

Company Registration No. 03778310 (England and Wales)

FERNHAM HOMES LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2023

**REGISTRAR'S COPY
OF ACCOUNTS**



Cavendish
Chartered Certified Accountants
68 Grafton Way
London W1T 5DS

Ref: 5074c

FERNHAM HOMES LIMITED

COMPANY INFORMATION

Directors	I D Fern D E Masters M C Canham S Ellis C Loughhead	(Appointed 23 November 2022) (Appointed 23 November 2022)
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	Brook House 43 Swan Street West Malling Kent ME19 6HF	

FERNHAM HOMES LIMITED

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FERNHAM HOMES LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 JULY 2023

The directors present the strategic report for the year ended 31 July 2023.

Fair review of the business

During the reporting period, Sean Ellis joined the business as the fourth Shareholder and Managing Director of Fernham Homes.

The group continues to perform robustly in the context of an uncertain economic backdrop.

Cost pressures have continued due to the ongoing war in Ukraine, and subsequent supply disruption, and we are only now seeing inflationary expectations reduce. Equally the introduction of a higher interest environment during the trading year has cooled demand for housing as mortgage rates have risen coupled with the general cost of living.

In this context the Group's results have remained resilient. Revenue has decreased to £16.2m, down by £8.3m (33%) from the sale of 28 homes compared to 46 in the previous year. The Group's profit before tax stands at £2.6m against £5.2m in the prior year, a decrease of £2.6m (-50%). The continued profitability of the group reflects buying sites strategically and adding value through the planning process where developments can be designed to suit the Group's target market, thereby protecting margins, robust management of the procurement process and continuing to run an efficient operation.

The group has a strong cash position at the year end with a cash balance of £2m held with no borrowings. Appetite from high street and boutique lenders to support future site acquisitions and to fund pipeline developments is strong on the back of Fernham Homes' trading history and healthy balance sheet.

The land bank for the Group has continued to grow. At financial year end, the group has 1,100 homes under control, terms are also agreed for a further 1,190 homes. The Group continues to invest in new land opportunities to support the business growth plan.

Delays in the planning process continue to remain a concern, however continued undersupply of the South-East housing market is likely to increase pressure for local authorities to release land for construction. Against these pressures, the Group is pleased to report some key planning successes in the reporting period, namely consents at Rainham (20 units) Fawkham (34 units) Sissinghurst (19 units and new village hall) West Malling (10 units) and Faversham (84 units in detail; 70 units, day nursery and care home in outline).

The Group commenced its first development as Principal Contractor at Rainham, Kent in the financial year where Fernham Homes has contracted directly with sub-contractors for all elements of construction. This model will allow Fernham Homes to remain agile in changing market conditions whilst maintaining control over cost and flexibility around design and product delivery. It will also ensure that it has a flexible supply chain that can meet the planned growth of the business over the next 5 years

The Group is exceptionally well placed for growth with the move to the new head office in West Malling and the recruitment of an experienced team to deliver the financial targets of the business.

FERNHAM HOMES LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2023

Principal risks and uncertainties

Income from housing sales is the principal risk for the Group. The housing market has been tough during the period against a backdrop of increasing interest rates, tightening of mortgage lending requirements and macro-economic volatility internationally. Our development sites are located outside the London area and continue to benefit from the increased demand for homes in greener areas with more outside space. Group sales of new homes have been well supported by downsizers with little or no requirement for mortgage funding.

Materials and labour availability, and prices, have been constant themes during the financial year. The business has launched its first development tendered directly with sub-contractors during the period. This model has given the business the ability to competitively tender and diversify risk across the supply chain.

The planning system and the changing constitution within local councils continue to present risks to the 5 year business plan timetable. Additional resources have been introduced in the Land and Planning teams to help mitigate this risk during the year, and some important planning wins have been delivered in the year. The business has continued to increase its future land bank through strategic options.

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. At present we have no development loans but project specific development finance is anticipated in the next 12 months which will be subject to variable rates of interest.

Liquidity risk

Working capital is proactively 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 movement.

The current year results show a fall in reported total turnover of 34% due to a lower number of house completions than the previous year.

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 29.29% up from the previous period by 2.26%.

On behalf of the board

D E Masters
Director



30 May 2024

FERNHAM HOMES LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 JULY 2023

The directors present their annual report and financial statements for the year ended 31 July 2023.

