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**STOKE-ON-TRENT REGENERATION LIMITED**

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**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 NOVEMBER 2020**

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## STOKE-ON-TRENT REGENERATION LIMITED

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### COMPANY INFORMATION

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<b>Directors</b>	Guy Gusterson Jonathan Rouse Stuart Murray
<b>Registered number</b>	02265579
<b>Registered office</b>	Park Point 17 High Street Longbridge Birmingham B31 2UQ
<b>Independent auditors</b>	KPMG LLP One Snowhill Snow Hill Queensway Birmingham B4 6GH

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## STOKE-ON-TRENT REGENERATION LIMITED

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## STOKE-ON-TRENT REGENERATION LIMITED

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### DIRECTORS' REPORT FOR THE YEAR ENDED 30 NOVEMBER 2020

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The directors present their report and the financial statements for the year ended 30 November 2020.

#### Principal activities

The principal activities of the company in the year under review were that of property development and property investment.

#### Results and dividends

The profit for the year, after taxation, amounted to £2,515,976 (2019 - loss £6,601,647).

A total dividend of £7,962,511 was distributed for the year ended 30 November 2020 (2019: £nil).

#### Significant events

As at 30 November 2019 provisions totalling £8,667,712 were recognised which relate to a provision made in regards to a potential claim against the company for a building that the company developed and subsequently sold a number of years ago in which various problems are said to have arisen. As the claim has progressed through the year ended 30 November 2020, the directors have revised their estimate to take account of developments during the year, resulting in an increase in the provision of £2,400,000. Following utilisation in the year the closing provision at the year end amounted to £10,463,083 (see note 13).

#### Directors

The directors who served during the year were:

Guy Gusterson

Daniel Jellyman (resigned on 24 March 2021)

Stuart Murray (appointed on 31 January 2021)

Jonathan Rouse (appointed on 24 March 2021)

Ian Romano (resigned on 31 January 2021).

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## STOKE-ON-TRENT REGENERATION LIMITED

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### DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 30 NOVEMBER 2020

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#### Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 Reduced Disclosure Framework.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and 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;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

#### Going concern

The financial position of the company is set out in the Balance Sheet and the accompanying Notes to the Financial Statements.

The company has satisfactory financial resources. As a consequence, the directors believe that the company is well placed to manage its business risks successfully despite the current uncertain economic outlook. After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis in preparing the annual financial statements. In doing so, the directors have considered the latest guidelines from the Financial Reporting Council regarding the preparation of financial statements on a going concern basis.

#### Disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the Company's auditors are unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

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## STOKE-ON-TRENT REGENERATION LIMITED

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### DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 30 NOVEMBER 2020

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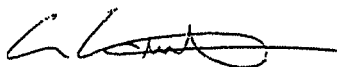
#### Auditors

KPMG LLP, our appointed auditor, have conducted the audit for the year ended 30 November 2020 and have expressed a willingness to remain in office. Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed reappointed as auditor in the absence of an Annual General Meeting.

#### Small companies note

In preparing this report, the directors have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006.

This report was approved by the board on 20 May 2021 and signed on its behalf.



Guy Gusterson  
Director

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## STOKE-ON-TRENT REGENERATION LIMITED

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### INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF STOKE-ON-TRENT REGENERATION LIMITED

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#### Opinion

We have audited the financial statements of Stoke-On-Trent Regeneration Limited ("the company") for the year ended 30 November 2020 which comprise the Statement of Comprehensive Income, Balance Sheet and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 November 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

#### Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

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## STOKE-ON-TRENT REGENERATION LIMITED

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### INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF STOKE-ON-TRENT REGENERATION LIMITED (CONTINUED)

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#### Directors report

The directors are responsible for the directors' report. Our opinion on the financial statements does not cover that report and we do not express an audit opinion thereon.

Our responsibility is to read the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the directors' report;
- in our opinion the information given in that report for the financial year is consistent with the financial statements; and
- in our opinion that report has been prepared in accordance with the Companies Act 2006.

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

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.

We have nothing to report in these respects.

#### Directors' responsibilities

As explained more fully in their statement set out on page 2, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

#### Auditors' responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).



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**STOKE-ON-TRENT REGENERATION LIMITED**

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**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF STOKE-ON-TRENT REGENERATION  
LIMITED (CONTINUED)**

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**The purpose of our audit work and to whom we owe our responsibilities**

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.

