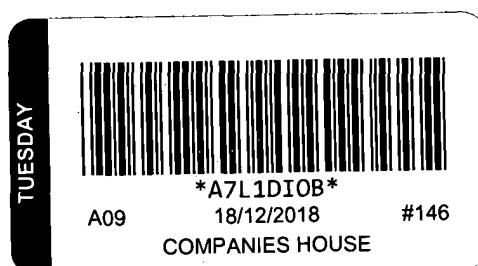


Adderstone 1993 Limited (formerly Adderstone Group Limited)

Report and Unaudited Group Financial Statements

31 March 2018



Corporate information

Directors

I R Baggett BSc (Hons) PhD
N Baggett BEd (Hons)
M R Shipley ACA BSc (Hons)

Registered Office

5 Maling Court
Union Street
Newcastle upon Tyne
NE2 1BP

Strategic report

Adderstone 1993 Limited is the parent company of this particular statutory group but does not comprise all entities that trade and invest under the name of Adderstone Group. Statutory accounts for the wider Adderstone Group are not required due to the nature and arrangement of the corporate business structure but can be provided by contacting the registered office of Adderstone 1993 Limited.

Within this set of statutory accounts, "Group" refers to the entities included within the statutory structure of Adderstone 1993 Limited only.

The directors present their report and unaudited financial statements of the Group and the Company for the year ended 31 March 2018.

Results and dividends

In the year the Group generated a profit before taxation of £1,404,056 (2017 - £851,725). The directors do not recommend the payment of a final ordinary dividend (2017 – £nil).

Principal activity and review of the business

The principal activity of the Group during the period was that of property development and management.

Review of business

During the period the Group continued to concentrate its activities in property related areas. The Group has a number of subsidiary companies with diverse activities, providing more services within the Group for properties developed and owned by related and external parties.

The results for the year have been achieved in fairly challenging market conditions, and the directors are extremely satisfied by the progress made by the Group. In addition, with a number of key developments having completed post year end, the directors look forward to reporting further growth and a material increase in profits next year.

On 26th May 2017, director and majority shareholder, I R Baggett gifted 3 ordinary shares of £1 each to wife, N Baggett.

During the year I R Baggett and N Baggett continued to reinvest profits generated by the Group and increase funding levels, which has given the Group a stable platform and enabled the business to take on a sensible level of external bank debt against specific developments in the period.

Future developments

The Board continues to have a balanced and comprehensive understanding of its development pipeline going forward.

As reported in the prior year the directors sought to carry out a strategic review of the locations in which the Group would carry out speculative development. The outcome is that the Group remains committed to the North East region, but the desire to attract inward investment and contribute to regeneration and employment needs to be balanced with the risks of being able to achieve planning consents for commercially viable projects. As a result, both during the year and post year end the directors have committed the Group to progressing schemes in various locations in the UK – from developments in Gateshead in the North East, to Liverpool, Cambridge and London.

The Group is currently delivering projects with a gross development value in excess of £30m and continues to balance speculative developments, with the ability to de-risk schemes by selling the completed developments off plan.

Strategic report (continued)

Principal risks and uncertainties

The Board continues to identify, assess and control risks the principal risks and uncertainties facing the Group are broadly grouped as financial and legislative.

The property development division of the Group is well managed with oversight from an experienced management team. The selection process for choosing developments and the timing of the developments is critical to this part of the business. A balanced portfolio of developments with different risk profiles is maintained, with sensible gearing levels to ensure liquidity is not put at risk, whilst maintaining healthy stakeholder returns.

Financial risks relating to constructions have been mitigated through a shift towards procurement via fixed or guaranteed maximum priced contracts. Further exposure to financial risk is controlled by limiting speculative developments and selling a high proportion of units 'off plan' at a discount.

The trading division of the Group carries an extremely low level of financial risk. These business units continue to generate significant profits, cash flows and net asset growth with no external or intra-group debt. The legislative environment has undergone a slow evolutionary development during the past decade. The management team of the trading division is highly experienced and adept at aligning the divisions' income generating activities within the evolving regulatory frameworks.

The Board are also looking to mitigate risk by diversifying lenders to limit exposure and to benefit from more favourable financing rates.

Current projects and trends

Adderstone 1993 Limited (formerly Adderstone Group Limited)

This company continues to exist as a parent company for the Group, and in future for additional complementary subsidiaries. The central office salaries and overheads were previously borne by Adderstone 1993 Limited but were transferred in 2016 to a new company, Adderstone Management Limited, a standalone entity outside of the Group, which now provides specialist professional services to the Group, related parties and wholly external entities.

Adderstone Developments Limited

The principal activity of the company during the year was that of property development and management.

The company continues to be selective about the work undertaken in order to control risk, but the company and its immediate development subsidiary companies have continued with a reasonable level of development activity in the year given market conditions.

