.

The market has been difficult with Brexit uncertainties, but sites have continued to trade at a steady pace. There has been a noticeable improvement in the market post the election result that has seen both an increase in activity and an increase in house prices.

Principal risks and uncertainties

Income from housing sales is the principal risk for the business. The housing market has slowed with prices remaining flat but despite this the company has maintained good profit margins and adequate cash balances. The post-election result has improved this position.

The company is also exposed to financial risks including interest rate and liquidity risk.

Interest rate risk

The company is exposed to short term interest rate risk on specific site development loans. The company has agreed short term development loans of up to 24 months to mitigate this risk.

Liquidity risk

Working capital is actively managed to ensure house sale income is matched to construction costs and new site acquisitions.

Key performance indicators

Turnover

Turnover is the amount paid by purchasers for house completions. Comparison is made to previous years and expressed as a percentage growth.

The current results show an increase of 40% supporting the shareholders continuing investment in the business.

FERNHAM HOMES LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2019

Key performance indicators (continued)

Gross Margin

Gross profit margin is calculated using turnover less cost of sales divided by turnover and expressed as a percentage.

The gross margin enables management to monitor the profitability of developments against prior years and against land acquisition budgets. The gross margin for the current year was 20.4% down from the previous period of 23.4%. Management consider the margin to be strong and on the upper end compared to competitors.

By order of the board



M C Canham

Director

16 March 2020

FERNHAM HOMES LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 JULY 2019

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

Principal activities

The principal activity of the company continued to be that of house building.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

I D Fern
D E Masters
M C Canham

Results and dividends

The results for the year are set out on page 7.

No ordinary dividends were paid. The directors do not recommend payment of a final dividend.

Auditor

The auditor, Cavendish, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

Statement of directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- 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.

FERNHAM HOMES LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2019

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

By order of the board

A handwritten signature in black ink, appearing to read 'P Rosbrook', written over a horizontal line.

P Rosbrook

Secretary

16 March 2020

FERNHAM HOMES LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF FERNHAM HOMES LIMITED

Opinion

We have audited the financial statements of Fernham Homes Limited (the 'company') for the year ended 31 July 2019 which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity, the statement of cash flows 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).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 July 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

FERNHAM HOMES LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF FERNHAM HOMES LIMITED

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 strategic report and the directors' report.

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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



A K Malhotra FCCA ACA (Senior Statutory Auditor)
for and on behalf of Cavendish

19 March 2020

Chartered Certified Accountants
Statutory Auditor

68 Grafton Way
London
W1T 5DS

FERNHAM HOMES LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 JULY 2019

		Year ended 31 July 2019 £	Period ended 31 July 2018 £
	Notes		
Turnover	3	23,735,694	16,930,596
Cost of sales		(18,896,087)	(12,970,757)
Gross profit		4,839,607	3,959,839
Administrative expenses		(1,466,175)	(1,223,680)
Operating profit	4	3,373,432	2,736,159
Interest receivable and similar income	6	488	-
Interest payable and similar expenses	7	(1,165,949)	(1,509,513)
Profit before taxation		2,207,971	1,226,646
Tax on profit	8	(413,723)	(176,620)
Profit for the financial year		1,794,248	1,050,026

The profit and loss account has been prepared on the basis that all operations are continuing operations.

FERNHAM HOMES LIMITED

BALANCE SHEET

AS AT 31 JULY 2019

	Notes	2019		2018	
		£	£	£	£
Fixed assets					
Tangible assets	9		43,785		7,877
Investment properties	10		60,000		60,000
Investments	11		1		1
			<u>103,786</u>		<u>67,878</u>
Current assets					
Stocks	14	24,921,209		27,600,258	
Debtors	15	636,663		1,206,814	
Cash at bank and in hand		2,043,260		1,506,384	
		<u>27,601,132</u>		<u>30,313,456</u>	
Creditors: amounts falling due within one year	16	(23,622,398)		(22,356,573)	
Net current assets			<u>3,978,734</u>		<u>7,956,883</u>
Total assets less current liabilities			<u>4,082,520</u>		<u>8,024,761</u>
Creditors: amounts falling due after more than one year	17		-		(5,846,719)
Provisions for liabilities	19		(408,518)		(298,288)
Net assets			<u><u>3,674,002</u></u>		<u><u>1,879,754</u></u>
Capital and reserves					
Called up share capital	21		150		150
Profit and loss reserves			3,673,852		1,879,604
Total equity			<u><u>3,674,002</u></u>		<u><u>1,879,754</u></u>