**KPMG LLP**

One Snowhill  
Snow Hill Queensway  
Birmingham  
B4 6GH  
Date:

**STOKE-ON-TRENT REGENERATION LIMITED**

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 30 NOVEMBER 2020**

	Note	2020 £	2019 £
Turnover	3	2,016,636	1,117,818
Cost of sales		(3,692,033)	(9,225,962)
<b>Gross loss</b>		<b>(1,675,397)</b>	<b>(8,108,144)</b>
Administrative expenses		(9,500)	(9,500)
Other operating income	4	394,430	366,528
Gain/(loss) on revaluation of investment property		4,104,153	(591,413)
<b>Operating profit/(loss)</b>	5	<b>2,813,686</b>	<b>(8,342,529)</b>
Interest receivable and similar income		101,937	253,965
Interest payable and expenses		(139)	-
<b>Profit/(loss) before tax</b>		<b>2,915,484</b>	<b>(8,088,564)</b>
Tax on profit/(loss)	6	(399,508)	1,486,917
<b>Profit/(loss) for the financial year</b>		<b>2,515,976</b>	<b>(6,601,647)</b>

There was no other comprehensive income for 2020 (2019:£NIL).

The notes on pages 11 to 24 form part of these financial statements.

**STOKE-ON-TRENT REGENERATION LIMITED**  
**REGISTERED NUMBER: 02265579**

**BALANCE SHEET**  
**AS AT 30 NOVEMBER 2020**

	Note	2020 £	2019 £
<b>Fixed assets</b>			
Investments	7	2	2
Investment property	8	32,458,608	13,818,934
		<u>32,458,610</u>	<u>13,818,936</u>
<b>Current assets</b>			
Stocks	9	207,977	2,159,537
Debtors: amounts falling due within one year	10	1,162,152	7,637,380
Cash at bank and in hand		2,751,525	7,585,380
		<u>4,121,654</u>	<u>17,382,297</u>
Creditors: amounts falling due within one year	11	(10,243,802)	(2,071,140)
<b>Net current (liabilities)/assets</b>		<u>(6,122,148)</u>	<u>15,311,157</u>
<b>Total assets less current liabilities</b>		<u>26,336,462</u>	<u>29,130,093</u>
<b>Provisions for liabilities</b>			
Deferred taxation	12	(1,010,458)	(152,925)
Other provisions	13	(10,463,083)	(8,667,712)
		<u>(11,473,541)</u>	<u>(8,820,637)</u>
<b>Net assets</b>		<u><u>14,862,921</u></u>	<u><u>20,309,456</u></u>
<b>Capital and reserves</b>			
Called up share capital	14	100,000	100,000
Revaluation reserve		2,651,787	28,027
Profit and loss account		12,111,134	20,181,429
		<u><u>14,862,921</u></u>	<u><u>20,309,456</u></u>

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**STOKE-ON-TRENT REGENERATION LIMITED**  
**REGISTERED NUMBER: 02265579**

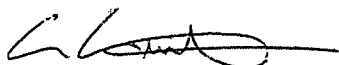
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**BALANCE SHEET (CONTINUED)**  
**AS AT 30 NOVEMBER 2020**

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The Company's financial statements have been prepared in accordance with the provisions applicable to entities subject to the small companies regime.

The financial statements were approved and authorised for issue by the board and were signed on its behalf on



**Guy Gusterson**  
Director  
20 May 2021

The notes on pages 11 to 24 form part of these financial statements.

STOKE-ON-TRENT REGENERATION LIMITED

STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 NOVEMBER 2020

	Called up share capital £	Revaluation reserve £	Profit and loss account £	Total equity £
<b>At 1 December 2018</b>	100,000	773,964	26,037,139	26,911,103
<b>Changes in equity</b>				
Loss for the year	-	-	(6,601,647)	(6,601,647)
*Transfer of net realised gains to fair value reserve	-	(745,937)	745,937	-
<b>At 1 December 2019</b>	100,000	28,027	20,181,429	20,309,456
<b>Changes in equity</b>				
Profit for the year	-	-	2,515,976	2,515,976
Transfer of net unrealised gains to fair value reserve	-	2,623,760	(2,623,760)	-
Dividend paid	-	-	(7,962,511)	(7,962,511)
<b>At 30 November 2020</b>	100,000	2,651,787	12,111,134	14,862,921

The notes on pages 11 to 24 form part of these financial statements.

