

TOLENT HOMES LIMITED

Report and Financial Statements

For the year ended

31st December 2017

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TOLENT HOMES LIMITED

Annual report and financial statements for the year ended 31st December 2017

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TOLENT HOMES LIMITED

Directors, Secretary and Registered Office

Directors

J.G. Wood

A.D. Clark

Secretary

A.D. Clark

Registered Office

Ravensworth House
5th Avenue Business Park
Team Valley
Gateshead
Tyne and Wear
NE11 0HF

Registered in England : Company Number - 02803140

TOLENT HOMES LIMITED

Report of the Directors for the year ended 31st December 2017

The directors present their report together with the audited financial statements for the year ended 31st December 2017.

1. Principal activities

The company is principally engaged in property development.

2. Results

The statement of comprehensive income is set out on page 5 and shows the result for the year. The result reflects a provision of £710,000 (2016 - £2,427,000) against the carrying value of 45 apartments in the Echo Buildings in Sunderland. Although we are pleased to report a continued high level of occupancy throughout 2017, the local housing market remains depressed and the provision has been made by the Directors to reflect the current value of £3,760,000 based on an external valuation.

3. Directors

The directors in office at the end of the year were Messrs' J.G. Wood and A.D. Clark both of whom served throughout the year.

4. Statement of directors' responsibilities

The directors are responsible for preparing the Report of the directors and the financial statements in accordance with applicable law and regulations. Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

In preparing these financial statements, the directors are required to select suitable accounting policies and then apply them consistently, to make judgements and accounting estimates that are reasonable and prudent and to prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The directors confirm that so far as each director is aware, there is no relevant audit information of which the company's auditor is unaware and the directors 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

5. Auditor

Grant Thornton UK LLP, having expressed their willingness to continue in office, will be deemed reappointed for the next financial year in accordance with section 487(2) of the Companies Act 2006 unless the company receives notice under section 488(1) of the Companies Act 2006.

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

BY ORDER OF THE BOARD

A.D. Clark

Secretary

21st March 2018



TOLENT HOMES LIMITED

Independent auditor's report to the members of Tolent Homes Limited

We have audited the financial statements of Tolent Homes Limited (the 'company') for the year ended 31 December 2017 which comprise Statement of comprehensive income, Statement of financial position, 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 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Who we are reporting to

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.

Conclusions relating to going concern

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

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

Other information

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

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

We have nothing to report in this regard.

TOLENT HOMES LIMITED

Independent auditor's report to the members of Tolent Homes Limited (continued)

Opinion on other matters prescribed by the Companies Act 2006

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

- the information given in the Report of the directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Report of the directors has been prepared in accordance with applicable legal requirements.

Matter on which we are required to report under the Companies Act 2006

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Report of the directors.

Matters on which we are required to report by exception

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

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

Responsibilities of directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities 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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Grant Thornton UK LLP

Donna Steel
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Sheffield
21st March 2018

TOLENT HOMES LIMITED

Statement of comprehensive income for the year ended 31st December 2017

	Note	<u>2017</u>	<u>2016</u>
		£	£
Turnover	5	282,025	220,350
Decrease in work in progress		<u>0</u>	<u>(2,427,192)</u>
		282,025	(2,206,842)
Other operating charges		<u>(986,725)</u>	<u>(220,799)</u>
Operating result		(704,700)	(2,427,641)
Net interest	6	<u>(51,436)</u>	<u>(63,275)</u>
Loss on ordinary activities before taxation	5	(756,136)	(2,490,916)
Tax on loss on ordinary activities	7	<u>(113,253)</u>	<u>420,879</u>
Loss on ordinary activities after taxation and total comprehensive loss for the year	14	<u>(869,389)</u>	<u>(2,070,037)</u>
Loss on ordinary activities after taxation and total comprehensive loss attributable to equity shareholders of Tolent Homes Limited		<u>(869,389)</u>	<u>(2,070,037)</u>

All the above transactions relate to continuing activities.

Notes 1 to 16 form part of these financial statements.

