

**Company no. 12318000**

**Fernando JSN plc**

Annual report and financial statements

31 October 2020

## Contents

|  |    |
|--|----|
| Strategic Report   | 1  |
| Directors' Report  | 4  |
| Independent Auditor's Report to the members of Fernando JSN plc        | 6  |
| Statement of Comprehensive Income for the period ended 31 October 2020 | 9  |
| Statement of Financial Position as at 31 October 2020                  | 10 |
| Statement of Changes in Equity   | 11 |
| Notes <i>(forming part of the financial statements)</i>                | 12 |

## **DIRECTORS AND OFFICERS**

### **DIRECTORS**

S J Lake  
G J Parcell

### **SECRETARY**

Law Debenture Corporate Services Limited

### **REGISTERED OFFICE**

8<sup>th</sup> Floor  
100 Bishopsgate  
London  
EC2N 4AG

### **INDEPENDENT AUDITOR**

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

## Strategic Report

The directors submit their report and the financial statements for the period ended 31 October 2020. This Strategic report is prepared in accordance with The Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013.

### Principal activities and business review

The company was incorporated on 15 November 2019.

The company acts as a holding and financing company for the group's property-owning companies (PropCos). The company issued secured guaranteed floating rate notes ("JSNs") on 25 September 2020, and also acquired an equal amount of unsecured loan notes ("JD Notes") from Fernando PropCo Holdings Limited. The interest payable and receivable on both the JSNs and JD Notes is the same, such that interest received on the JD Notes is used to pay interest due on the JSNs. The company will depend on payments by way of dividends and/or pursuant to intra-group loan agreements from its direct and indirect subsidiaries to make repayments of principal (including any capitalised interest) in respect of the JSNs, together with any costs associated with maintaining the financing structure.

The company made a loss for the year before tax of £27,067. This relates to costs associated with the listing of the JSNs, and it is expected that the company will continue to make small losses as there will be continuing costs with no related income.

### Future developments

There are no future developments that are expected to change the business operation or performance.

### Principal risks and uncertainties

The company's activities expose it to a number of financial risks as described below:

#### *Foreign Exchange Risk*

The company's operations do not expose it to transactions other than in the functional and presentation currency of the entity.

#### *Interest Rate Risk*

The company operates in an environment where interest rates are both low and stable. The company does not use interest rate swaps to hedge against the exposure to interest rate changes. Interest rate risk is covered by the interest rate on the receivable from the JD Notes being the same as the rate payable on the JSNs. Any risk therefore becomes a liquidity risk as noted below.

#### *Credit Risk*

The company's principal financial assets are intercompany debtors. The company's credit risk is considered by the directors to be low as its intercompany debtors are amounts due from Fernando Propco Holdings Limited, a subsidiary holding company for the PropCos, from which revenues and cash are generated from long-term, stable and contractually increasing rental income. The contractual nature of these receivables, and potential consequences to the leaseholder of non-payment, mean that these are at very low risk of financial loss. The PropCos have monthly reporting and KPI's in place to ensure that the amount and age of outstanding debts is under constant review, and appropriate collection actions are taken in a timely manner.

## **Strategic Report** *(continued)*

### **Principal risks and uncertainties** *(continued)*

#### *Liquidity Risk*

The ability of Fernando PropCo Holdings Limited to upstream cash to the company will depend on the ability of the PropCos, all subsidiaries of Fernando Propco Holdings Limited, to generate cash in the future.

This is, to an extent, subject to general economic, financial, competitive, legislative, regulatory and other factors which are beyond the control of the company and the other members of the Fernando group.

Interest on the JD notes due to the company, and on the JSNs owed by the company, are settled by payment-in-kind and added to the principal amount at each semi-annual interest payment date. There is a liquidity risk that if the PropCos do not distribute cash (directly or indirectly) to the company, or such payments are reduced, the company does not have any other source of funds that would allow it to make any other necessary payments in the short or medium term. Any such payments in the period up to the redemption of the JSN's in 2068 would be small, and this risk is therefore not material.

#### **Financial instruments**

The company issued an aggregate amount of £339,348,548 of Secured Guaranteed Floating Rate Notes due 2068 ("JSNs") on 25 September 2020 pursuant to the terms of a JSN Trust Deed entered into between the company as issuer, the group's PropCos as JSN guarantors, and the JSN Trustee.

These notes were admitted to the Official List of The International Stock Exchange in Jersey on 2 October 2020.