\*During the preparation of the financial statements for the year ended 30 November 2020, it has been identified that the brought forward balance as at 1 December 2019 for the fair value and profit and loss reserve requires a restatement of £484,468, representing a reclassification between the reserves due to the omission of a late adjustment in the prior year. Given that the fair value reserve is a voluntary disclosure this is not a statutory prior year restatement. The balance of the fair value reserve as at 30 November 2020 has been reconciled and the directors are comfortable this is appropriately disclosed.

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## STOKE-ON-TRENT REGENERATION LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 NOVEMBER 2020

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#### 1. Statutory information

Stoke-on-Trent Regeneration Limited is a private company, limited by shares, registered in England and Wales. The company's registered number and registered office address can be found on the Company Information page.

#### 2. Accounting policies

##### 2.1 Basis of preparation of financial statements

These financial statements have been prepared in accordance with Financial Reporting Standard 101 "Reduced Disclosure Framework" ("FRS 101"). The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain assets.

The company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the company as an individual undertaking and not about its group.

In preparing these financial statements, the company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with the Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The company has taken advantage of the disclosure exemptions included within paragraph 8 of FRS 101. The main impact of these disclosure exemptions is that these financial statements do not include a cash flow statement, financial instruments, fair value and related party disclosures, disclosure of compensation of Key Management personnel or comparative information in respect of certain assets. Where required, equivalent disclosures are given in the consolidated financial statements of St. Modwen Properties PLC. The accounting policies below have, unless stated otherwise, consistently been applied to all periods presented within these financial statements.

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## STOKE-ON-TRENT REGENERATION LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 NOVEMBER 2020

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#### 2. Accounting policies (continued)

##### 2.2 Going concern

The Company's business activities, together with the factors likely to affect its future development and position, are set out in the Directors' Report on page 1.

The Company participates in the Group's centralised treasury arrangements, and as such the Company's funding requirements are directly linked to the Group's overall financial position. At 30 November 2020 the Group had £550m of committed facilities in place. The Group's committed facilities comprise a £475m revolving credit facility, with £75m maturing in December 2023 and the balance maturing in December 2024, and a £75m Homes England loan with a maturity date of October 2025. During January 2021, the unsecured revolving credit facility was increased from £475.0m to £500.0m at terms consistent with the facility in place at 30 November 2020.

The Group has prepared a going concern assessment for a period of at least 12 months from the date of approval of these financial statements, which includes modelling severe but plausible financial scenarios that take into consideration the current economic environment due to COVID-19. In all scenarios, the Group expects to operate within the level of its current borrowing facilities. The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Annual Reports. The Directors have considered the potential range of future financial performance and several steps have been taken to ensure that the Group maintains a strong balance sheet and liquidity position. This includes securing access to funding under the Government's Covid Corporate Financing Facility (CCFF) should that be required in the event of a severe deterioration in market conditions and agreeing an amendment of the interest cover covenants on our Group debt facilities.

The detailed review of the going concern assumption included an assessment of future funding requirements based on cash flow forecasts, valuation projections and the ability of the Group to meet amended covenants on existing borrowing facilities, all over a period extending to 30 November 2023. The Group has no debt maturities during this period. The directors were satisfied that the forecasts and projections were based on realistic assumptions and that the sensitivities applied in reviewing the severe but plausible downside scenario adopted were appropriate and considered the potential impacts of COVID-19. The review shows that the Group maintains significant borrowing headroom and continues to meet all of its covenants under the severe but plausible downside scenario adopted. Therefore, the directors are satisfied that the Group will have sufficient ongoing facilities available throughout the period to 30 November 2023 used to assess the going concern assumption.