TOLENT HOMES LIMITED

Statement of financial position at 31st December 2017

	Note	<u>2017</u>	<u>2016</u>
		<u>£</u>	<u>£</u>
Fixed Assets			
Investment property	8	<u>3,760,000</u>	<u>4,470,000</u>
Current assets			
Debtors	9	71,610	412,924
Cash at bank and in hand		<u>31,589</u>	<u>30,099</u>
		103,199	443,023
Creditors: amounts falling due within one year	11	<u>(8,438,936)</u>	<u>(7,405,293)</u>
Net Current liabilities		<u>(8,335,737)</u>	<u>(6,962,270)</u>
Total assets less current liabilities		(4,575,737)	(2,492,270)
Creditors: amounts falling due after more than one year	12	<u>0</u>	<u>(1,214,078)</u>
		<u>(4,575,737)</u>	<u>(3,706,348)</u>
Capital and reserves			
Called up share capital	13	2	2
Profit and loss account	14	<u>(4,575,739)</u>	<u>(3,706,350)</u>
Shareholders' funds		<u>(4,575,737)</u>	<u>(3,706,348)</u>

The financial statements were approved and authorised by the Board of Directors on 21st March 2018.



J.G. WOOD

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A.D. CLARK

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Directors

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Company number 02803140

Notes 1 to 16 form part of these financial statements.

TOLENT HOMES LIMITED

Statement of changes in equity for the year ended 31st December 2017

	Share Capital	Profit and Loss account	Total Equity
	£	£	£
At 1st January 2016	2	(1,636,313)	(1,636,311)
Loss on ordinary activities after taxation and total comprehensive loss for the year	0	(2,070,037)	(2,070,037)
At 31st December 2016	<u>2</u>	<u>(3,706,350)</u>	<u>(3,706,348)</u>
At 1st January 2017	2	(3,706,350)	(3,706,348)
Loss on ordinary activities after taxation and total comprehensive loss for the year	0	(869,389)	(869,389)
At 31st December 2017	<u>2</u>	<u>(4,575,739)</u>	<u>(4,575,737)</u>

Notes 1 to 16 form part of these financial statements.

TOLENT HOMES LIMITED

Notes forming part of the financial statements for the year ended 31st December 2017

1. Company information

Tolent Homes Limited is a private limited company incorporated in England and Wales. The registered office is Ravensworth House, 5th Avenue Business Park, Team Valley, Gateshead, Tyne and Wear, NE11 0HF.

The company is principally engaged in property development.

2. Basis of preparation

These financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 - 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' ('FRS102'), and with the Companies Act 2006. The financial statements have been prepared on the historical cost basis.

The financial statements are presented in Sterling (£).

The company has adopted the following disclosure exemptions:

- financial instrument disclosures, including:

categories of financial instruments

items of income, expenses, gains or losses relating to financial instruments, and

exposure to and management of financial risks.

- the requirement to disclose the total compensation of key management

- the requirement to disclose transactions within the Group headed by Tolent PLC

The company has taken advantage of the exemption, under FRS 102 paragraph 1.12(b), from preparing a statement of cash flows and related notes, on the basis that it is a qualifying entity and its ultimate parent company, Tolent Plc, includes the company's cash flows in its own consolidated financial statements.

Going concern

The directors have considered the company's cash position, making appropriate enquiries and reviewing forecasts of future trading levels and cash flows covering at least twelve months from the date of these accounts, taking into account the group banking facilities available and expected to be available to the company, and the support of the parent company, Tolent PLC.

On this basis, the directors have formed a judgement at the time of approving the financial statements that there is a reasonable expectation that the company has sufficient resources to continue in operation for the foreseeable future. For this reason the directors consider the adoption of the going concern basis in preparing the financial statements is appropriate.

3. Significant judgements and estimates

Valuation of investment properties

The company carries its investment property at fair value, with changes in fair value being recognised in profit and loss. The company engaged an independent valuation specialist to determine the fair value at the reporting date. The valuer used a recognised valuation technique. The determined fair value of the investment property is sensitive to the estimated yield and the occupancy rate.