The notes are secured and have guaranteed floating rates of interest with interest payable on a semi-annual basis in arrears. Interest is based on LIBOR plus a 2% margin as shown in note 13 of these financial statements. On each interest payment date, an amount equal to any interest which would otherwise be payable in respect of the JSNs on such Interest Payment Date is added to the principal amount outstanding of the JSNs instead of being paid in cash (payment-in-kind interest). Amounts representing JSN payment-in-kind interest which are so added to the principal amounts outstanding of the JSNs is treated as principal amounts outstanding of the JSNs and bears interest accordingly.

Also on September 25 2020, the company bought unsecured loan notes from a member of the group, Fernando PropCo Holdings Ltd ("JD Notes"). These notes totalling £339,348,548 were issued back-to-back with, and on similar terms to, the JSNs referred to above and mature in October 2068, bearing interest at LIBOR plus a 2% margin as set out in Note 11 of these financial statements. Interest accrues semi-annually and any interest amount which would otherwise be payable in respect of these notes is treated as payment-in-kind and added to the principal amount outstanding.

## Strategic Report *(continued)*

### Section 172 statement

Section 172(1) of Companies Act 2006 requires the directors to act in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so, have regard (amongst other matters) to:

- a) the likely consequences of any decision in the long term,
- b) the interests of the company's employees,
- c) the need to foster the company's business relationships with suppliers, customers and others,
- d) the impact of the company's operations on the community and the environment,
- e) the desirability of the company maintaining a reputation for high standards of business conduct, and
- f) the need to act fairly as between members of the company.

The governance structure of the company is predetermined within the various documents that govern the operations and management of the group of which the company is a part. The directors have had regards to the matters set out in section 172(1) of the Companies Act 2006 as follows:

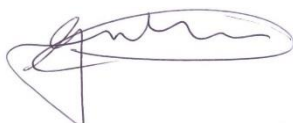
With reference to the likely consequences of any decision in the long term, the documents which govern the company and the group have been formulated to achieve the company's purpose and business objectives, safeguard the assets and promote the success of the company with a long-term view and in accordance with relevant securitisation legislation.

The matters set out in sections (b) – (f) have limited or no relevance to the company for the following reasons:

- the company has no employees;
- the company has appointed various third-party professionals to perform certain roles governed by the various transaction documents;
- the company has no physical presence or operations and accordingly has a minimal impact on the community and the environment; and
- the company has a sole member.

In accordance with section 426B of Companies Act 2006, a copy of this statement is available at [www.fernandogroup.co.uk](http://www.fernandogroup.co.uk)

On behalf of the board



GJ Parcell  
Director  
25 June 2021

## Directors' Report

The directors present their report and the Financial Statements of Fernando JSN plc for the period ended 31 October 2020. The company has, in accordance with S.414C of the Companies Act, set out in the Strategic report information regarding the principal activities, business review, financial risks and future developments that would otherwise have been set out in the Directors' Report.

### Proposed dividend

The directors do not recommend the payment of a dividend.

### Directors

The directors who held office during the period were as follows:

M H Filer (appointed 15 November 2019, resigned 19 August 2020)

LDC Corporate Director No 1 Limited (appointed 15 November 2019, resigned 19 August 2020)

LDC Corporate Director No 2 Limited (appointed 15 November 2019, resigned 19 August 2020)

G J Parcell (appointed 19 August 2020)

S J Lake (appointed 19 August 2020)

### Insurance of company officers

The company has, through the provision of a policy entered into by Fernando HoldCo Limited on 27 July 2020, maintained insurance for its directors and officers against the consequences of actions which may be brought against them in relation to their duties for the company.

### Employees

The company had no employees in the period.

### Disclosure of information to auditor

The directors confirm that so far as they are aware, there is no relevant audit information of which the company's auditor is unaware. They have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

### Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. The directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including Financial Reporting Standard 101: *Reduced Disclosure Framework* ("FRS 101").

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 its profit and loss for that period.

## **Directors' Report** *(continued)*

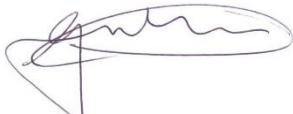
### **Statement of directors' responsibilities** *(continued)*

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

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

On behalf of the board



GJ Parcell  
Director  
25 June 2021



## Independent Auditor's Report to the members of Fernando JSN plc

### Disclaimer of opinion

We were engaged to audit the financial statements of Fernando JSN plc (the 'company') for the period ended 31 October 2020 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

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

### Basis for disclaimer of opinion

Included in the company's statement of financial position at 31 October 2020 are investments of £52,764, receivables of £340,057,354, payables of £340,057,354 and associated reserves which result from the restructuring referred to in the strategic report and note 9 to the financial statements. We were not provided with sufficient audit evidence to support the accounting entries made in respect of the transaction.

As a result of the above, we were unable to determine whether any adjustments were necessary in respect of the carrying amount of the above assets, liabilities and associated movements in profit or loss and reserves at 31 October 2020.