As a result of the above the Company's ultimate parent, St. Modwen Properties PLC, have provided a letter of support to confirm their intention to continue to operate a centralised Group treasury arrangement, facilitating the Company to enable it to meet its liabilities as they fall due for a period of at least 12 months from the date of these financial statements. Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

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## STOKE-ON-TRENT REGENERATION LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 NOVEMBER 2020

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#### 2. Accounting policies (continued)

##### 2.3 Turnover

The accounting policies for revenue, set out below, reflect the company's application of IFRS 15 Revenue from contracts with Customers on its different revenue streams. In each case below, turnover is recognised when performance obligations are satisfied by transferring a promised good or service to a customer. Turnover is measured at the fair value of the consideration received excluding discounts, VAT and other sales taxes or duty. Any non-cash consideration is measured at fair value and any deferred consideration is measured at present value, unless the deferral is for a period of one year or less, in which case no adjustment is made to the consideration. The specific performance obligations identified for each of the company's significant revenue streams (other than rental income, which is accounted for under IFRS 16 Leases) are set out below.

##### 2.4 Rental income

Rental income from leases granted is accounted for under IFRS 16 Leases. Rental income is adjusted for the impact of any cash incentives given to the lessee and to reflect any rent free incentive periods, is recognised in the Profit and Loss Account on a straight- line basis over the lease term.

##### 2.5 Management fee income

Management fees are recognised when the group has substantially fulfilled its obligations in respect of the transaction and hence the amount of revenue can be measured reliably and it is probable that economic benefits will flow to the group.

##### 2.6 Development sales

Turnover arising from the sale of property inventory is recognised on legal completion of the sale. Such disposals are typically for a fixed consideration received on completion, although part of this consideration may be on deferred terms. Development sales also includes contract income. Contract income is recognised by reference to the stage of completion of contract activity where the outcome of the construction contract can be estimated reliably, otherwise revenue is recognised only to the extent of recoverable contract costs incurred.



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## STOKE-ON-TRENT REGENERATION LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 NOVEMBER 2020

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## 2. Accounting policies (continued)

### 2.7 Investment property

Investment properties are properties which are held either to earn rental income or for capital appreciation or both. Investment properties are carried at fair value following initial recognition at the present value of the consideration payable. To establish fair value, investment properties are independently valued on the basis of market value. Any unrealised surplus or deficit arising is recognised in the profit and loss account for the year and subsequently transferred to the fair value reserve. Investment properties are not depreciated.

Once classified as an investment property, a property remains in this category until development with a view to sale commences, at which point the asset is transferred to inventories at current valuation.

Where an investment property is being redeveloped for continued use as an investment property, the property remains within investment property and any movement in valuation is recognised in the profit and loss account. Capital expenditure, including capitalised interest on qualifying assets and labour costs where applicable, that is directly attributable to the redevelopment or refurbishment of investment property, up to the point of it being completed for its intended use, is included in the carrying value of the property.

Investment property disposals are recognised on completion. Profits and losses arising are recognised through the profit and loss account and the profit or loss on disposal is determined as the difference between the sales proceeds and the carrying amount of the asset.

### 2.8 Financial instruments

Financial assets and financial liabilities are recognised when the company becomes a party to the contractual provisions of the instrument.

### 2.9 Trade and other debtors

Trade and other debtors are initially recognised at fair value and subsequently carried at amortised cost less any allowance for expected credit losses. The expected credit losses on trade and other debtors are estimated using a provision matrix based on the company's historical credit loss experience, adjusted for factors that are specific to the individual debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date. Balances are written off when the probability of recovery is assessed as being remote.

### 2.10 Cash and cash equivalents

Cash and cash equivalents comprises cash balances and short-term deposits with banks with initial maturity less than three months.

### 2.11 Trade and other creditors

Trade and other creditors are initially recognised at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest rate method. Where payment is on deferred terms the liability is initially recorded by discounting the nominal amount payable to net present value. The discount to nominal value is amortised over the period of the deferred arrangement and charged to finance costs.

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## STOKE-ON-TRENT REGENERATION LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 NOVEMBER 2020

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## 2. Accounting policies (continued)

### 2.12 Stocks

Stocks principally comprise properties previously developed and held for sale, properties under construction with a view to sale and land under option with a view to future sale. All stocks are carried at the lower of cost and realisable value.