Principal activities

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

Results and dividends

The results for the year are set out on page 8.

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

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

S Ellis

(Appointed 23 November 2022)

C Loughhead

(Appointed 23 November 2022)

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 group and company, and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and 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 group and 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 2023

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 auditor of the company 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 auditor of the company is aware of that information.

On behalf of the board

D E Masters
Director

A handwritten signature in black ink, appearing to be 'D E Masters', written over a horizontal line.

30 May 2024

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 'parent company') and its subsidiaries (the 'group') for the year ended 31 July 2023 which comprise the group statement of comprehensive income, the group balance sheet, the company balance sheet, the group statement of changes in equity, the company statement of changes in equity, the group statement of cash flows 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 group's and the parent company's affairs as at 31 July 2023 and of the group's 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

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 group's and parent 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.

FERNHAM HOMES LIMITED

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

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 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 group and parent 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 where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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 prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemption in preparing the directors' report and take advantage of the small companies exemption from the requirement to prepare a strategic report.

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 parent 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.

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

FERNHAM HOMES LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF FERNHAM HOMES LIMITED

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- our understanding of the legal and regulatory framework that the company and the group operates in, focusing on the provisions of those laws and regulations that had a direct effect of the determination of the material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act and tax legislation;
- the company's and the group's own assessment of the risks that irregularities might occur either as result of fraud or error;
- the results of our enquiries of management about their own identification and assessment of the risks of irregularities;
- our own assessment of the susceptibility of the company's and the group's financial statements to material misstatement, including how fraud might occur;
- the results of our enquiries of management about the legal and regulatory framework applicable to the company and how the company and the group is complying with that framework;
- the company's and the group's policies and procedures on fraud risks, including knowledge of any actual, suspected or alleged fraud; and
- discussions among the audit engagement team regarding how and when fraud and non-compliance with laws and regulations might occur in the financial statements and any potential indicators of fraud and non-compliance with laws and regulations.

Our procedures to respond to risks identified included the following:

- Reviewing the financial statements disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- Enquiring of management concerning actual and potential litigation and claims;
- Performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- In assessing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments, assessing whether the judgements made in making accounting estimates are indicative of potential bias and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.



A K Malhotra FCCA FCA (Senior Statutory Auditor)

For and on behalf of Cavendish

31 May 2024

**Chartered Certified Accountants
Statutory Auditor**

68 Grafton Way
London
W1T 5DS

FERNHAM HOMES LIMITED

GROUP STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 JULY 2023

	Notes	2023 £	2022 £
Turnover	3	16,235,676	24,479,946
Cost of sales		(11,481,008)	(17,863,441)
Gross profit		4,754,668	6,616,505
Administrative expenses		(2,077,908)	(1,375,602)
Operating profit	4	2,676,760	5,240,903
Interest receivable and similar income	8	10,482	1,121
Interest payable and similar expenses	9	(31,491)	(23,480)
Profit before taxation		2,655,751	5,218,544
Tax on profit	10	(542,049)	(1,004,164)
Profit for the financial year		2,113,702	4,214,380

Profit for the financial year is all attributable to the owners of the parent company.

Total comprehensive income for the year is all attributable to the owners of the parent company.

FERNHAM HOMES LIMITED

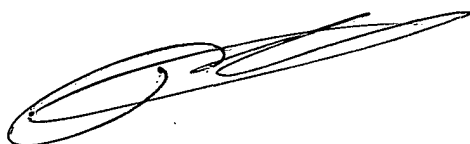
GROUP BALANCE SHEET

AS AT 31 JULY 2023

	Notes	2023 £	£	2022 £	£
Fixed assets					
Tangible assets	11		44,295		24,304
Investment properties	12		60,000		60,000
			<u>104,295</u>		<u>84,304</u>
Current assets					
Stocks	15	18,447,016		14,034,296	
Debtors	16	2,501,668		458,470	
Cash at bank and in hand		2,180,387		6,140,910	
		<u>23,129,071</u>		<u>20,633,676</u>	
Creditors: amounts falling due within one year	17	(6,300,138)		(5,916,454)	
Net current assets			<u>16,828,933</u>		<u>14,717,222</u>
Total assets less current liabilities			<u>16,933,228</u>		<u>14,801,526</u>
Provisions for liabilities					
Provisions	18	249,500		231,500	
		<u>(249,500)</u>		<u>(231,500)</u>	
Net assets			<u>16,683,728</u>		<u>14,570,026</u>
Capital and reserves					
Called up share capital	20		150		150
Profit and loss reserves			<u>16,683,578</u>		<u>14,569,876</u>
Total equity			<u>16,683,728</u>		<u>14,570,026</u>