### Our application of materiality

When establishing our overall audit strategy, we set certain thresholds which help us to determine the nature, timing and extent of our audit procedures. When evaluating whether the effects of misstatements, both individually and on the financial statements as a whole, could reasonably influence the economic decisions of the users we take into account the qualitative nature and the size of the misstatements. Based on our professional judgement, we determined materiality as follows:

|  |   |
|--|---|
| <b>Overall materiality</b>                           | £4.82m  |
| <b>Basis for determining overall materiality</b>     | Approximately 1.4% of total assets  |
| <b>Rationale for benchmark applied</b>               | The principal activity of the company is to borrow funds via the issue of guaranteed floating rate notes on The International Stock Exchange in Jersey and to onward lend those funds to group undertakings. As a consequence, total assets was determined as the most appropriate benchmark. |
| <b>Performance materiality</b>                       | £3.61m  |
| <b>Basis for determining performance materiality</b> | 75% of overall materiality  |

### An overview of the scope of our audit

It was planned that the company would be subject to a full scope audit.

### 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.

## **Independent Auditor's Report to the members of Fernando JSN plc (continued)**

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.

### **Disclaimer of opinion on other matters prescribed by the Companies Act 2006**

Due to the significance of the matter described in the Basis for disclaimer of opinion section of our report, we have been unable to form an opinion, whether, based on the work undertaken in the course of the audit:

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

Except for the matters referred to above, in our opinion the directors' report has been prepared in accordance with the applicable legal requirements.

### **Matters on which we are required to report by exception**

Arising from the limitation of our work referred to above:

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

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

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

### **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement set out on pages 4 and 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

### **Auditor's responsibilities for the audit of the financial statements**

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

## **Independent Auditor's Report to the members of Fernando JSN plc (continued)**

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 as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

### **Use of our report**

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

*RSM UK Audit LLP*

William Farren FCA (Senior Statutory Auditor)  
For and on behalf of RSM UK Audit LLP, Statutory Auditor  
Chartered Accountants  
Portland, 25 High Street  
Crawley  
West Sussex  
RH10 1BG  
25 June 2021

## Statement of Comprehensive Income for the period ended 31 October 2020

|  | Notes | 2020<br>£ |
|--|-------|-----------|
| <b>Continuing Operations</b>                     |       |           |
| Administrative expenses                          |       | (27,067)  |
|  |       | <hr/>     |
| <b>Operating loss</b>                            |       | (27,067)  |
| Interest receivable and similar income           | 6     | 708,806   |
| Interest payable and similar expenses            | 7     | (708,806) |
|  |       | <hr/>     |
| <b>Loss before taxation</b>                      | 3     | (27,067)  |
| Taxation   | 8     | -         |
|  |       | <hr/>     |
| <b>Loss for the financial period</b>             |       | (27,067)  |
| Other comprehensive income                       |       | -         |
|  |       | <hr/>     |
| <b>Total comprehensive income for the period</b> |       | (27,067)  |
|  |       | <hr/>     |

No prior year comparative figures are shown as the company was incorporated on 15 November 2019 and the figures above show the results for the period starting on 15 November 2019 and ending on 31 October 2020.

The notes on pages 12 to 22 form part of these financial statements.

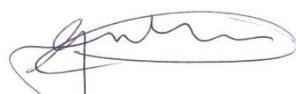
## Statement of Financial Position as at 31 October 2020

(Company number 12318000)

|   | Notes | 2020<br>£     |
|---|-------|---------------|
| <b>Fixed assets</b>                                     |       |               |
| Investments   | 9     | 52,764        |
|   |       | <hr/>         |
| <b>Current assets</b>                                   |       |               |
| Debtors: amounts due in less than one year              | 10    | 708,806       |
| Debtors: amounts due after more than one year           | 11    | 339,348,548   |
|   |       | <hr/>         |
|   |       | 340,057,354   |
|   |       | <hr/>         |
| Creditors: amounts falling due in less than one year    | 12    | (710,156)     |
|   |       | <hr/>         |
| <b>Net current assets</b>                               |       | 339,347,198   |
|   |       | <hr/>         |
| <b>Total assets less current liabilities</b>            |       | 339,399,962   |
|   |       | <hr/>         |
| Creditors: Amounts falling due after more than one year | 13    | (339,348,548) |
|   |       | <hr/>         |
| <b>Net assets</b>                                       |       | 51,414        |
|   |       | <hr/> <hr/>   |
| <b>Capital and reserves</b>                             |       |               |
| Called up share capital                                 | 14    | 52,764        |
| Share Premium   | 14    | 276,266,452   |
| Other Reserves  | 14    | (276,266,452) |
| Capital Contribution Reserve                            | 14    | 25,717        |
| Profit and loss account                                 | 14    | (27,067)      |
|   |       | <hr/>         |
| <b>Total equity</b>                                     |       | 51,414        |
|   |       | <hr/> <hr/>   |

No prior year comparative figures are shown as the company was incorporated on 15 November 2019.

