

Orwell Homes Limited

Report and Financial Statements

Year Ended

31 December 2019



ORWELL HOMES LIMITED

Annual report and financial statements for the year ended 31 December 2019

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ORWELL HOMES LIMITED

Officers and general information

Directors at the date of this report

Alastair Thomas – Chair
Wendy Evans-Hendrick BA (Hons) Dip DM DMS
Helen Galbraith BA (Hons) CFA CFAB DiPFA (appointed 15 May 2019)
Peter Jones
William Anthony (resigned 4 September 2019)

Secretary

Christopher Wyer FCCA

Registered Office

Crane Hill Lodge, 325 London Road, Ipswich, Suffolk, IP2 0BE (Telephone: 01473 218818)

Bankers

Lloyds TSB Bank plc, 13 Cornhill, Ipswich, Suffolk, IP1 1DG

Solicitors

Marshall Hatchick, The Ancient House, 22 Church Street, Woodbridge IP12 1DH

External Auditor

RSM UK Audit LLP, Abbotsgate House, Hollow Road, Bury St Edmunds, Suffolk, IP32 7FA

Internal Auditor

KPMG LLP (UK), Dragonfly House, 2 Gilders Way, Norwich NR3 1UB

Company Number

03337048

ORWELL HOMES LIMITED

Report of the directors for the year ended 31 December 2019

The directors present their report together with the audited financial statements for the year ended 31 December 2019.

Principal activities

The company's principal activities are the provision of construction services to the parent company Orwell Housing Association Limited, together with the development of residential housing.

Results

The statement of comprehensive income is set out on page 8 and shows the result for the year.

Directors

The directors of the company who held office during the year were as listed on page 2.

Third party indemnity provision for Directors and Officers

Qualifying third party indemnity provision is in place for the benefit of all directors and officers of the company.

Directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland". 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 those financial statements, the directors are required to:

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

ORWELL HOMES LIMITED

Report of the directors for the year ended 31 December 2019 *(Continued)*

Statement as to disclosure of information to auditor

The directors who were in office on the date of approval of these financial statements have confirmed, as far as they are aware, that there is no relevant audit information of which the auditor is unaware. Each of the directors have confirmed that they have taken all of 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 auditor is aware of that information.

Auditor

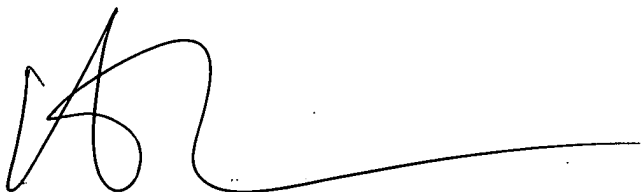
Whilst RSM UK Audit LLP has indicated its willingness to continue in office, the outcome of a tender exercise conducted in 2019 was that Crowe U.K. LLP should be selected as auditors for the year ending 31 December 2020.

A resolution to appoint Crowe U.K. LLP as auditors will be put to the members at the annual general meeting.

Small company exemptions

This report has been prepared in accordance with the provisions applicable to companies entitled to the small companies exemption.

On behalf of the Board

A handwritten signature in black ink, appearing to be 'Alastair Thomas', with a long horizontal line extending to the right.

Alastair Thomas
Chair

25 March 2020

ORWELL HOMES LIMITED

Independent auditor's report to the Member of Orwell Homes Limited

Opinion

We have audited the financial statements of Orwell Homes Limited (the 'company') for the year ended 31 December 2019 which comprise Statement of comprehensive income, Statement of financial position and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

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

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. 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.

ORWELL HOMES LIMITED

Independent auditor's report to the Member of Orwell Homes Limited (*Continued*)

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

Matters on which we are required to report by exception

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

We have nothing to report in respect of the following matters 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 prepare the financial statements in accordance with the small companies regime and take advantage of the small companies exemption from the requirement to prepare a strategic report or in preparing the directors' report.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 3, 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.

ORWELL HOMES LIMITED

Independent auditor's report to the Member of Orwell Homes Limited (*Continued*)

Auditor's responsibilities for the audit of the financial statements

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

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

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

LARAGH JEANROY (Senior Statutory Auditor)
For and on behalf of RSM UK AUDIT LLP, Statutory Auditor
Chartered Accountants
Abbotsgate House
Hollow Road
Bury St Edmunds
Suffolk
IP32 7FA

20 May 2020

ORWELL HOMES LIMITED

Statement of comprehensive income for the year ended 31 December 2019

	Note	2019 £	2018 £
Turnover		4,442,001	9,507,194
Cost of sales		(4,250,744)	(9,048,537)
Gross profit		191,257	458,657
Administrative expenses		(106,455)	(200,073)
Operating profit		84,802	258,584
Interest receivable	3	1,597	1,273
Profit on ordinary activities before taxation	4	86,399	259,857
Taxation	13	81,951	(49,371)
Profit after taxation and profit for the financial year		168,350	210,486

The notes on pages 10 to 14 form part of these financial statements.