Cost comprises land, direct materials and, where applicable, capitalised interest on qualifying assets and direct labour costs that have been incurred in bringing the inventories to their present location and condition. When inventory includes a transfer from investment properties, cost is recorded as the book value at the date of transfer. Net realisable value represents the estimated selling price less any further costs expected to be incurred to completion and disposal. Inventory is transferred to investment properties only when the asset meets the definition of an investment property and there is evidence of a change in use, for example, the inception of an operating lease.

### 2.13 Taxation

Current tax assets and liabilities are measured at the amount expected to be recovered from, or paid to, the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date. Full payment is made for transfer pricing adjustments and group relief surrendered between group undertakings.

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, using the rates of tax expected to apply based on legislation enacted or substantively enacted at the balance sheet date.

Deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws substantively enacted at the balance sheet date.

### 2.14 Investments

Fixed asset investments are shown at cost less provision for impairment. Impairment is measured by comparing the carrying value of the asset with its recoverable amount.

### 2.15 Interest

Interest is capitalised if it is directly attributable to the acquisition, construction or production of inventory or the redevelopment of investment properties. Capitalisation commences when the activities to develop the property start and continues until the property is substantially ready for its intended use. Capitalised interest is calculated with reference to the weighted average interest rate of incremental borrowings.

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## STOKE-ON-TRENT REGENERATION LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 NOVEMBER 2020

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## 2. Accounting policies (continued)

### 2.16 Leases

IFRS 16 was not mandatorily effective for the company until the year ended 30 November 2020, but the company elected to early adopt the standard at the same time as IFRS 9 Financial instruments and IFRS 15 Revenue from contracts with Customers in the year ended 30 November 2019 with effect from 1 December 2018.

#### **The company as a lessor**

Rental income from leases granted, adjusted for the impact of any cash incentives given to the lessee and to reflect any rent-free incentive periods, is recognised on a straight-line basis over the lease term.

### 2.17 Key sources of estimation uncertainty

In the application of the company's accounting policies outlined above, the directors are required to make estimates and assumptions about the carrying amounts 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 and so actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis and revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting period that may 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.

### 2.18 Valuation of investment properties

Investment properties are held at fair value, which is determined by independent valuations undertaken by external valuation experts in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors. These valuations are based on prevailing market conditions and evidence of transaction prices for similar properties together with assumptions including yields, estimated rental values, gross development values and the appropriateness of remediation expenditure and costs to complete. Market conditions and assumptions are expected to change over time and any increase in yields or costs to complete or any decreases in estimated rental values or gross development values in subsequent periods would result in a decrease in the fair value of investment properties. The company adopts the valuation performed by its independent valuers as the fair value of its investment properties, following review by management.

### 2.19 Net realisable value of inventories

The company has ongoing procedures for assessing the carrying value of inventories and identifying where this is in excess of net realisable value. The estimates and judgements for both revenue and costs were based on information available at, and pertaining to, the balance sheet date, with reference to recent experience on similar properties and site-specific knowledge.

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## STOKE-ON-TRENT REGENERATION LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 NOVEMBER 2020

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#### 2. Accounting policies (continued)

##### 2.20 Carrying value of the exceptional provision

Note 13 sets out detail of an exceptional provision recognised initially in the prior year. There are a number of possible outcomes and the carrying value of provisions is sensitive to changes in assumptions or estimates that underpin these possible outcomes. These uncertainties include the extent, underlying cause and proposed remediation of the alleged problems and the impact they may have upon the current owner and occupier. Some of the uncertainties will be reduced following the detailed articulation of the claim, but a number may remain until the matter is settled, either by negotiations or formal proceedings, which may not occur within the next financial year. The sensitivity of the carrying amount of the provisions to the assumptions and estimates used is disclosed in note 13.

#### 3. Turnover

The turnover and profit (2019 - loss) before taxation are attributable to the principal activities of the company.

An analysis of turnover by class of business is as follows:

	2020 £	2019 £
Development sales	1,952,860	1,059,507
Rental income	62,525	56,701
Management fee income	1,251	1,610
	<u>2,016,636</u>	<u>1,117,818</u>

Analysis of turnover by country of destination:

	2020 £	2019 £
United Kingdom	2,016,636	1,117,818
	<u>2,016,636</u>	<u>1,117,818</u>

# STOKE-ON-TRENT REGENERATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 NOVEMBER 2020

### 4. Other operating income

	2020 £	2019 £
Other operating income	233,939	244,492
Profit on sale of investment property	160,491	122,036
	<u>394,430</u>	<u>366,528</u>

### 5. Operating profit/(loss)

The company had no employees or staff costs for the current financial year or the prior financial year.