The financial statements on pages 9 to 22 were approved by the board of directors and authorised for issue on 25 June 2021 and are signed on its behalf by:

  
G.J. Parcell  
Director

## Statement of Changes in Equity

|  | <b>Called up<br/>Share capital<br/>£</b> | <b>Share<br/>Premium<br/>account<br/>£</b> | <b>Other<br/>reserves<br/>£</b> | <b>Capital<br/>Contribution<br/>Reserve<br/>£</b> | <b>Profit<br/>and loss<br/>account<br/>£</b> | <b>Total<br/>equity<br/>£</b> |
|--|--|--|---------------------------------|---|--|-------------------------------|
| <b>Total comprehensive income for the period</b>             |  |  |                                 |   |  |                               |
| Loss   | -  | -  | -                               | -   | (27,067)                                     | (27,067)                      |
|  | <hr/>                                    | <hr/>                                      | <hr/>                           | <hr/>   | <hr/>  | <hr/>                         |
| Loss and total comprehensive income for the period           | -  | -  | -                               | -   | (27,067)                                     | (27,067)                      |
|  | <hr/>                                    | <hr/>                                      | <hr/>                           | <hr/>   | <hr/>  | <hr/>                         |
| <b>Transactions with owners, recorded directly in equity</b> |  |  |                                 |   |  |                               |
| Issue of shares  | 52,764                                   | 276,266,452                                | (276,266,452)                   | -   | -  | 52,764                        |
| Capital contributions  | -  | -  | -                               | 25,717  | -  | 25,717                        |
|  | <hr/>                                    | <hr/>                                      | <hr/>                           | <hr/>   | <hr/>  | <hr/>                         |
| Total contributions by and distributions to owners           | 52,764                                   | 276,266,452                                | (276,266,452)                   | 25,717  | -  | 78,481                        |
|  | <hr/>                                    | <hr/>                                      | <hr/>                           | <hr/>   | <hr/>  | <hr/>                         |
| <b>Balance at 31 October 2020</b>                            | <b>52,764</b>                            | <b>276,266,452</b>                         | <b>(276,266,452)</b>            | <b>25,717</b>                                     | <b>(27,067)</b>                              | <b>51,414</b>                 |
|  | <hr/> <hr/>                              | <hr/> <hr/>                                | <hr/> <hr/>                     | <hr/> <hr/>                                       | <hr/> <hr/>                                  | <hr/> <hr/>                   |

## **Notes (forming part of the financial statements)**

### **1 Accounting policies**

Fernando JSN plc (the “company”) is a public company, limited by shares, incorporated, domiciled and registered in England in the UK. The registered number is 12318000 and the registered address is 8th Floor, 100 Bishopsgate, London, EC2N 4AG. The company acts as a holding and financing company for the group’s property-owning companies (PropCos).

#### **1.1 Basis of Preparation**

These financial statements were prepared in accordance with Financial Reporting Standard 101: Reduced Disclosure Framework (“FRS 101”).

The financial statements present information about the company as an individual undertaking. The company has not presented consolidated financial statements as it is a wholly-owned subsidiary undertaking. The ultimate parent undertaking, Fernando Parent Limited includes the company in its consolidated financial statements. The consolidated financial statements of Fernando Parent Limited are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from Companies House, Crown Way, Cardiff, CF14 3UZ.

In preparing these financial statements the company has taken advantage of certain disclosure exemptions conferred by FRS 101 and has not provided:

- a cash flow statement for the period and related notes;
- a statement of compliance with IFRS (a statement of compliance with FRS 101 is provided instead);
- disclosures in relation to the objectives, policies and process for managing capital;
- disclosure of the effect of future accounting standards not yet adopted;
- related-party transactions with other wholly-owned members of the group.
- related-party disclosures in respect of compensation to key management personnel.

In addition and in accordance with FRS 101, further disclosure exemptions have been applied because equivalent disclosures are included in the consolidated financial statements of Fernando Parent Limited. These financial statements do not include certain disclosures in respect of:

- financial instrument disclosures as required by IFRS 7 Financial Instruments: Disclosures

#### *Historical cost convention*

The financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 2006.

#### *Presentation and rounding*

All amounts in this report are stated net of VAT unless the VAT incurred on a particular transaction is not recoverable in which case the transaction is recognised inclusive of VAT.

Amounts in this report have been rounded to the nearest pound.