As with prior years the company continues to invest in the future development pipeline, reviewing potential acquisitions, and looking to exploit opportunities the company already has available.

During the year, the company completed the further conversion of the former Telephone Exchange building located in Jesmond, Newcastle upon Tyne. Formerly an office block, the art deco building has now had its first and second floors converted into high-end apartments comprising 55 beds. The completed development was transferred to Group company, Adderstone Developments (Stock) Limited in the year, where it is currently 100% occupied and held for sale.

Going forward it is the company's intention to seek to carry out initial feasibility studies only, with developments coming to fruition being carried out in direct subsidiaries of the company as special purpose vehicles.

Strategic report (continued)

Current projects and trends (continued)

Adderstone Developments (101) Limited

The company was incorporated in 2016 as a special purpose vehicle to carry out the development of a new build student accommodation property in Newcastle upon Tyne. The company entered into a forward purchase agreement with a third party to deliver the scheme by July 2018. Post year end the company achieved its objective with the sale concluding on 31 August 2018 for £18m, generating significant profits for the Group.

Adderstone Developments (102) Limited

The company was incorporated in 2016. The principle activity of the company is that of property development and is intended to be a special purpose vehicle to carry out the development of a new build residential property in Newcastle upon Tyne, for which the company holds planning permission for 192 beds. The company holds a five year option to purchase the site with three years remaining as at the year end.

Adderstone Developments (103) Limited

The principle activity of the company is that of property development.

In the year the company continued to carry out the build of its principal development - four new build penthouse apartments on an existing roof space at Sultan House in Bermondsey, London. Practical completion of the profitable development was achieved post year end in June 2018 with the final apartment being sold in November 2018.

Adderstone Developments (104) Limited

The principal activity of the company is that of property development. During the year the company sold a partially completed student accommodation block in Newcastle upon Tyne to a third party, realising a healthy return. At the same time the company entered into a development agreement with the new owners to deliver the remainder of the scheme. The development reached practical completion post year end in July 2018 as forecast.

Post year end the company also entered into a planning agreement with the same third party to obtain planning permission for an adjacent site in Newcastle upon Tyne. Planning permission was successfully granted in July 2018, in turn generating significant revenue for the Group.

Adderstone Developments (105) Limited

The principal activity of the company is that of property development. The company was intended to be a special purpose vehicle to regenerate a derelict brownfield site, into a luxury housing development in Gosforth, Newcastle upon Tyne. Unfortunately after investing four years in a challenging and costly pre-application and full planning process, the application was refused in late 2017.

The company had no choice but to explore alternative uses for the site having incurred external costs of over £1m. In December 2017 the company embarked on the redevelopment of the brownfield site, subdividing the existing building into smaller units for various commercial uses, hosted by a wide range of independent businesses.

Post year end, Ian Baggett, director and majority shareholder of the Group purchased 100% of the share capital in the company from immediate parent, Adderstone Developments Limited.

Strategic report (continued)

Current projects and trends (continued)

Adderstone Developments (106) Limited

The company was incorporated on 20 May 2016. The principle activity of the company is that of property development. The company was incorporated with the intention of carrying out the development of a newly constructed luxury residential apartment scheme on the Newcastle quayside.

After incurring external costs of £228,000 and attracting inward investment to the region for the development of £31,000,000, the Group was unable to achieve a commercially viable development following negative pre-application planning feedback.

Post year end the company is now being used solely to hold head leases to a small ground rent portfolio.

Adderstone Developments (Stock) Limited

The principal activity of the company was that of a property trading vehicle. The company holds a variety of either recently completed developments, or other properties with the intention of disposal.

During the year the company made a small profit on disposal of property, with a book value of £1,556,848. The company also made a number of further acquisitions with a value of £5,653,788, which the directors look forward to trading profitably in the coming years.

The total property value held in the company, after a stock write down of £562,927 in the year, is £12,108,039.

Forte Freehold Management Limited

The principal activity of the company during the year was that of an agent appointed to collect ground rent and insurance rent due under long leases.

During 2014 the company consolidated its existing business with an external institutional investor as a major and growing client. This has served to broaden the client base and provide a wider external client focus. In addition, the deals in each year were structured with a view to long term client retention, such that the company has the benefit of a ten year enduring contract. The signing of this agreement has provided continuity and stability for the business over a ten year period and has encouraged additional marketing activity to seek out similar investors for whom the company can act in the future.

In addition to dealing with major institutional clients and delivering on their reporting requirements the company has also attracted new business from smaller private portfolio investors.

The company continues to take the responsibility for collection of insurances and remains an FCA appointed representative. This company has made a positive contribution to profit levels which remain strong across the business overall.

The directors are satisfied with the results for the year, which now provides a solid base for the company to develop additional clients and to diversify the sources of income in the coming year.