ORWELL HOMES LIMITED

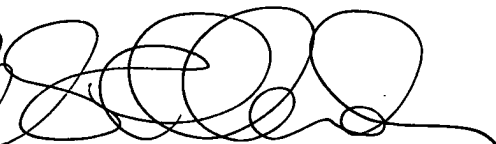
Statement of financial position at 31 December 2019

Company No. 03337048

	Note	2019 £	2018 £
Current assets			
Stocks and work in progress	6	463,998	354,767
Debtors	7	732,856	809,010
Cash at bank and in hand		393,803	89,508
		<u>1,590,657</u>	<u>1,253,285</u>
Creditors: amounts falling due within one year	8	<u>(1,062,978)</u>	<u>(893,956)</u>
Net assets		<u>527,679</u>	<u>359,329</u>
Capital and reserves			
Called up share capital	9	2	2
Profit and loss account	10	527,677	359,327
Total equity		<u>527,679</u>	<u>359,329</u>

These financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime.

The financial statements on pages 8 to 14 were approved by the Board of directors and authorised for issue on 25 March 2020 and are signed on its behalf by:



Wendy Evans-Hendrick
Director



Alastair Thomas
Chair

The notes on pages 10 to 14 form part of these financial statements

ORWELL HOMES LIMITED

Notes forming part of the financial statements for the year ended 31 December 2019

1 General information

Orwell Homes Limited is a private limited company domiciled and incorporated in England and Wales.

The address of its registered office and principal place of business is Crane Hill Lodge, 325 London Road, Ipswich, Suffolk IP2 0BE.

The company's principal activities are the provision of construction services to the parent company Orwell Housing Association Limited, together with the development of residential housing.

2 Accounting policies

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102"), the requirements of the Companies Act 2006 as applicable to companies subject to the small companies regime, and under the historical cost convention, modified to include certain financial instruments at fair value. The disclosure requirements of Section 1A of FRS102 have been applied other than where additional disclosure is required to show a true and fair view.

Going concern

In the opinion of the Board, the company has adequate resources to continue in operation for the foreseeable future and have considered and modelled the potential financial impact of COVID-19. For this reason, the going concern basis has been adopted in preparing the financial statements.

Turnover

Turnover is recognised at the fair value of the consideration received or receivable for sale of goods and/or services in the ordinary nature of the business. Turnover is shown net of Value Added Tax. It includes goods sold and services provided to customers and, in the case of long term contracts, credit is taken appropriate to the stage of completion when the outcome of the contract can be assessed with reasonable certainty. Turnover in respect of properties for sale on the open market is recognised at point of sale.

Construction contracts

When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, turnover and costs are recognised over the period of the contract.

When it is probable that total contract costs will exceed total contract turnover, the expected loss is recognised as an expense immediately.

When the outcome of a construction contract cannot be estimated reliably, contract turnover is recognised only to the extent of contract costs that are recoverable and the contract costs are expensed as incurred.

The Company uses the "percentage of completion method" to determine the appropriate amount to recognise in a given period. The stage of completion is measured by the proportion of contract costs incurred for work performed to date compared to the estimated total contract costs. Costs incurred in the year in connection with future activity on a contract are excluded for contract costs in determining the stage of completion. These costs are presented as stocks, prepayments or other assets, depending on their nature, and provided it is probable they will be recovered. Amounts held as work in progress at the year end represent costs incurred in respect of schemes where a contract is not yet in place.

ORWELL HOMES LIMITED

Notes forming part of the financial statements for the year ended 31 December 2019 (*Continued*)

2 Accounting policies (continued)

Stock of properties for market sale

Stock of market sale properties are held at the lower of cost or net realisable value.

Taxation

Current tax is based on taxable profit for the year. Current tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax liabilities are recognised in respect of all timing differences that exist at the reporting date. Timing differences are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in different periods from their recognition in the financial statements. Deferred tax assets are recognised only to the extent that it is probable that they will be recovered by the reversal of deferred tax liabilities or other future taxable profits.

Current and deferred tax is charged or credited in profit or loss, except when it relates to items charged or credited to other comprehensive income or equity, when the tax follows the transaction or event it relates to and is also charged or credited to other comprehensive income, or equity.