#### *Critical accounting estimates*

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

## **Notes (continued)**

### **1 Accounting policies (continued)**

#### **1.2 Going Concern**

The financial statements have been prepared on a going concern basis.

The Strategic Report sets out the company's business activities, together with the factors likely to affect its future development and performance, and details of its financial instruments and its exposure to foreign exchange risk, interest rate risk, credit risk and liquidity risk.

The company meets its day-to-day working capital requirements through cash generated by the Propcos, which have a continuous long-term and growing income stream. Settlement of interest due to the company on Fernando PropCo Holdings Limited's loan notes ("JD Notes"), and the company's obligations to pay interest on its Junior Secured Notes ("JSNs"), are both settled by payment-in-kind, rather than in cash, adding amounts due to the principal amount.

The PropCos' cash flows have been relatively unaffected by the Covid-19 pandemic, as most receipts are contractual amounts which are relatively small for each leaseholder. The impact of the pandemic has resulted in a temporary reduction in transfer activity in the portfolio, which has reduced transfer fee income for the period, but this is expected to return to previous levels once the restrictions are lifted.

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for at least one year from the date of signing the financial statements, and thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

#### **1.3 Foreign currency translation**

The financial statements are presented in pounds sterling, which is Fernando JSN plc's functional and presentation currency. There were no foreign currency transactions in the period.

#### **1.4 Investments in subsidiaries**

Investments in subsidiaries are measured at cost less accumulated impairment.

#### **1.5 Financial assets (Loan notes)**

Financial assets are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method. The company applies the simplified approach in IFRS 9 to debtors, whereby the amount of the loss allowance is measured subsequent to the initial recognition of the receivable on the basis of lifetime expected credit losses (stage 2 – simplified approach).

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the company has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, its carrying value is written off.

#### **1.6 Financial Liabilities (Loan notes, payables)**

Financial liabilities are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.



**Notes** *(continued)*

**1 Accounting policies** *(continued)*

**1.7 Cash and cash equivalents**

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

**1.8 Provisions**

A provision is recognised in the balance sheet when the company has a present legal or constructive obligation as a result of a past event, that can be reliably measured, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

**1.9 Interest receivable and interest payable**

Interest receivable and interest payable is recognised in profit or loss as it accrues, using the effective interest method.

Dividend income is recognised in the profit and loss account on the date the entity's right to receive payments is established.

**1.10 Taxation**

Tax on the profit or loss for the period comprises current and deferred tax. Tax is recognised in the profit and loss for the period except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous periods.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised

**Notes (continued)**

**2 Critical accounting judgements, estimates and assumptions**

**Critical accounting judgments, estimates and assumptions**

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

*Coronavirus (COVID-19) pandemic*

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the company based on known information. Due to the nature of the company's business there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the company unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

*Allowance for expected credit losses*

The allowance for expected credit losses assessment requires a degree of estimation and judgement and is based on the lifetime expected credit loss. Having given full consideration to the nature of the outstanding receivables, it is the judgement of the directors that expected credit losses are not considered to be material and, therefore, no provision has been made in these financial statements for expected credit losses.

*Leasehold Reform*

In January 2021, the Government made an announcement as to their likely intentions on leasehold reform. While not detailed, this suggested that, *inter alia*: the processes for lease extension and collective enfranchisement would be simplified; lease extensions would be for a term of 990 years; commonhold would be the preferred structure for new properties. Any such legislative changes may affect the PropCos' income streams which might, in turn, impact their ability to settle interest due to the Company on the JD Notes. The directors note that certain aspects of the Government's announcement have no impact on the portfolio, but the lack of clarity and detail in the announcement, and the likely final position the Government takes, means that is not possible to make a more detailed impact assessment.

**Notes (continued)**

**3 Loss before taxation**

|  |                          |
|--|--------------------------|
| Loss before taxation is stated after charging: | <b>2020</b>              |
|  | <b>£</b>                 |
| Auditor's remuneration                         | -                        |
|  | <u><u>          </u></u> |

The auditor's remuneration of £7,500 has been borne by Fernando HoldCo Limited, another group undertaking.

**4 Number of employees**

The entity did not have any employees in the period.

**5 Directors' remuneration**

The directors, who are considered key management personnel, did not receive any remuneration during the period. The directors are remunerated by Fernando HoldCo Limited, another group undertaking, and it has not been possible to apportion any remuneration paid accordingly.