Exchange Residential Limited

The principal activity of the company during the year was that of property management and letting. The company continues to manage for a combination of UK based and overseas landlords.

The company continues to chiefly manage student accommodation and the directors feel that the company is well positioned to maintain its service provision in this sector. Additionally the business continues to look to organically grow its more traditional client portfolios, as well as retain a number of long standing clients.

The directors are satisfied with results for the year, and having made changes to reduce the business' cost base in the latter part of the year, the directors anticipate a notable increase in profits in 2019.

Strategic report (continued)

Current projects and trends (continued)

Other activities

The associated interests within the Group continue to perform well, generating strong returns in the year and given the synergies of the various stakeholders involved we anticipate further growth.

On behalf of the Board



M R Shipley ACA BSc (Hons)

Director

17 December 2018

Directors' report

Operational performance

The financial year's turnover can be analysed as follows:

Statutory Group

	Turnover	
	2018	2017
	£	£
Adderstone 1993 Limited (formerly Adderstone Group Limited)	120,000	200,000
Adderstone Developments Limited	112,933	6,148,875
Adderstone Developments (101) Limited	-	-
Adderstone Developments (102) Limited	-	-
Adderstone Developments (103) Limited	50,015	4,295
Adderstone Developments (104) Limited	13,222,289	-
Adderstone Developments (105) Limited	4,463	-
Adderstone Developments (106) Limited	86,074	-
Adderstone Developments (Stock) Limited	1,566,874	693,219
Adderstone Developments (Stock 3) Limited	5,133	-
Exchange Residential Limited	315,386	446,770
Forte Freehold Management Limited	462,262	504,759
	<u>15,945,429</u>	<u>7,997,918</u>

The Group continues to be selective about the work undertaken in order to control risk.

Going concern

The Group is expected to generate positive cash flows on its account for the foreseeable future. After making enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The directors have no reason to believe that a material uncertainty exists that may cast significant doubt over the ability of the Group to continue as a going concern. Therefore, they continue to adopt the going concern basis in preparing financial statements.

Directors

The directors who served during the year and appointed subsequently was as follows:

I R Baggett BSc (Hons) PhD
N Baggett
M R Shipley ACA BSc (Hons)

N Baggett was appointed to the board on 26 May 2017.

M R Shipley was appointed to the board on 20 April 2018

J G Armstrong FCCA resigned on 31 August 2018

Directors' report

Political and charitable contributions

Political donations amounted to £nil (2017 – £nil).

Donations to UK charities amounted to £nil (2017 – £42,699).

Post balance sheet events

There have been no events since the balance sheet date which might be considered unusual, significant or extraordinary.

Small Companies Provisions

This report has been prepared in accordance with the provisions applicable to companies entitled to the small companies exemption under section 415A of the Companies Act 2006.

On behalf of the Board



M R Shipley ACA BSc (Hons)
Director

17 December 2018

Statement of directors' responsibilities

The directors are responsible for preparing the Strategic Report, 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 the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the company and of the profit or loss of the Group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent; and
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- 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 proper accounting records that are sufficient to show and explain the Group's and the company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and 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 Group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Group income statement

for the year ended 31 March 2018

		2018	2017
	Notes	£	£
Turnover – continuing operations		15,945,429	7,997,918
Less: share of joint venture turnover		-	-
		<u>15,945,429</u>	<u>7,997,918</u>
Group turnover		15,945,429	7,997,918
Operating costs		(14,403,663)	(6,215,787)
		<u>1,541,766</u>	<u>1,782,131</u>
Gross profit		1,541,766	1,782,131
Other operating income		13,744	27,599
Administrative expenses		(531,810)	(1,083,990)
		<u>1,023,700</u>	<u>725,740</u>
Group operating profit – continuing operations	5	1,023,700	725,740
Share of associates operating profit		389,541	263,026
		<u>1,413,241</u>	<u>988,766</u>
Total operating profit – continuing operations		1,413,241	988,766
Profit on disposal of fixed assets		-	-
		<u>1,413,241</u>	<u>988,766</u>
Profit before investment income, interest and taxation		1,413,241	988,766
Other interest receivable and similar income	7	10,306	10,281
Share of associate interest receivable		31,749	18,427
Interest payable and similar charges	8	(51,240)	(165,749)
		<u>1,404,056</u>	<u>851,725</u>
Profit before taxation		1,404,056	851,725
Taxation	9	(231,430)	(21,629)
Share of taxation of associates		(80,714)	(57,484)
		<u>1,091,912</u>	<u>772,612</u>
Profit for the financial year and total comprehensive income		1,091,912	772,612

All amounts relate to continuing activities

There is no other comprehensive income other than the profit attributable to the owners of the parent company of £1,091,912 (2017: profit of £772,612)