The financial statements were approved by the board of directors and authorised for issue on 16 March 2020 and are signed on its behalf by:

M C Canham
Director



Company Registration No. 03778310

FERNHAM HOMES LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 JULY 2019

	Share capital £	Profit and loss reserves £	Total £
Balance at 1 March 2017	150	829,578	829,728
Period ended 31 July 2018:			
Profit and total comprehensive income for the period	-	1,050,026	1,050,026
Balance at 31 July 2018	150	1,879,604	1,879,754
Year ended 31 July 2019:			
Profit and total comprehensive income for the year	-	1,794,248	1,794,248
Balance at 31 July 2019	150	3,673,852	3,674,002

FERNHAM HOMES LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 JULY 2019

	Notes	2019 £	£	2018 £	£
Cash flows from operating activities					
Cash generated from/(absorbed by) operations	24		4,540,520		(7,278,937)
Interest paid			(1,165,949)		(1,509,513)
Income taxes paid			(359,155)		(90,810)
Net cash inflow/(outflow) from operating activities			3,015,416		(8,879,260)
Investing activities					
Purchase of tangible fixed assets		(40,593)		(8,190)	
Interest received		488		-	
Net cash used in investing activities			(40,105)		(8,190)
Financing activities					
Repayment of bank loans		(2,438,435)		8,958,695	
Net cash (used in)/generated from financing activities			(2,438,435)		8,958,695
Net increase in cash and cash equivalents			536,876		71,245
Cash and cash equivalents at beginning of year			1,506,384		1,435,139
Cash and cash equivalents at end of year			2,043,260		1,506,384

FERNHAM HOMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2019

1 Accounting policies

Company information

Fernham Homes Limited is a private company limited by shares incorporated in England and Wales. The registered office is 68 Grafton Way, London, W1T 5DS.

1.1 Accounting convention

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.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention, modified to include investment properties at fair value. The principal accounting policies adopted are set out below.

The company has taken advantage of the exemption under section 399 of the Companies Act 2006 not to prepare consolidated accounts, on the basis that the inclusion of its only subsidiary is not material for the purpose of giving a true and fair view. Accordingly, the financial statements present information about the company as an individual entity and not about its group.

1.2 Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

1.3 Turnover

Turnover is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes.

Revenue from the sale of properties is recognised when the significant risks and rewards of ownership of the properties have passed to the buyer (usually on completion of contracts), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Service charges and other income are recognised when the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

1.4 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Plant and equipment

Fixtures and fittings

25% straight line

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

FERNHAM HOMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2019

1 Accounting policies

(Continued)

1.5 Investment properties

Investment property, which is property held to earn rentals and/or for capital appreciation, is initially recognised at cost, which includes the purchase cost and any directly attributable expenditure. Subsequently it is measured at fair value at the reporting end date. The surplus or deficit on revaluation is recognised in profit or loss.

Where fair value cannot be achieved without undue cost or effort, investment property is accounted for as tangible fixed assets.

1.6 Fixed asset investments

Interests in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

A subsidiary is an entity controlled by the company. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

An associate is an entity, being neither a subsidiary nor a joint venture, in which the company holds a long-term interest and where the company has significant influence. The company considers that it has significant influence where it has the power to participate in the financial and operating decisions of the associate.

Entities in which the company has a long term interest and shares control under a contractual arrangement are classified as jointly controlled entities.

1.7 Stocks

Property stocks and work in progress are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises the purchase costs of property, development costs and, where applicable, those overheads that have been incurred in bringing the stocks to their present location and condition.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks and work in progress over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

1.8 Cash at bank and in hand

Cash at bank and in hand are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.9 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 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

FERNHAM HOMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 JULY 2019

1 Accounting policies

(Continued)

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, 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.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Derecognition of financial liabilities

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

FERNHAM HOMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2019

1 Accounting policies

(Continued)

1.10 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1.11 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.12 Provisions

Provisions are recognised when the company has a legal or constructive present obligation as a result of a past event, it is probable that the company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation. Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value. When a provision is measured at present value, the unwinding of the discount is recognised as a finance cost in profit or loss in the period in which it arises.