**6 Interest receivable**

|  |                          |
|--|--------------------------|
|  | <b>2020</b>              |
|  | <b>£</b>                 |
| Interest income under the effective interest method on:              |                          |
| Loan notes issued by other group undertakings held at amortised cost | 708,806                  |
|  | <u><u>          </u></u> |

**7 Interest payable**

|  |                          |
|--|--------------------------|
|  | <b>2020</b>              |
|  | <b>£</b>                 |
| Interest expense under the effective interest method on: |                          |
| Loan notes held at amortised cost                        | 708,806                  |
|  | <u><u>          </u></u> |

**Notes (continued)**

**8 Taxation**

**Recognised in the income statement**

|   | <b>2020</b> |
|---|-------------|
|   | <b>£</b>    |
| <i>UK corporation tax</i>                           |             |
| Current tax on income for the period                | -           |
|   | <hr/>       |
| Total current tax                                   | -           |
| <i>Deferred tax</i>                                 |             |
| Origination and reversal of temporary differences - | -           |
|   | <hr/>       |
| Total deferred tax                                  | -           |
|   | <hr/>       |
| Tax expense in the income statement                 | -           |
|   | <hr/> <hr/> |

**Reconciliation of tax expense**

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

|   | <b>2020</b> |
|---|-------------|
|   | <b>£</b>    |
| Loss for the period                           | (27,067)    |
| Total tax expense                             | -           |
|   | <hr/> <hr/> |
| Loss for the period excluding taxation        | (27,067)    |
| Tax using the UK corporation tax rate of 19 % | 5,143       |
| Group relief surrendered                      | (5,143)     |
|   | <hr/>       |
| Total tax expense                             | -           |
|   | <hr/> <hr/> |

There are no unrecognised deferred tax assets at 31 October 2020 as all available tax losses have been surrendered for the purposes of group relief.

**Notes (continued)**

**9 Fixed asset investments**

|                           | <b>Shares in<br/>group<br/>undertakings<br/>£</b> |
|---------------------------|---|
| <b>Cost</b>               |   |
| At 15 November 2019       | -   |
| Additions                 | 52,764  |
|                           | <hr/>   |
| At end of the period      | 52,764  |
|                           | <hr/>   |
| <b>Net book value</b>     |   |
| <b>At 31 October 2020</b> | 52,764  |
|                           | <hr/>   |
| At 15 November 2019       | -   |
|                           | <hr/>   |

The additions represent the acquisition of 100% of the share capital and voting rights of Fernando SSN plc from Fernando HoldCo Limited as part of the reconstruction of the Fairhold Finance group on 25 September 2020.

The Company has the following investments in ordinary shares in the following subsidiaries. All subsidiaries are 100% owned and incorporated in England and Wales.

| <b>Subsidiary</b>                | <b>Registered Office</b>                                 | <b>Ownership</b> |
|----------------------------------|--|------------------|
| Fernando SSN plc                 | 8 <sup>th</sup> Floor, 100 Bishopsgate, London, EC2N 4AG | Direct           |
| Fernando PropCo Holdings Limited | 8 <sup>th</sup> Floor, 100 Bishopsgate, London, EC2N 4AG | Indirect         |
| Fairhold Homes Limited           | 304 Regent's Park Road, London, N3 2JX                   | Indirect         |
| Fairhold Homes (No.2) Limited    | 304 Regent's Park Road, London, N3 2JX                   | Indirect         |
| Fairhold Homes (No.3) Limited    | 304 Regent's Park Road, London, N3 2JX                   | Indirect         |
| Fairhold Homes (No.4) Limited    | 304 Regent's Park Road, London, N3 2JX                   | Indirect         |
| Fairhold Homes (No.6) Limited    | 304 Regent's Park Road, London, N3 2JX                   | Indirect         |
| Fairhold Homes (No.7) Limited    | 304 Regent's Park Road, London, N3 2JX                   | Indirect         |
| Fairhold Homes (No.9) Limited    | 304 Regent's Park Road, London, N3 2JX                   | Indirect         |
| Fairhold Homes (No.11) Limited   | 304 Regent's Park Road, London, N3 2JX                   | Indirect         |
| Fairhold Homes (No.13) Limited   | 304 Regent's Park Road, London, N3 2JX                   | Indirect         |
| Fairhold Homes (No.14) Limited   | 304 Regent's Park Road, London, N3 2JX                   | Indirect         |
| Fairhold Homes (No.15) Limited   | 304 Regent's Park Road, London, N3 2JX                   | Indirect         |
| Littonace HMF Limited            | 304 Regent's Park Road, London, N3 2JX                   | Indirect         |
| Littonace HMF No. 2 Limited      | 304 Regent's Park Road, London, N3 2JX                   | Indirect         |
| Mediabasic Limited*              | 8 <sup>th</sup> Floor, 100 Bishopsgate, London, EC2N 4AG | Indirect         |
| Littonace (No.2) Limited*        | 8 <sup>th</sup> Floor, 100 Bishopsgate, London, EC2N 4AG | Indirect         |
| Littonace (No.3) Limited*        | 8 <sup>th</sup> Floor, 100 Bishopsgate, London, EC2N 4AG | Indirect         |
| Littonace (No.4) Limited*        | 8 <sup>th</sup> Floor, 100 Bishopsgate, London, EC2N 4AG | Indirect         |
| Littonace (No.5) Limited*        | 8 <sup>th</sup> Floor, 100 Bishopsgate, London, EC2N 4AG | Indirect         |
| Littonace (No.6) Limited*        | 8 <sup>th</sup> Floor, 100 Bishopsgate, London, EC2N 4AG | Indirect         |
| Littonace (No.7) Limited*        | 8 <sup>th</sup> Floor, 100 Bishopsgate, London, EC2N 4AG | Indirect         |
| Littonace (No.8) Limited*        | 8 <sup>th</sup> Floor, 100 Bishopsgate, London, EC2N 4AG | Indirect         |
| Littonace (No.9) Limited*        | 8 <sup>th</sup> Floor, 100 Bishopsgate, London, EC2N 4AG | Indirect         |
| Littonace (No.10) Limited*       | 8 <sup>th</sup> Floor, 100 Bishopsgate, London, EC2N 4AG | Indirect         |
| Littonace Properties Limited*    | 8 <sup>th</sup> Floor, 100 Bishopsgate, London, EC2N 4AG | Indirect         |
| Fairhold Homes (No.5) Limited*   | 8 <sup>th</sup> Floor, 100 Bishopsgate, London, EC2N 4AG | Indirect         |
| Fairhold Homes (No.8) Limited*   | 8 <sup>th</sup> Floor, 100 Bishopsgate, London, EC2N 4AG | Indirect         |
| Fairhold Homes (No.10) Limited*  | 8 <sup>th</sup> Floor, 100 Bishopsgate, London, EC2N 4AG | Indirect         |