Group statement of financial position

at 31 March 2018

	Notes	2018 £	2017 £
Fixed assets			
Intangible assets	10	1,366,200	1,518,000
Investment in associates:			
Share of net assets	11	1,194,104	923,654
Other investments	11	108	108
		<u>2,560,412</u>	<u>2,441,762</u>
Current assets			
Stocks	12	27,658,299	12,417,974
Debtors	13	2,687,693	1,455,424
Cash at bank and in hand		339,245	1,896,178
		<u>30,685,237</u>	<u>15,769,576</u>
Creditors: amounts falling due within one year	14	(14,415,590)	(5,779,825)
Net current assets		<u>16,269,647</u>	<u>9,989,751</u>
Total assets less current liabilities		<u>18,830,059</u>	<u>12,431,513</u>
Creditors: amounts falling due after more than one year	15	(12,359,193)	(7,052,586)
Net assets		<u>6,470,866</u>	<u>5,378,927</u>
Capital and reserves			
Called up share capital		56	56
Capital redemption reserve		49	49
Share premium		499,995	499,995
Profit and loss account		5,646,628	4,535,431
Other reserves			
Share of associates reserves		324,138	343,396
Shareholders' funds		<u>6,470,866</u>	<u>5,378,927</u>

Group statement of financial position

at 31 March 2018

These financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime and in accordance with FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'

For the year ended 31 March 2018 the Group was entitled to exemption from audit under section 477 of the Companies Act 2006 relating to small companies.

Directors' responsibilities:

- The members have not required the Group to obtain an audit of its financial statements for the year in question in accordance with section 476; and
- The directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of financial statements.

These financial statements were approved by the directors and authorised for issue on 17 December 2018, and are signed on their behalf by:



I R Baggett BSc (Hons) PhD
Director

Parent company statement of financial position

at 31 March 2018

	Notes	2018 £	2017 £
Fixed assets			
Investments	11	4,541,018	4,541,018
		<u>4,541,018</u>	<u>4,541,018</u>
Current assets			
Debtors	13	9,683,162	7,278,166
Cash at bank and in hand		25,890	1,710,171
		<u>9,709,052</u>	<u>8,988,337</u>
Creditors: amounts falling due within one year	14	(2,423,995)	(3,037,476)
		<u>7,285,057</u>	<u>5,950,861</u>
Net current assets			
		<u>11,826,075</u>	<u>10,491,879</u>
Total assets less current liabilities			
Creditors: amounts falling due after more than one year	15	(7,162,215)	(5,810,086)
		<u>4,663,860</u>	<u>4,681,793</u>
Net assets			
		<u>4,663,860</u>	<u>4,681,793</u>
Capital and reserves			
Called up share capital		56	56
Capital redemption reserve		49	49
Share premium		499,995	499,995
Profit and loss account		4,163,760	4,181,693
		<u>4,663,860</u>	<u>4,681,793</u>
Shareholders' funds			
		<u>4,663,860</u>	<u>4,681,793</u>

These financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime and in accordance with FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'

For the year ended 31 March 2018 the Company was entitled to exemption from audit under section 477 of the Companies Act 2006 relating to small companies.

Directors' responsibilities:

- The members have not required the company to obtain an audit of its financial statement for the year in question in accordance with section 476; and
- The directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of financial statements.

These financial statements were approved by the directors and authorised for issue on 17 December 2018, and are signed on their behalf by:



I R Baggett BSc (Hons) PhD
Director

Consolidated statement of changes in equity

Group

	Share capital	Share redemption premium	Capital reserve	Profit and loss account	Total
	£	£	£	£	£
At 1 April 2017	56	499,995	49	4,878,827	5,378,927
Profit for the year	-	-	-	751,462	751,462
Share of associates profit	-	-	-	340,450	340,450
At 31 March 2018	56	499,995	49	5,970,739	6,470,839

Group Profit and Loss

	Profit and loss account	Associated companies	Total
	£	£	£
At 1 April 2017	4,535,431	343,396	4,878,827
Total comprehensive income for the year	751,462	340,450	1,091,912
At 31 March 2018	5,286,893	683,846	5,970,739

Company

	Share capital	Share Redemption premium	Reserve	Profit and loss account	Total
	£	£	£	£	£
At 1 April 2017	56	499,995	49	4,181,693	4,681,793
Profit for the year	-	-	-	(17,933)	(17,933)
At 31 March 2018	56	499,995	49	4,163,760	4,663,860

The capital redemption reserve represents the nominal value of the shares repurchased.

The share premium account represents the premium over par value subscribed for shares.

The profit and loss account reserve represents cumulative comprehensive income less any dividends paid.