Current tax assets and current tax liabilities and deferred tax assets and deferred tax liabilities are offset, if and only if, there is a legally enforceable right to set off the amounts and the entity intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Financial instruments

The Company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102, in full, to all of its financial instruments.

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument, and are offset only when the Company currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial assets

Debtors

Debtors which are receivable within one year and which do not constitute a financing transaction are initially measured at the transaction price. Debtors are subsequently measured at amortised cost, being the transaction price less any amounts settled and any impairment losses.

Where the arrangement with a debtor constitutes a financing transaction, the debtor is initially and subsequently measured at the present value of future payments discounted at a market rate of interest for a similar debt instrument.

ORWELL HOMES LIMITED

Notes forming part of the financial statements for the year ended 31 December 2019 (*Continued*)

2 Accounting policies (continued)

A provision for impairment of debtors is established when there is objective evidence that the amounts due will not be collected according to the original terms of the contract. Impairment losses are recognised in profit or loss for the excess of the carrying value of the debtor over the present value of the future cash flows discounted using the original effective interest rate. Subsequent reversals of an impairment loss that objectively relate to an event occurring after the impairment loss was recognised, are recognised immediately in profit or loss.

Financial liabilities

Trade creditors

Trade creditors payable within one year that do not constitute a financing transaction are initially measured at the transaction price and subsequently measured at amortised cost, being the transaction price less any amounts settled.

Where the arrangement with a trade creditor constitutes a financing transaction, the creditor is initially and subsequently measured at the present value of future payments discounted at a market rate of interest for a similar instrument.

3 Interest receivable

	2019 £	2018 £
On bank and building society deposits	1,597	1,273

4 Profit on ordinary activities before taxation

	2019 £	2018 £
Profit on ordinary activities before taxation is stated after charging:		
Fees payable to RSM UK Audit LLP and its associates in respect of audit services are as follows:		
Audit services – statutory audit of the company	3,750	3,330

5 Directors and employees

No amounts were paid during the period in respect of directors' emoluments and there were no direct employee costs. Services were provided by certain employees of Orwell Housing Association Limited and the related costs are included in other operating expenses.

ORWELL HOMES LIMITED

Notes forming part of the financial statements for the year ended 31 December 2019 (*Continued*)

6 Stocks and work in progress

	2019 £	2018 £
Stock – properties for market sale	463,998	354,767
	<u>463,998</u>	<u>354,767</u>

7 Debtors

	2019 £	2018 £
Due within one year:		
Group company debtors	8,641	336,779
Prepayments	5,000	15,000
VAT recoverable	20,957	11,518
Amounts recoverable on contracts	665,678	445,713
Corporation tax recoverable	32,580	-
	<u>732,856</u>	<u>809,010</u>

8 Creditors: amounts falling due within one year

	2019 £	2018 £
Payments on account of long term work in progress	7,173	16,713
Trade creditors	688,689	300,232
Taxation	-	49,360
Group company creditors	73,338	22,011
Contractors for certificate work and unpaid retentions	254,146	263,718
Other creditors and accruals	39,632	241,922
	<u>1,062,978</u>	<u>893,956</u>

9 Share capital

	2019 £	2018 £
Authorised:		
100 ordinary shares of £1 each	100	100
Allotted, issued and fully paid:		
2 ordinary shares of £1 each	2	2

Ordinary shares rights

The Company's ordinary shares, which carry no right to fixed income, each carry the right to one vote at general meetings of the Company.

ORWELL HOMES LIMITED

Notes forming part of the financial statements for the year ended 31 December 2019 *(Continued)*

10 Reserves

	2019 £	2018 £
Reserves brought forward	359,327	148,841
Profit for year	168,350	210,486
	<u>527,677</u>	<u>359,327</u>

11 Capital commitments

	2019 £	2018 £
Expenditure contracted, less certified	<u>4,248,552</u>	<u>900,296</u>

The above expenditure will be financed by contractual arrangements in place with the parent company.

12 Ultimate parent company

In the opinion of the directors, the company's immediate and ultimate holding company is Orwell Housing Association Limited, a Registered Provider and a company limited by guarantee and incorporated in England. A copy of the accounts can be obtained from the Company Secretary at the registered office noted on Page 2.

13 Taxation

For year ending 31 December 2019, the profit of Orwell Homes Limited has been offset against interest paid by the ultimate parent company, Orwell Housing Association Limited and no UK Corporation tax is assessed as payable. In addition, for the previous two financial years the profit of Orwell Homes Limited has also been offset against interest paid by the ultimate parent company, and UK Corporation tax previously assessed as payable has been reclaimed with £49,371 reclaimed for 2018 and £32,580 reclaimed for 2017.