None of the directors received any remuneration paid by the company during the current financial year or the prior financial year. The remuneration of the directors is paid by other group undertakings and no part of their remuneration is specifically attributable to their services to this company.

The fee payable for the audit of the financial statements of the company was £7,500 (2019: £7,500) and the fee payable for tax compliance services for the company was £2,000 (2019: £2,000).

### 6. Taxation

	2020 £	2019 £
<b>Corporation tax</b>		
Current tax on profits for the year	(458,025)	(1,676,423)
<b>Total current tax</b>	<u>(458,025)</u>	<u>(1,676,423)</u>
<b>Deferred tax</b>		
Other temporary differences	283	362
Impact of current year revaluations and indexation	913,173	69,610
Changes in rate for provision for deferred tax	10,211	-
Adjustments in respect of previous years	(66,134)	119,534
<b>Total deferred tax</b>	<u>857,533</u>	<u>189,506</u>
<b>Taxation on profit/(loss) on ordinary activities</b>	<u>399,508</u>	<u>(1,486,917)</u>

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STOKE-ON-TRENT REGENERATION LIMITED

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 NOVEMBER 2020

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6. Taxation (continued)

**Reconciliation of total tax charge/(credit) included in the Statement of Comprehensive Income**

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

	2020 £	2019 £
Profit/(loss) on ordinary activities before tax	<u>2,915,484</u>	<u>(8,088,564)</u>
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2019 - 19%)	553,942	(1,536,827)
<b>Effects of:</b>		
Non-deductible or taxable expenses and credits	(71,870)	28,739
Taxation on investment property	-	6,990
Change in rate used for provision of deferred tax	10,211	-
Adjustments to tax charge in respect of prior periods	(92,775)	(25,441)
Other property differences	-	39,622
<b>Total tax charge/(credit) for the year</b>	<u><u>399,508</u></u>	<u><u>(1,486,917)</u></u>

**Factors that may affect future tax charges**

Legislation enacted during the year ended 30 November 2020 included provisions which reversed a proposed reduction in the main rate of corporation tax from 19% to 17% with effect from 1 April 2020. Current tax and deferred tax have therefore been provided at 19%.

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## STOKE-ON-TRENT REGENERATION LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 NOVEMBER 2020

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#### 7. Fixed asset investments

	Investments in subsidiary companies £
<b>Cost and net book value</b>	
At 1 December 2019	2
At 30 November 2020	<u>2</u>

The following is a list of all subsidiary undertakings owned by the company at 30 November 2020. Unless otherwise stated, all are incorporated in England and Wales with their registered office at Park Point, 17 High Street, Longbridge, Birmingham, B31 2UQ. The share capital of each of the companies, where applicable, comprises of ordinary shares.

#### **Subsidiary undertaking**

The following was a subsidiary undertaking of the Company:

Name	Registered office	Principal activity	Class of shares	Holding
Stoke on Trent Regeneration (Investments) Limited	Park Point, 17 High Street, Longbridge, Birmingham, B31 2UQ	Property investment	Ordinary	100%

# STOKE-ON-TRENT REGENERATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 NOVEMBER 2020

### 8. Investment property

	Freehold investment property £
<b>Valuation</b>	
At 1 December 2019	13,818,934
Additions at cost	14,021,709
Disposals	(4,054,559)
Surplus on revaluation	4,104,153
Transfers between classes	4,568,371
<b>At 30 November 2020</b>	<b>32,458,608</b>

Freehold investment properties were revalued as at 30 November 2020 and 30 November 2019 by Cushman & Wakefield, Chartered Surveyors in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors, on the basis of market value. The independent valuers provide the fair value of the company's properties every 6 months.

The investment property balance includes the impact of cumulative revaluation movements and would have been included on a historical cost basis at £28,802,027 (2019: £13,136,033).

### 9. Stocks

	2020 £	2019 £
Work-in-progress	207,977	2,159,537
	<b>207,977</b>	<b>2,159,537</b>

There was no impairment of stocks to net realisable value or reversal of impairments in the current or previous financial years.