Group statement of cash flows

for the year ended 31 March 2018

	Notes	2018 £	2017 £
Cash generated from operations	16	(12,902,144)	(870,344)
Interest paid		(51,240)	(165,749)
Interest received		10,305	10,281
Tax paid		(21,466)	(34,987)
Net cash used in operating activities		(12,964,545)	(1,060,799)
Cash flows from investing activities			
Proceeds from acquisition of joint venture		-	(351,447)
Investment in associated undertaking		70,000	65,000
Net cash used in investing activities		70,000	(286,447)
Cash flows from financing activities			
Proceeds from borrowings		11,337,612	2,544,468
Dividends paid		-	-
Net cash from financing activities		11,337,558	2,544,468
Net increase in cash and cash equivalents		(1,556,933)	1,197,222
Cash and cash equivalents at beginning of year		1,896,178	698,956
Cash and cash equivalents at the end of the year		339,245	1,896,178

Notes to the financial statements

at 31 March 2018

1. General information

The company is a private limited company limited by shares, registered in England and Wales. The address of the registered office is 5 Maling Court, Union Street, Newcastle upon Tyne, NE2 1BP.

2. Statement of compliance

These financial statements have been prepared in compliance with FRS 102, 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland' and the Companies Act 2006. The Group transitioned from previously extant UK GAAP to FRS 102 as at 1 April 2015.

3. Accounting policies

Basis of preparation

The financial statements are prepared under the historical cost convention. The financial statements are prepared in sterling, which is the functional currency of the entity, rounded to the nearest pound.

Disclosure exemptions

The parent company satisfies the criteria of being a qualifying entity as defined in FRS 102. As such, advantage has been taken of the following reduced disclosures available under FRS 102.

- (a) No cash flow statement has been presented for the parent company.
- (b) Disclosures in respect of financial instruments have not been presented.
- (c) No disclosure has been given for the aggregate remuneration of key management personnel.
- (d) Disclosure in respect of transactions with wholly owned subsidiaries of the Group.

Audit exemption

For the year ended 31 March 2018 the Group and the Company were entitled to exemption from audit under section 477 of the Companies Act 2006 relating to small companies.

Going concern

The Group is expected to generate positive cash flows on its account for the foreseeable future. After making enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The directors have no reason to believe that a material uncertainty exists that may cast significant doubt over the ability of the Group to continue as a going concern. Therefore, they continue to adopt the going concern basis in preparing financial statements.

Consolidation

The consolidated financial statements incorporate the financial statements of Adderstone 1993 Limited (formerly Adderstone Group Limited) and all Group undertakings. These are adjusted, where appropriate, to conform to Group accounting policies. Acquisitions are accounted for under the acquisition method. The results of companies acquired or disposed of are included in the income statement after or up to the date that control passes respectively. As a consolidated income statement is published, a separate income statement for the parent company is omitted from the Group financial statements by virtue of section 408 of the Companies Act 2006. At 31 March 2018 the parent entity and the Group below it qualified as small under the prior year conditions and are therefore exempt from preparing consolidated financial statements under section 398 of the Companies Act, the directors have however elected to prepare Group Consolidated financial statements on a voluntary basis.

Notes to the financial statements

at 31 March 2018

3. Accounting policies (continued)

Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that effect the amounts reported. These estimates and judgements are continually reviewed and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Significant judgements

The judgements (apart from those involving estimations) that management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the financial statements are as follows.

Assessing indicators of impairment – In assessing whether there have been any indicators of impairment of assets, the directors have considered both external and internal sources of information such as market conditions, counterparty credit ratings and experience of recoverability. There have been no indicators of impairment identified during the current financial year.

Key sources of estimation uncertainty

Accounting estimates and assumptions are made concerning the future and, by their nature, will rarely equal the related outcome. The key assumptions and other sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

Accounting estimates include the valuation of work in progress.

Goodwill

Purchased goodwill (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) arising on consolidation is capitalised, classified as an asset on the statement of financial position and amortised on a straight line basis over its useful life.

Positive goodwill is amortised to nil by equal annual instalments over its estimated useful life unless it is considered to have an indefinite useful life, in which case it is not amortised but is subject to annual review for impairment. Any impairment charge is included within operating profits. The useful life of purchased goodwill is estimated at 20 years.

Goodwill acquired in a business combination is, from acquisition date allocated to each of the cash generating units that is expected to benefit from synergies of the combination

If a subsidiary or associate is sold or discontinued, any goodwill arising on acquisition not yet amortised through the profit and loss account is taken into account in calculating the profit or loss on disposal or discontinuance.

Statement of cash flows

Cash, for the purpose of the statement of cash flows, comprises cash in hand and short term cash deposits repayable on demand.

Fixed asset investments

Investments are recognised initially at fair value which is normally the transaction price. Subsequently, they are measured at fair value through profit or loss except for those equity investments that are not publicly traded and whose fair value cannot otherwise be measured reliably which are recognised at cost less impairment until a reliable measure of fair value become available.

If a reliable measure of fair value is no longer available, the equity instrument's fair value on the last date the instrument was reliably measurable is treated as the cost of the instrument.