4. Principal accounting policies

The principal accounting policies of the company are stated below.

(a) Turnover

Turnover is the total amount receivable in respect of services provided, excluding value added tax. This includes gross rental income charged in the year to tenants under the terms of their leases.

TOLENT HOMES LIMITED

Notes forming part of the financial statements for the year ended 31st December 2017 (continued)

(b) Investment Properties

The company's properties are held for long term investment and are leased to third parties. Investment properties whose fair value can be measured reliably are measured at fair value. The surplus or deficit on revaluation is recognised in profit and loss account.

(c) Work in progress

Work in progress is valued at the lower of cost and net realisable value.

(d) Debtors

Short term debtors are measured at the transaction price, less any impairment.

(e) Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and measured subsequently at amortised cost using the effective interest method.

(f) Taxation

Current tax is recognised for the amount of income tax payable in respect of the taxable profit for the current or past reporting periods using the tax rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred tax is recognised on all timing differences where the transactions or events that give the company an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the reporting date. Deferred tax assets are only recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or future taxable profits. Deferred tax is calculated using the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference. Deferred tax assets and liabilities are not discounted.

The tax expense/(income) is presented either in the profit or loss, other comprehensive expense/(income) or equity depending on the transaction that resulted in the tax expense/(income).

Deferred tax liabilities are presented within provisions for liabilities and deferred tax assets within debtors. Deferred tax assets and liabilities are offset only if:

- the company has a legally enforceable right to set off current tax assets against current tax liabilities, and
- the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously.

5. Turnover and profit on ordinary activities before taxation

All the group's turnover and results are derived from its principal activity of property development, and its turnover is all from the United Kingdom. Loss on ordinary activities is stated after:

	2017	2016
Auditor's remuneration:	£	£
For the audit of the company	5,200	2,550
Tax and other Services	1,000	300
	<u>6,200</u>	<u>2,850</u>

The average number of employees of the company during the year was 2 (2016 - 2). Directors' emoluments were £nil (2016 - £nil).

6. Net interest

	2017	2016
	£	£
Payable on bank overdraft and other loans repayable:		
within five years, otherwise than by instalments	<u>51,436</u>	<u>63,275</u>

TOLENT HOMES LIMITED

Notes forming part of the financial statements for the year ended 31st December 2017 (continued)

7. Tax on result on ordinary activities

The tax charge/(credit) represents:	2017	2016
	£	£
Corporation tax at 19.25% (2016 - 20%)	(10,036)	(362,333)
Adjustment in respect of prior years	123,289	(58,546)
Current taxation	113,253	(420,879)
Deferred taxation	0	0
Tax on loss on ordinary activities	113,253	(420,879)

The tax assessed for the year is different from the standard rate of corporation tax in the United Kingdom of 19.25% (2016 - 20%). The differences are explained as follows:

	2017	2016
	£	£
Loss on ordinary activities before taxation	(756,136)	(2,490,916)
Loss on ordinary activities multiplied by standard rate of corporation tax in the United Kingdom of 19.25% (2016 - 20%)	(145,556)	(498,183)
Effects of:		
expenses not deductible for tax purposes	(1,155)	700
tax losses carried forward	136,675	135,150
adjustments to tax charge in respect of prior years	123,289	(58,546)
Total tax charge/(credit) for year	113,253	(420,879)

At the Summer Budget 2015, the Government announced a reduction in the main rate of corporation tax to 19% from April 2017 and 18% from April 2020. At the Budget 2016, the Government announced a further reduction to the main rate of corporation tax from 2020, setting the rate at 17%.

8. Investment Property - Long leasehold land and buildings

	£
Valuation	
At 1st January 2017	4,470,000
Fair value adjustments	(710,000)
At 31st December 2017	3,760,000

The investment properties are pledged as security for the company's bank loan.

The investment property, long leasehold land and buildings were valued in November 2017 by Sanderson Young (chartered surveyors), an independent valuer with a recognised and relevant professional qualification and with recent experience in the location of the investment properties being valued. The valuer was not an officer or an employee of the company. The basis of the fair value valuation was on open market value in accordance with the Appraisal and Valuation Manual of The Royal Institution of Chartered Surveyors. The Directors consider that these amounts continue to reflect their value at the balance sheet date.