**Notes (continued)**

**9 Fixed asset investments (continued)**

The company has the following investments in subsidiaries (continued):

| Subsidiary                                 | Registered Office  | Ownership |
|--|--|-----------|
| Fairhold Homes Investment Limited*         | 8 <sup>th</sup> Floor, 100 Bishopsgate, London, EC2N 4AG | Indirect  |
| Fairhold Homes Investment (No.2) Limited*  | 8 <sup>th</sup> Floor, 100 Bishopsgate, London, EC2N 4AG | Indirect  |
| Fairhold Homes Investment (No.3) Limited*  | 8 <sup>th</sup> Floor, 100 Bishopsgate, London, EC2N 4AG | Indirect  |
| Fairhold Homes Investment (No.5) Limited*  | 8 <sup>th</sup> Floor, 100 Bishopsgate, London, EC2N 4AG | Indirect  |
| Fairhold Homes Investment (No.6) Limited*  | 8 <sup>th</sup> Floor, 100 Bishopsgate, London, EC2N 4AG | Indirect  |
| Fairhold Homes Investment (No.7) Limited*  | 8 <sup>th</sup> Floor, 100 Bishopsgate, London, EC2N 4AG | Indirect  |
| Fairhold Homes Investment (No.8) Limited*  | 8 <sup>th</sup> Floor, 100 Bishopsgate, London, EC2N 4AG | Indirect  |
| Fairhold Homes Investment (No.10) Limited* | 8 <sup>th</sup> Floor, 100 Bishopsgate, London, EC2N 4AG | Indirect  |
| Fairhold Homes Investment (No.11) Limited* | 8 <sup>th</sup> Floor, 100 Bishopsgate, London, EC2N 4AG | Indirect  |
| Fairhold Homes Investment (No.12) Limited* | 8 <sup>th</sup> Floor, 100 Bishopsgate, London, EC2N 4AG | Indirect  |
| Fairhold Haven Limited*                    | 8 <sup>th</sup> Floor, 100 Bishopsgate, London, EC2N 4AG | Indirect  |

The principal activity of Fernando PropCo Holdings Limited is that of a holding company.

The principal activity of Fernando SSN plc is that of issuing loan notes to investors on behalf of the Group and to provide long-term financing to the members of the Group.

The principal activity of all other subsidiaries is that of property investment, specifically sheltered housing accommodation.

Companies denoted with \* do not undertake any trading activities but are not considered to be dormant within the meaning of section 1169 of the Companies Act 2006.