The financial statements were approved by the board of directors and authorised for issue on 30 May 2024 and are signed on its behalf by:

D E Masters
Director



FERNHAM HOMES LIMITED

COMPANY BALANCE SHEET

AS AT 31 JULY 2023

	Notes	2023 £	£	2022 £	£
Fixed assets					
Tangible assets	11		44,295		24,304
Investment properties	12		60,000		60,000
Investments	13		2		2
			<u>104,297</u>		<u>84,306</u>
Current assets					
Stocks	15	16,896,615		6,562,606	
Debtors	16	3,662,029		8,570,048	
Cash at bank and in hand		1,669,688		2,959,715	
		<u>22,228,332</u>		<u>18,092,369</u>	
Creditors: amounts falling due within one year	17	(10,948,098)		(5,082,155)	
Net current assets			<u>11,280,234</u>		<u>13,010,214</u>
Total assets less current liabilities			<u>11,384,531</u>		<u>13,094,520</u>
Provisions for liabilities					
Provisions	18	249,500		231,500	
		<u>(249,500)</u>		<u>(231,500)</u>	
Net assets			<u>11,135,031</u>		<u>12,863,020</u>
Capital and reserves					
Called up share capital	20		150		150
Profit and loss reserves			<u>11,134,881</u>		<u>12,862,870</u>
Total equity			<u>11,135,031</u>		<u>12,863,020</u>

As permitted by s408 Companies Act 2006, the company has not presented its own profit and loss account and related notes. The company's loss for the year was £1,727,989 (2022 - £2,480,376 profit).

The financial statements were approved by the board of directors and authorised for issue on 30 May 2024 and are signed on its behalf by:

D E Masters
Director



Company Registration No. 03778310

FERNHAM HOMES LIMITED

GROUP STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 JULY 2023

	Share capital £	Profit and loss reserves £	Total £
Balance at 1 August 2021	150	10,355,496	10,355,646
Year ended 31 July 2022:			
Profit and total comprehensive income for the year	-	4,214,380	4,214,380
Balance at 31 July 2022	150	14,569,876	14,570,026
Year ended 31 July 2023:			
Profit and total comprehensive income for the year	-	2,113,702	2,113,702
Balance at 31 July 2023	150	16,683,578	16,683,728

FERNHAM HOMES LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 JULY 2023

	Share capital £	Profit and loss reserves £	Total £
Balance at 1 August 2021	150	10,382,494	10,382,644
Year ended 31 July 2022:			
Profit and total comprehensive income for the year	-	2,480,376	2,480,376
Balance at 31 July 2022	150	12,862,870	12,863,020
Year ended 31 July 2023:			
Loss and total comprehensive income for the year	-	(1,727,989)	(1,727,989)
Balance at 31 July 2023	150	11,134,881	11,135,031

FERNHAM HOMES LIMITED

GROUP STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 JULY 2023

	Notes	2023 £	£	2022 £	£
Cash flows from operating activities					
Cash (absorbed by)/generated from operations	23		(2,985,069)		1,746,097
Interest paid			(31,491)		(23,480)
Income taxes paid			(916,157)		(899,003)
Net cash (outflow)/inflow from operating activities			(3,932,717)		823,614
Investing activities					
Purchase of tangible fixed assets		(38,288)		(7,519)	
Proceeds on disposal of tangible fixed assets		-		330	
Interest received		10,482		1,121	
Net cash used in investing activities			(27,806)		(6,068)
Financing activities					
Repayment of bank loans		-		(705,520)	
Net cash used in financing activities			-		(705,520)
Net (decrease)/increase in cash and cash equivalents			(3,960,523)		112,026
Cash and cash equivalents at beginning of year			6,140,910		6,028,884
Cash and cash equivalents at end of year			2,180,387		6,140,910

FERNHAM HOMES LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2023

1 Accounting policies

Company information

Fernham Homes Limited ("the company") is a private limited company domiciled and incorporated in England and Wales. The registered office is 68 Grafton Way, London, W1T 5DS.

The group consists of Fernham Homes Limited and all of its subsidiaries.