If the investment property, long leasehold land and buildings had not been revalued they would have been included on a historical cost basis with a net book value of £8,664,080 (2016 - £8,664,080).

Investment properties with a carrying value of £3,760,000 (2016 - £4,470,000) are pledged as security for the company's bank loan.

TOLENT HOMES LIMITED

Notes forming part of the financial statements for the year ended 31st December 2017 (continued)

9. Debtors

	<u>2017</u>	<u>2016</u>
	£	£
Other debtors	31,377	23,375
Prepayments	30,032	27,216
Amounts owed by group undertakings	165	362,333
Current taxation	<u>10,036</u>	<u>0</u>
	<u><u>71,610</u></u>	<u><u>412,924</u></u>

The amounts owed by group undertakings are repayable on demand with interest being charged at zero percent.

10. Deferred taxation

	<u>2017</u>	<u>2016</u>
	£	£
At 1st January 2017	0	17,838
Credit to profit and loss in the year	0	362,333
Group relief	0	(362,333)
Prior year group relief	<u>0</u>	<u>(17,838)</u>
At 31st December 2017	<u><u>0</u></u>	<u><u>0</u></u>

Deferred taxation has been calculated at 19% (2015 - 20%) on timing differences relating to unused tax losses. The deferred tax asset has not been recognised in the financial statements given the uncertainty of recovery.

	<u>2017</u>	<u>2016</u>
	£	£
At 1st January 2017	346,351	295,604
Tax losses carried forward	136,675	135,150
Prior year group relief	123,290	(76,384)
Rate change from 19% to 17% (20% to 19%)	<u>(70,927)</u>	<u>(8,019)</u>
	<u><u>535,389</u></u>	<u><u>346,351</u></u>

11. Creditors: amounts falling due within one year

	<u>2017</u>	<u>2016</u>
	£	£
Trade creditors	33,573	29,646
Other creditors and accruals	111,906	85,625
Bank loan	1,213,457	241,032
Amounts owed to group undertakings	<u>7,080,000</u>	<u>7,048,990</u>
	<u><u>8,438,936</u></u>	<u><u>7,405,293</u></u>

The amounts owed to group undertakings are repayable on demand with interest being charged at zero percent.

TOLENT HOMES LIMITED

Notes forming part of the financial statements for the year ended 31st December 2017 (continued)

12. Creditors: amounts falling due after more than one year

	2017	2016
	£	£
Bank Loan	<u>0</u>	<u>1,214,078</u>
Aggregate amounts repayable by instalments:		
within one year	1,213,457	241,032
between one and two years	<u>0</u>	<u>1,214,078</u>
	<u>1,213,457</u>	<u>1,455,110</u>

The bank loan is secured over the properties included within investment property. Quarterly capital and interest payments are made. Interest is payable on the loan at 3.5% over bank Libor rate.

13. Called up share capital

	2017	2016
	£	£
Allotted, called up and fully paid -		
Ordinary shares of £1 each	<u>2</u>	<u>2</u>
	<u>2</u>	<u>2</u>

14. Reserves

Called up share capital - represents the nominal value of shares that have been issued.

Profit and loss account - includes all current and prior period retained profits and losses.

15. Contingent liabilities

The company is party to cross guarantees for the bank borrowings of Tolent PLC, Tolent Corporation Limited, Tolent Construction Limited, Tolent Homes Limited, T Holdings Limited, Tolent Living Limited and Tolent Solutions Limited.

At 31 December 2017 this amounted to £nil (2016 - £nil).

16. Ultimate parent undertakings

The immediate and ultimate parent undertaking/controlling related party of this company is Tolent PLC, which is registered in England and Wales. The only group of undertakings for which consolidated accounts have been prepared is that headed by Tolent PLC. Further details relating to this matter are disclosed in that company's financial statements, copies of which can be obtained from the Registered Office.