Notes to the financial statements

at 31 March 2018

3. Accounting policies (continued)

Stocks

In respect of work in progress, finished goods and properties held for resale, costs include directly attributable finance costs and a relevant proportion of attributable overheads based on normal level of activity and according to the stage of completion. In respect of inventories they have been valued at the lower of cost and estimated selling price less costs to sell.

Taxation

The taxation expense represents the aggregate amount of current and deferred tax recognised in the reporting period. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, tax is recognised in other comprehensive income or directly in equity, respectively.

Current tax is recognised on taxable profit for the current and past periods. Current tax is measured at the amounts of tax expected to pay or recover using the tax rates and laws that have been enacted or substantively enacted at the reporting date.

Deferred tax is recognised in respect of all timing differences at the reporting date. Unrelieved tax losses and other deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred tax is measured on an undiscounted basis, 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. The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Operating leases

Lease payments are recognised as an expense over the lease term on a straight line basis. The aggregate benefit of lease incentives is recognised as a reduction to expense over the lease term, on a straight line basis.

Financial instruments

A financial asset or a financial liability is recognised only when the company becomes a party to the contractual provisions of the instrument.

Basic financial instruments are initially recognised at the transaction price, unless the arrangement constitutes a financing transaction, where it is recognised at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Debt instruments are subsequently measured at amortised cost.

Where investments in non-convertible preference shares and non-puttable ordinary shares or preference shares are publicly traded or their fair value can otherwise be measured reliably, the investment is subsequently measured at fair value with changes in fair value recognised in profit or loss. All other such investments are subsequently measured at cost less impairment.

Other financial instruments, including derivatives, are initially recognised at fair value, unless payment for an asset is deferred beyond normal business terms or financed at a rate of interest that is not a market rate, in which case the asset is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Other financial instruments are subsequently measured at fair value, with any changes recognised in profit or loss, with the exception of hedging instruments in a designated hedging relationship.

Financial assets that are measured at cost or amortised cost are reviewed for objective evidence of impairment at the end of each reporting date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss immediately.

Notes to the financial statements

at 31 March 2018

3. Accounting policies (continued)

Financial instruments

For all equity instruments regardless of significance, and other financial assets that are individually significant, these are assessed individually for impairment. Other financial assets are either assessed individually or grouped on the basis of similar credit risk characteristics.

Any reversals of impairment are recognised in profit or loss immediately, to the extent that the reversal does not result in a carrying amount of the financial asset that exceeds what the carrying amount would have been had the impairment not previously been recognised.

Revenue recognition

Revenue is recognised to the extent that the Group obtains the right to consideration in exchange for its performance. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, VAT and other sales taxes or duty.

Interest income

Revenue is recognised as interest accrues using the effective interest method.

Dividends

Revenue is recognised when the Group's right to receive payment is established.

Pensions and other post-retirement benefits - defined contribution plans

Contributions to defined contribution plans are recognised as an expense in the period in which the related service is provided. Prepaid contributions are recognised as an asset to the extent that the prepayment will lead to a reduction in future payments or a cash refund.

When contributions are not expected to be settled wholly within 12 months of the end of the reporting date in which the employees render the related service, the liability is measured on a discounted present value basis. The unwinding of the discount is recognised as a finance cost in profit or loss in the period in which it arises.

Short-term debtors and creditors

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the income statement in other operating expenses.

4. Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services in the UK from the principal activities of the Group. Turnover in respect of property sales represents the contracted sales value and is recognised on legal completion or when the terms of the contract become unconditional. In respect of long-term contracts, turnover is stated at cost appropriate to their stage of completion plus attributable profits, less amounts recognised in previous years. Property management fees and incidental income are recognised on an accruals basis.

5. Operating Profit

This is stated after charging/(crediting):

	2018	2017
	£	£
Amortisation of goodwill	151,800	151,800
	<u> </u>	<u> </u>

Notes to the financial statements

at 31 March 2018

6. Staff costs

	2018	2017
	£	£
Wages and salaries	226,333	215,392
Social security costs	13,007	9,945
Pension costs	5,018	4,752
	<u>244,358</u>	<u>230,089</u>

The average monthly number of employees during the year (including directors) was made up as follows:

	2018	2017
	No.	No.
Administration	10	14
	<u>10</u>	<u>14</u>

7. Interest receivable and similar income

	2018	2017
	£	£
Bank interest receivable	10,306	10,281
	<u>10,306</u>	<u>10,281</u>

8. Interest payable and similar charges

	2018	2017
	£	£
Bank loans and overdrafts	51,240	74,749
Other interest	-	91,000
	<u>51,240</u>	<u>165,749</u>

Notes to the financial statements

at 31 March 2018

9. Tax

(a) Tax on profit

The tax charge is made up as follows:

	2018	2017
	£	£
<i>Current tax:</i>		
Current tax on income for the period	231,268	21,629
Adjustments in respect of prior periods	162	-
Total current tax (note 9(b))	<u>231,430</u>	<u>21,629</u>
<i>Deferred tax:</i>		
Origination of timing differences	-	-
Total deferred tax (note 9(c))	<u>-</u>	<u>-</u>
	£	£
Tax on profit	<u>231,430</u>	<u>21,629</u>

(b) Factors affecting current tax charge for the period:

The tax assessed for the period is lower than the standard rate of corporation tax in the UK of 19% (2017 – 20%). The differences are explained below:

	2018	2017
	£	£
Profit before tax	<u>1,404,056</u>	<u>851,725</u>
Profit multiplied by standard rate of corporation tax in the UK of 19% (2017 – 20%)	<u>266,771</u>	<u>170,345</u>
<i>Effects of:</i>		
Expenses not deductible for tax purposes	(13,298)	49
Profit on sale of assets	-	-
Income not subject to tax	(19,108)	(141,303)
Capital allowances in excess of Depreciation	-	-
Adjustments to tax charge in respect of previous periods	(162)	-
Other timing differences	(1,277)	(7,410)
Utilisation of tax losses	(1,496)	(52)
Current tax for the period (note 9(a))	<u>231,430</u>	<u>21,629</u>

Notes to the financial statements

at 31 March 2018

9. Tax (continued)

(c) Factors affecting future tax charges

The 2016 Budget announced an additional 1 percentage point reduction per year for three successive years from April 2017 with corporation tax to be set at 17% by April 2020.

A deferred tax asset has not been recognised in respect of losses available for carry forward, and other timing differences, due to the uncertainty over the timing of future taxable profits against which the losses can be utilised.

The estimated value of the deferred tax asset not recognised, measured at a standard rate of 17%, is £12,146.

10. Intangible assets

Group

	<i>Goodwill</i>
	<i>£</i>
Cost:	
At 1 April 2017 and 31 March 2018	3,036,000
Amortisation:	
At 1 April 2017	1,518,000
Charge for the year	151,800
At 31 March 2018	1,669,800
Net book value:	
At 31 March 2018	1,366,200
At 31 March 2017	1,518,000

Notes to the financial statements

at 31 March 2018

11. Fixed asset investments

<i>Group</i>	<i>2017</i>
	<i>£</i>
Associates	1,194,104
Other investments	108
	<hr/>
At 31 March 2018	1,194,212
	<hr/>
	<i>Share of</i>
	<i>tangible net</i>
	<i>assets</i>
	<i>£</i>
At 1 April 2017	923,654
Share of profit retained by associates	270,450
	<hr/>
At 31 March 2018	1,194,104
	<hr/>
<i>Company</i>	
	<i>Shares in group and</i>
	<i>other undertakings</i>
	<i>£</i>
Cost:	
At 1 April 2017	4,541,018
Additions	-
	<hr/>
At 31 March 2018	4,541,018
	<hr/>

The undertakings in which the Group's interest at the year end is more than 20% are as follows:

<i>Subsidiary undertakings</i>	<i>Country of incorporation</i>	<i>Principal activity</i>	<i>Percentage of ordinary shares held</i>	
			<i>Group</i>	<i>Company</i>
Adderstone Developments Limited	UK	Development	100%	100%
Adderstone Developments (Stock) Limited	UK	Property trading	100%	100%
Adderstone Developments (Stock 3) Limited	UK	Property trading	100%	100%
Adderstone Developments (101) Limited	UK	Property Development	100%	100%
Adderstone Developments (102) Limited	UK	Property Development	100%	100%
Adderstone Developments (103) Limited	UK	Property Development	100%	100%
Adderstone Developments (104) Limited	UK	Property Development	100%	100%
Adderstone Developments (105) Limited	UK	Property Development	100%	100%
Adderstone Developments (106) Limited	UK	Property Development	100%	100%
Adderstone Developments (107) Limited	UK	Property Development	100%	100%
Exchange Residential Limited	UK	Property Management	100%	100%
Forte Freehold Management Limited	UK	Property Management	100%	100%
Brims Construction Limited	UK	Construction	25%	25%
TWC3N Limited	UK	Engineering	21%	21%

Notes to the financial statements

at 31 March 2018

12. Stocks

	2018	Group 2017	2018	Company 2017
	£	£	£	£
Work in progress – property development works	27,658,299	12,417,974	-	-
	<u>27,658,299</u>	<u>12,417,974</u>	<u>-</u>	<u>-</u>

13. Debtors

	2018	Group 2017	2018	Company 2017
	£	£	£	£
Trade debtors	1,288,859	228,980	-	-
Amounts owed by related parties	1,176,131	867,533	1,176,131	867,433
Amounts owed by subsidiary undertakings	-	-	8,507,031	6,405,486
Prepayments and other debtors	222,703	358,911	-	5,247
	<u>2,687,693</u>	<u>1,455,424</u>	<u>9,683,162</u>	<u>7,278,166</u>