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 the revaluation of freehold properties and to include investment properties and certain financial instruments at fair value. The principal accounting policies adopted are set out below.

The company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements for parent company information presented within the consolidated financial statements:

- Section 7 'Statement of Cash Flows': Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues': Interest income/expense and net gains/losses for financial instruments not measured at fair value; 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 26 'Share based Payment': Share-based payment expense charged to profit or loss, reconciliation of opening and closing number and weighted average exercise price of share options, how the fair value of options granted was measured, measurement and carrying amount of liabilities for cash-settled share-based payments, explanation of modifications to arrangements;
- Section 33 'Related Party Disclosures': Compensation for key management personnel.

1.2 Basis of consolidation

The consolidated group financial statements consist of the financial statements of the parent company Fernham Homes Limited together with all entities controlled by the parent company (its subsidiaries) and the group's share of its interests in joint ventures and associates.

All financial statements are made up to 31 July 2023. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the group.

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Subsidiaries are consolidated in the group's financial statements from the date that control commences until the date that control ceases.

FERNHAM HOMES LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2023

1 Accounting policies

(Continued)

1.3 Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the group 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.

1.4 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. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

When cash inflows are deferred and represent a financing arrangement, the fair value of the consideration is the present value of the future receipts. The difference between the fair value of the consideration and the nominal amount received is recognised as interest income.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (usually on dispatch of the goods), 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.

1.5 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	25% straight line
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 recognised in the profit and loss account.

1.6 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. Changes in fair value are recognised in profit or loss.

1.7 Fixed asset investments

Equity investments are measured at fair value through profit or loss, except for those equity investments that are not publicly traded and whose fair value cannot otherwise be measured reliably, which are recognised at cost less impairment until a reliable measure of fair value becomes available.

In the parent company financial statements, investments in subsidiaries are initially measured at cost and subsequently measured at cost less any accumulated impairment losses.

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

FERNHAM HOMES LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2023

1 Accounting policies

(Continued)

1.8 Impairment of fixed assets

At each reporting period end date, the group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The carrying amount of the investments accounted for using the equity method is tested for impairment as a single asset. Any goodwill included in the carrying amount of the investment is not tested separately for impairment.

1.9 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 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 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.

1.10 Cash and cash equivalents

Cash and cash equivalents 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.

1.11 Financial instruments

The group 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 group's balance sheet when the group becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset and 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.

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.

FERNHAM HOMES LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2023

1 Accounting policies

(Continued)

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 group 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 group 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 group's contractual obligations expire or are discharged or cancelled.

1.12 Equity instruments

Equity instruments issued by the group 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 group.

1.13 Taxation

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

FERNHAM HOMES LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2023

1 Accounting policies

(Continued)

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 group'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 if, and only if, there is 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.

1.14 Provisions

Provisions are recognised when the group has a legal or constructive present obligation as a result of a past event, it is probable that the group 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.

1.15 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.

1.16 Retirement benefits

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

1.17 Leases

Rentals payable under operating leases are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

FERNHAM HOMES LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 JULY 2023

2 Judgements and key sources of estimation uncertainty

In the application of the group'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

	2023 £	2022 £
Turnover analysed by class of business		
Sales	16,227,900	24,308,352
Other income	7,776	171,594
	<u>16,235,676</u>	<u>24,479,946</u>

	2023 £	2022 £
Other significant revenue		
Interest income	10,482	1,121
	<u>10,482</u>	<u>1,121</u>

4 Operating profit

	2023 £	2022 £
Operating profit for the year is stated after charging/(crediting):		
Depreciation of owned tangible fixed assets	18,297	17,555
Profit on disposal of tangible fixed assets	-	(56)
Operating lease charges	7,000	43,000
	<u>25,300</u>	<u>60,500</u>

5 Auditor's remuneration

	2023 £	2022 £
Fees payable to the company's auditor and associates:		
For audit services		
Audit of the financial statements of the group and company	20,000	15,000
Audit of the financial statements of the company's subsidiaries	8,750	4,350
	<u>28,750</u>	<u>19,350</u>

FERNHAM HOMES LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2023

6 Employees

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

	Group 2023 Number	2022 Number	Company 2023 Number	2022 Number
Administration	15	11	15	11

Their aggregate remuneration comprised:

	Group 2023 £	2022 £	Company 2023 £	2022 £
Wages and salaries	1,259,284	824,304	1,259,284	824,304
Social security costs	160,620	103,621	160,620	103,621
Pension costs	38,224	26,512	38,224	26,512
	1,458,128	954,437	1,458,128	954,437

7 Directors' remuneration

	2023 £	2022 £
Remuneration for qualifying services	640,235	-
Company pension contributions to defined contribution schemes	23,510	-
	663,745	-

Remuneration disclosed above includes the following amounts paid to the highest paid director:

	2023 £	2022 £
Remuneration for qualifying services	398,377	-
Company pension contributions to defined contribution schemes	17,875	-

FERNHAM HOMES LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2023

8 Interest receivable and similar income

	2023 £	2022 £
Interest income		
Interest on bank deposits	813	1,121
Other interest income	9,669	-
Total income	10,482	1,121

9 Interest payable and similar expenses

	2023 £	2022 £
Interest on bank overdrafts and loans	13,526	11,070
Other interest on financial liabilities	5,897	9,840
Other interest	12,068	2,570
Total finance costs	31,491	23,480

10 Taxation

	2023 £	2022 £
Current tax		
UK corporation tax on profits for the current period	542,049	1,004,175
Adjustments in respect of prior periods	-	(11)
Total current tax	542,049	1,004,164

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:

	2023 £	2022 £
Profit before taxation	2,655,751	5,218,544
Expected tax charge based on the standard rate of corporation tax in the UK of 21.01% (2022: 19.00%)	557,973	991,523
Tax effect of expenses that are not deductible in determining taxable profit	22,005	13,630
Tax effect of utilisation of tax losses not previously recognised	(1,102)	-
Unutilised tax losses carried forward	551	499
Adjustments in respect of prior years	-	(11)
Effect of change in corporation tax rate	(120)	-
Permanent capital allowances in excess of depreciation	(8,084)	(1,477)
Other permanent differences	(29,174)	-
Taxation charge	542,049	1,004,164

FERNHAM HOMES LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2023

11 Tangible fixed assets

Group	Plant and equipment £	Fixtures and fittings £	Total £
Cost			
At 1 August 2022	73,152	1,685	74,837
Additions	22,002	16,286	38,288
At 31 July 2023	95,154	17,971	113,125
Depreciation and impairment			
At 1 August 2022	49,333	1,200	50,533
Depreciation charged in the year	16,834	1,463	18,297
At 31 July 2023	66,167	2,663	68,830
Carrying amount			
At 31 July 2023	28,987	15,308	44,295
At 31 July 2022	23,819	485	24,304
Company	Plant and equipment £	Fixtures and fittings £	Total £
Cost			
At 1 August 2022	73,152	1,685	74,837
Additions	22,002	16,286	38,288
At 31 July 2023	95,154	17,971	113,125
Depreciation and impairment			
At 1 August 2022	49,333	1,200	50,533
Depreciation charged in the year	16,834	1,463	18,297
At 31 July 2023	66,167	2,663	68,830
Carrying amount			
At 31 July 2023	28,987	15,308	44,295
At 31 July 2022	23,819	485	24,304

12 Investment property

	Group 2023 £	Company 2023 £
Fair value		
At 1 August 2022 and 31 July 2023	60,000	60,000

FERNHAM HOMES LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2023

12 Investment property

(Continued)

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 directors at 31 July 2023. The valuation was made on an open market value basis by reference to market evidence of transaction prices for similar properties.

13 Fixed asset investments

	Notes	Group 2023 £	2022 £	Company 2023 £	2022 £
Investments in subsidiaries	14	-	-	2	2
Movements in fixed asset investments					
Company					Shares in subsidiaries £
Cost or valuation					
At 1 August 2022 and 31 July 2023					2
Carrying amount					
At 31 July 2023					2
At 31 July 2022					2

14 Subsidiaries

Details of the company's subsidiaries at 31 July 2023 are as follows:

Name of undertaking	Address	Class of shares held	% Held Direct
Fernham Homes (Kent) Limited	1	Ordinary	100.00
Fernham Homes (London) Limited	1	Ordinary	100.00

Registered office addresses (all UK unless otherwise indicated):

1 68 Grafton Way, London W1T 5DS

15 Stocks

	Group 2023 £	2022 £	Company 2023 £	2022 £
Finished goods and goods for resale	18,447,016	14,034,296	16,896,615	6,562,606