1.13 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

FERNHAM HOMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2019

1 Accounting policies

(Continued)

1.14 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

1.15 Leases

Rentals payable under operating leases are charged to the profit and loss account on a straight line basis over the term of the relevant lease.

2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

3 Turnover and other revenue

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

	2019 £	2018 £
Turnover analysed by class of business		
Property sales	23,702,008	16,873,488
Other income	33,686	57,108
	<u>23,735,694</u>	<u>16,930,596</u>

	2019 £	2018 £
Turnover analysed by geographical market		
United Kingdom	<u>23,735,694</u>	<u>16,930,596</u>

4 Operating profit

	2019 £	2018 £
Operating profit for the year is stated after charging:		
Fees payable to the company's auditor for the audit of the company's financial statements	11,550	11,000
Depreciation of owned tangible fixed assets	4,685	313
(Profit)/loss on disposal of tangible fixed assets	-	1,869
Cost of stocks recognised as an expense	18,896,087	12,970,757
Operating lease charges	<u>57,645</u>	<u>37,290</u>

FERNHAM HOMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2019

5 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

	2019 Number	2018 Number
	13	7
	2019 £	2018 £
Wages and salaries	604,298	509,847
Social security costs	77,675	58,880
Pension costs	7,221	3,114
	689,194	571,841

6 Interest receivable and similar income

	2019 £	2018 £
Interest income		
Interest on bank deposits	488	-

Investment income includes the following:

Interest on financial assets not measured at fair value through profit or loss	488	-
--	-----	---

7 Interest payable and similar expenses

	2019 £	2018 £
Interest on financial liabilities measured at amortised cost:		
Interest on bank overdrafts and loans	789,112	705,794
Other finance costs:		
Other interest	376,837	803,719
	1,165,949	1,509,513

FERNHAM HOMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2019

8 Taxation

	2019 £	2018 £
Current tax		
UK corporation tax on profits for the current period	413,723	176,620

The actual charge for the year can be reconciled to the expected charge for the year based on the profit or loss and the standard rate of tax as follows:

	2019 £	2018 £
Profit before taxation	2,207,971	1,226,646
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2018: 19.00%)	419,514	233,063
Tax effect of expenses that are not deductible in determining taxable profit	2,009	2,163
Effect of change in corporation tax rate	-	562
Permanent capital allowances in excess of depreciation	(7,800)	(1,712)
Other permanent differences	-	(57,456)
Taxation charge for the year	413,723	176,620

9 Tangible fixed assets

	Plant and equipment £	Fixtures and fittings £	Total £
Cost			
At 1 August 2018	8,190	-	8,190
Additions	40,058	535	40,593
At 31 July 2019	48,248	535	48,783
Depreciation and impairment			
At 1 August 2018	313	-	313
Depreciation charged in the year	4,629	56	4,685
At 31 July 2019	4,942	56	4,998
Carrying amount			
At 31 July 2019	43,306	479	43,785
At 31 July 2018	7,877	-	7,877

FERNHAM HOMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2019

10 Investment property

	2019 £
Fair value	
At 1 August 2018 and 31 July 2019	60,000

Investment property comprises freehold properties. The fair value of the investment property has been arrived at on the basis of a valuation carried out by the directors at 31 July 2019. The valuation was made on an open market value basis by reference to market evidence of transaction prices for similar properties.

11 Fixed asset investments

	Notes	2019 £	2018 £
Investments in subsidiaries	12	1	1

Movements in fixed asset investments

	Shares in group undertakings £
Cost or valuation	
At 1 August 2018 & 31 July 2019	1
Carrying amount	
At 31 July 2019	1
At 31 July 2018	1

12 Subsidiaries

Details of the company's subsidiaries at 31 July 2019 are as follows:

Name of undertaking	Registered office	Nature of business	Class of shares held	% Held Direct Indirect
Fernham Homes (Kent) Limited	68 Grafton Way London W1T 5DS	Non-trading property company	Ordinary	100.00

The aggregate capital and reserves and the result for the year of the subsidiaries noted above was as follows:

Name of undertaking	Profit/(Loss) £	Capital and Reserves £
Fernham Homes (Kent) Limited	(79)	(260)

FERNHAM HOMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2019

13 Financial instruments

	2019 £	2018 £
Carrying amount of financial assets		
Debt instruments measured at amortised cost	401,426	1,167,119
Carrying amount of financial liabilities		
Measured at amortised cost	23,360,797	28,017,953

14 Stocks

	2019 £	2018 £
Stocks and work in progress	24,921,209	27,600,258

15 Debtors

	2019 £	2018 £
Amounts falling due within one year:		
Trade debtors	5,120	529,668
Other debtors	482,861	677,146
Prepayments and accrued income	148,682	-
	636,663	1,206,814

16 Creditors: amounts falling due within one year

	Notes	2019 £	2018 £
Bank loans and overdrafts	18	11,138,581	7,730,297
Trade creditors		991,843	1,334,664
Corporation tax		231,188	176,620
Other taxation and social security		30,413	8,719
Other creditors		11,021,587	11,846,789
Accruals and deferred income		208,786	1,259,484
		23,622,398	22,356,573

Bank loans are secured by way of first legal charges over the company's property stocks and guarantees given by the three directors and A B Canham & Son.

Included in other creditors are amounts totalling £1,154,578 (2018: £1,990,654) which are secured by a second legal charge over certain of the company's property stocks.

FERNHAM HOMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2019

17 Creditors: amounts falling due after more than one year

	Notes	2019 £	2018 £
Bank loans and overdrafts	18	-	5,846,719

Bank loans are secured by way of first legal charges over the company's property stocks and guarantees given by the three directors and A B Canham & Son.

18 Bank loans and overdrafts

	2019 £	2018 £
Bank loans	11,138,581	13,577,016
Payable within one year	11,138,581	7,730,297
Payable after one year	-	5,846,719

The bank loans are secured by first legal charges and personal guarantees over the assets of the company. These loans are payable on the earlier of the maturity date and the date of sale of the relevant property. Interest paid on secured loans is based on LIBOR or base rate plus a margin.

19 Provisions for liabilities

	2019 £	2018 £
	408,518	298,288

Movements on provisions:

	£
At 1 August 2018	298,288
Additional provisions in the year	120,440
Utilisation of provision	(10,210)
At 31 July 2019	408,518

FERNHAM HOMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2019

20 Retirement benefit schemes

	2019	2018
Defined contribution schemes	£	£
Charge to profit or loss in respect of defined contribution schemes	7,221	3,114

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

21 Share capital

	2019	2018
Ordinary share capital Issued and fully paid	£	£
150 Ordinary shares of £1 each	150	150
	150	150

22 Operating lease commitments

Lessee

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2019	2018
	£	£
Within one year	24,374	75,343

23 Related party transactions

Transactions with related parties

During the year the company entered into the following transactions with related parties:

	Development costs		Interest paid	
	2019	2018	2019	2018
	£	£	£	£
Other related parties	11,773,709	14,991,775	262,500	74,651

FERNHAM HOMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2019

23 Related party transactions

(Continued)

The following amounts were outstanding at the reporting end date:

	2019	2018
	£	£
Amounts due to related parties		
Key management personnel	1,789,368	2,837,822
Other related parties	8,128,364	8,009,572
	<u>9,917,732</u>	<u>10,847,394</u>

The following amounts were outstanding at the reporting end date:

	2019	2018
	£	£
Amounts due from related parties		
Other related parties	142,705	439,469
	<u>142,705</u>	<u>439,469</u>

24 Cash generated from operations

	2019	2018
	£	£
Profit for the year after tax	1,794,248	1,050,026
Adjustments for:		
Taxation charged	413,723	176,620
Finance costs	1,165,949	1,509,513
Investment income	(488)	-
(Gain)/loss on disposal of tangible fixed assets	-	1,869
Depreciation and impairment of tangible fixed assets	4,685	313
Increase in provisions	110,230	65,291
Movements in working capital:		
Decrease/(increase) in stocks	2,679,049	(16,050,228)
Decrease/(increase) in debtors	570,151	(794,666)
(Decrease)/increase in creditors	(2,197,027)	6,762,325
Cash generated from/(absorbed by) operations	<u>4,540,520</u>	<u>(7,278,937)</u>