**10 Debtors: amounts due in less than one year**

|   | 2020<br>£ |
|---|-----------|
| Accrued interest receivable from group undertakings (see note 11) | 708,806   |

**11 Debtors: amounts due after more than one year**

|   | 2020<br>£   |
|---|-------------|
| Loan notes issued by other group undertakings | 339,348,548 |

*Terms and debt repayment schedule*

|                      | Currency | Rate      | Year of maturity | Face Value<br>2020<br>£000 | Carrying amount<br>2020<br>£000 |
|----------------------|----------|-----------|------------------|----------------------------|---------------------------------|
| Unsecured loan notes | GBP      | LIBOR +2% | 2068             | 339,348.5                  | 339,348.5                       |

**Notes** *(continued)*

**12 Creditors: amounts falling due in less than one year**

|   | <b>2020</b><br><b>£</b> |
|---|-------------------------|
| Accrued interest (see note 13)          | 708,806                 |
| Other amounts due to group undertakings | 1,350                   |
|   | <hr/> 710,156 <hr/>     |

**13 Creditors: amounts falling due after more than one year**

|                    | <b>2020</b><br><b>£</b> |
|--------------------|-------------------------|
| Secured loan notes | 339,348,548             |
|                    | <hr/>                   |

The secured loan notes represent interest-bearing loans and borrowings held at amortised cost and repayable after more than five years otherwise than by instalments.

*Terms and debt repayment schedule*

|                    | <b>Currency</b> | <b>Rate</b> | <b>Year of maturity</b> | <b>Face Value<br/>2020<br/>£000</b> | <b>Carrying amount<br/>2020<br/>£000</b> |
|--------------------|-----------------|-------------|-------------------------|-------------------------------------|--|
| Secured loan notes | GBP             | LIBOR +2%   | 2068                    | 339,348.5                           | 339,348.5                                |

**Notes (continued)**

**14 Capital and reserves**

**Share capital**

The company was incorporated on 15 November 2019 with share capital of £1.

| No. of shares                                      | <b>2020</b> |             |
|--|-------------|-------------|
| At 15 November 2019                                | 1           |             |
| Issued in consideration for shares in subsidiaries | 276,269,215 |             |
| Issued for cash                                    | 50,000      |             |
|  | <hr/>       |             |
| At 31 October 2020 – fully paid                    | 276,319,216 |             |
|  | <hr/>       |             |
|  |             | <b>2020</b> |
|  |             | <b>£</b>    |
| <b><i>Allotted, called up and fully paid</i></b>   |             |             |
| 276,269,215 Ordinary shares of £0.00001 each       |             | 2,763       |
| 50,001 Ordinary shares of £1 each                  |             | 50,001      |
|  |             | <hr/>       |
|  |             | 52,764      |
|  |             | <hr/>       |
| Called up share capital                            |             | 52,764      |
|  |             | <hr/>       |

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the company.

The company was incorporated on 15 November 2019 with share capital of £1. During the period the company issued 276,269,215 £0.00001 ordinary shares for a consideration of £276,269,215 settled by the issuance of shares in certain subsidiary companies, and 50,000 £1 ordinary shares for a consideration of £50,000 settled in cash.

***Share Capital***

This represents the nominal value received on issue of share capital.

***Share Premium Account***

This represents any premiums received on issue of share capital.

***Capital Contribution Reserve***

This represents contributions made to the equity capital of the business to which no entitlement to repayment or other consideration is attached.

***Profit and Loss Account***

This represents cumulative profit and loss net of distributions to owners.

***Other Reserve***

The other reserve has arisen as a result of the decision of the directors to recognise the investment in its subsidiary, Fernando SSN plc, at the nominal value of the shares issued to acquire it.



**Notes** *(continued)*

**15 Related parties**

The holders of the Junior Secured Notes (see note 13) are also shareholders in Fernando Parent Limited, the ultimate parent company of the group. Accrued interest payable to related parties in the period on these notes totalled £708,806.

*Amounts payable to related parties*

At the reporting date, the following balances were payable to related parties:

|                       | <b>Creditors</b>  | <i>non-current<br/>amount</i> |
|-----------------------|-------------------|-------------------------------|
|                       | <b>2020</b>       | <i>2020</i>                   |
|                       | <b>£000</b>       | <i>£000</i>                   |
| Other related parties | 340,057           | 339,349                       |
|                       | <u>          </u> | <u>          </u>             |

**16 Ultimate parent company and parent company of larger group**

The company is a subsidiary undertaking of Fernando HoldCo Limited, a company incorporated in the United Kingdom. The ultimate parent company is Fernando Parent Limited, a company incorporated in the United Kingdom. There is no ultimate controlling party.

The largest and smallest group in which the results of the company are consolidated is that headed by Fernando Parent Limited, 8<sup>th</sup> Floor, 100 Bishopsgate, London, EC2N 4AG. The consolidated financial statements of the group are available to the public and may be obtained from Companies House, Crown Way, Cardiff CF14 3UZ.