FERNHAM HOMES LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2023

16 Debtors

	Group 2023 £	2022 £	Company 2023 £	2022 £
Amounts falling due within one year:				
Trade debtors	90,854	-	90,854	-
Corporation tax recoverable	-	-	115,048	-
Amounts owed by group undertakings	508,414	-	1,609,825	8,140,131
Other debtors	1,883,291	445,549	1,842,418	428,213
Prepayments and accrued income	19,109	12,921	3,884	1,704
	<u>2,501,668</u>	<u>458,470</u>	<u>3,662,029</u>	<u>8,570,048</u>

17 Creditors: amounts falling due within one year

	Group 2023 £	2022 £	Company 2023 £	2022 £
Trade creditors	535,818	351,947	428,566	254,025
Amounts owed to group undertakings	-	-	4,935,904	-
Corporation tax payable	157,464	531,572	-	124,168
Other taxation and social security	59,172	24,352	59,172	24,352
Other creditors	3,694,114	3,858,022	3,694,114	3,857,913
Accruals and deferred income	1,853,570	1,150,561	1,830,342	821,697
	<u>6,300,138</u>	<u>5,916,454</u>	<u>10,948,098</u>	<u>5,082,155</u>

18 Provisions for liabilities

	Group 2023 £	2022 £	Company 2023 £	2022 £
Other provisions	<u>249,500</u>	<u>231,500</u>	<u>249,500</u>	<u>231,500</u>

Movements on provisions:

Group	Other provisions £
At 1 August 2022	231,500
Additional provisions in the year	18,000
At 31 July 2023	<u>249,500</u>

FERNHAM HOMES LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2023

18 Provisions for liabilities (Continued)

Company	Other provisions £
At 1 August 2022	231,500
Additional provisions in the year	18,000
At 31 July 2023	249,500

19 Retirement benefit schemes

Defined contribution schemes	2023 £	2022 £
Charge to profit or loss in respect of defined contribution schemes	38,224	26,512

A defined contribution pension scheme is operated for all qualifying employees. The assets of the scheme are held separately from those of the group in an independently administered fund.

20 Share capital

Group and company	2023 Number	2022 Number	2023 £	2022 £
Ordinary share capital Issued and fully paid Ordinary shares of £1 each	150	150	150	150

21 Related party transactions

Transactions with related parties

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

	Development costs 2023 £	2022 £
Group		
Other related parties	8,694,610	10,826,868
Company		
Other related parties	6,197,521	6,417,604

FERNHAM HOMES LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2023

21 Related party transactions

(Continued)

The following amounts were outstanding at the reporting end date:

Amounts due to related parties	2023 £	2022 £
Group		
Key management personnel	(27,556)	135,201
Other related parties	3,721,055	3,723,578
	<u> </u>	<u> </u>
Company		
Key management personnel	(27,556)	135,201
Other related parties	3,721,055	3,723,578
	<u> </u>	<u> </u>

The following amounts were outstanding at the reporting end date:

Amounts due from related parties	2023 Balance £	2022 Balance £
Group		
Entities with control, joint control or significant influence over the group	508,414	-
Other related parties	1,645,706	214,041
	<u> </u>	<u> </u>
Company		
Entities with control, joint control or significant influence over the company	508,414	-
Other related parties	1,645,706	214,041
	<u> </u>	<u> </u>

22 Controlling party

The immediate parent company is Fernham Homes Operations Limited.

The ultimate parent company is Fernham Homes Group Limited.

FERNHAM HOMES LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2023

23 Cash (absorbed by)/generated from group operations

	2023 £	2022 £
Profit for the year after tax	2,113,702	4,214,380
Adjustments for:		
Taxation charged	542,049	1,004,164
Finance costs	31,491	23,480
Investment income	(10,482)	(1,121)
Gain on disposal of tangible fixed assets	-	(56)
Depreciation and impairment of tangible fixed assets	18,297	17,555
Increase in provisions	18,000	6,000
Movements in working capital:		
(Increase)/decrease in stocks	(4,412,720)	951,258
Increase in debtors	(2,043,198)	(53,925)
Increase/(decrease) in creditors	757,792	(4,415,638)
Cash (absorbed by)/generated from operations	(2,985,069)	1,746,097

24 Analysis of changes in net funds - group

	1 August 2022 £	Cash flows £	31 July 2023 £
Cash at bank and in hand	6,140,910	(3,960,523)	2,180,387