# STOKE-ON-TRENT REGENERATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 NOVEMBER 2020

### 10. Debtors

	2020 £	2019 £
Trade debtors	343,566	714,070
Amounts owed by group undertakings	-	5,298,018
Other debtors	256,989	92,273
Prepayments and accrued income	707	1,570
Corporation tax	431,384	1,531,449
Contract assets	129,506	-
	<u>1,162,152</u>	<u>7,637,380</u>

Included in the amounts owed by group undertakings in the prior year, is a £3,800,000 debtor with St. Modwen Properties PLC that attracts interest of 2.5%. The remaining balance is interest free.

### 11. Creditors: Amounts falling due within one year

	2020 £	2019 £
Trade creditors	1,804,322	271,521
Amounts owed to group undertakings	8,001,621	-
Other taxation and social security	-	4,045
Other creditors	-	354,803
Accruals and deferred income	437,859	1,440,771
	<u>10,243,802</u>	<u>2,071,140</u>

Included in the amounts owed to group undertakings in the current period, is a £3,800,000 debtor with St. Modwen Properties PLC that attracts interest of 2.5%. The remaining balance is interest free.

### 12. Deferred taxation

	2020 £	2019 £
At beginning of year	(152,925)	36,581
Charged to profit or loss	(923,667)	(189,506)
Adjustments in respect of previous years	66,134	-
<b>At end of year</b>	<u><b>(1,010,458)</b></u>	<u><b>(152,925)</b></u>

# STOKE-ON-TRENT REGENERATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 NOVEMBER 2020

### 12. Deferred taxation (continued)

The provision for deferred taxation is made up as follows:

	2020 £	2019 £
Accelerated capital allowances	5,665	4,875
Property revaluations	1,004,793	148,050
	<u>1,010,458</u>	<u>152,925</u>

### 13. Provisions

	Other provision £
At 1 December 2019	8,667,712
Charged to profit or loss	2,400,000
Utilised in year	(604,629)
<b>At 30 November 2020</b>	<b><u>10,463,083</u></b>

Other provisions totalling £10,463,083 relate to a provision which has been made in regards to a potential claim against the company for a building that the company developed and subsequently sold a number of years ago in which various problems are said to have arisen. As a result of the claim progressing during the current year, the directors revised their estimate and increased the provision by £2,400,000.

No detailed articulation of the claim has yet been made and there is limited information available at this early stage. Therefore there is significant estimation uncertainty over the amount and timing of any outflow of economic benefits and therefore in the carrying value of the provision.

Based on the limited evidence available at the date of signing these financial statements, the range of reasonably possible outcomes of the carrying amount of the provision is between £6.3m and £11.1m. The company contracted the design and development of the building to third parties and there is the potential of some or a significant proportion of any settlement being reimbursed by these third parties. In accordance with IAS 37, no reimbursement asset has been recognised at 30 November 2020 as reimbursement is not virtually certain.

### 14. Share capital

	2020 £	2019 £
<b>Authorised, allotted, called up and fully paid</b>		
81,000 (2019 - 81,000) Ordinary 'A' shares of £1.00 each	81,000	81,000
19,000 (2019 - 19,000) Ordinary 'B' shares of £1.00 each	19,000	19,000

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## STOKE-ON-TRENT REGENERATION LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 NOVEMBER 2020

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#### 14. Share capital (continued)

	<u>100,000</u>	<u>100,000</u>
The ordinary 'A' and ordinary 'B' shares rank parri passu in all respects.		

#### 15. Related party transactions

At the year end the company had amounts owing to St. Modwen Properties PLC of £8,001,624 (2019: £5,298,018 receivable). There was interest paid of £295,614 (2019: £134,758) and interest received for £95,257 (2019: £238,794) with St. Modwen Properties PLC during the period.

#### 16. Ultimate controlling party

The company's immediate and ultimate parent company is St. Modwen Properties PLC, a company registered in England and Wales. Copies of the group annual report and financial statements of St. Modwen Properties PLC are available from the registered office of Park Point, 17 High Street, Longbridge, B31 2UQ. This is the smallest and largest group into which this company is consolidated.