14. Creditors: amounts falling due within one year

	2018	Group 2017	2018	Company 2017
	£	£	£	£
Bank loans and overdrafts	10,176,691	2,793,584	-	-
Trade creditors	1,098,131	233,834	-	-
Other creditors including taxation and social security	26,846	48,854	3,900	7,545
Corporation tax	231,593	21,629	23,942	-
Accruals	252,452	331,133	30,000	121,000
Amounts owed to subsidiary undertakings	-	-	1,852,222	1,370,547
Amounts owed to related parties	247,501	238,384	247,501	238,384
Other creditors	2,382,376	2,112,407	266,430	1,300,000
	<u>14,415,590</u>	<u>5,779,825</u>	<u>2,423,995</u>	<u>3,037,476</u>

Notes to the financial statements

at 31 March 2018

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

	2018	Group 2017	2018	Company 2017
	£	£	£	£
Amounts due to related parties	7,162,215	5,810,086	7,162,215	5,810,086
Bank loans	5,196,978	1,242,500	-	-
	<u>12,359,193</u>	<u>7,052,586</u>	<u>7,162,215</u>	<u>5,810,086</u>

Analysis of debt:

	2018	Group 2017	2018	Company 2017
	£	£	£	£
Debt can be analysed as falling due:				
In one year or less, or on demand	-	-	-	-
Between one and two years	5,196,978	1,242,500	-	-
Between two and five years	-	-	-	-
In five years or more	7,162,215	5,810,086	7,162,215	5,810,086
	<u>12,359,193</u>	<u>7,052,586</u>	<u>7,162,215</u>	<u>5,810,086</u>

The overdraft facility and bank loans falling due both within one year and after more than one year are secured by a fixed and floating debenture over the assets of the subsidiary company which holds the debt.

16. Notes to the statement of cash flows

(a) Reconciliation of operating profit to net cash outflow from operating activities

	2018	2017
	£	£
Operating profit	1,023,827	725,740
Depreciation, amortisation and impairment charges	151,800	151,800
Increase in stocks	(15,240,325)	(4,718,403)
(Increase)/decrease in debtors	(1,232,269)	2,045,780
Increase in creditors	2,394,823	924,739
Cash outflow from operations	<u>(12,902,144)</u>	<u>(870,344)</u>

Notes to the financial statements

at 31 March 2018

17. Related party transactions

The Group has taken advantage of the exemption from disclosing transactions between wholly owned members of Adderstone 1993 Limited (formerly Adderstone Group Limited).

Transactions with related parties during the year are set out below:

I R Baggett

I R Baggett is a director and controlling shareholder of the ultimate parent undertaking Adderstone 1993 Limited (formerly Adderstone Group Limited).

Transactions with I R Baggett during the year and balances outstanding are as follows:

	2018	2017
	£	£
Included within creditors due after more than one year:		
Loan owed to I R Baggett	(4,657,215)	(5,810,086)

The loan from I R Baggett is unsecured, bears no interest per annum and has no fixed repayment terms.

N Baggett

N Baggett is a director and shareholder of the ultimate parent undertaking Adderstone 1993 Limited (formerly Adderstone Group Limited).

Transactions with N Baggett during the year and balances outstanding are as follows:

	2018	2017
	£	£
Included within creditors due after more than one year:		
Loan owed to N Baggett	(2,505,000)	-

The loan from N Baggett is unsecured, bears no interest per annum and has no fixed repayment terms.

Brims Construction Limited

At the balance sheet date Adderstone 1993 Limited (formerly Adderstone Group Limited) is a 25% shareholder of Brim's Building Group Limited, which is the ultimate parent company of Brims Construction Limited.

Brims Construction Limited act as a construction contractor for Adderstone Developments Limited, with whom the following transactions have occurred and balances are outstanding:

	2018	2017
	£	£
Purchases:		
Interest paid	-	17,171

Notes to the financial statements

at 31 March 2018

17. Related party transactions (continued)

Adderstone (Sunderland) LLP

I R Baggett is a member of Adderstone (Sunderland) LLP, the following transactions took place between Adderstone Developments Limited and Adderstone (Sunderland) LLP during the year and balances outstanding are follows:

	2018	2017
	£	£
Transactions during the year:		
Loan interest	-	33,432
Rent paid	-	(5,380)
	<u> </u>	<u> </u>

Taemar Limited

I R Baggett is a director and controlling shareholder of Taemar Limited with whom the following loan from Adderstone 1993 Limited is outstanding:

	2018	2017
	£	£
Amounts owed by related parties (included within debtors):		
Amounts owed by Taemar Limited	1,176,131	862,113
	<u> </u>	<u> </u>

The loan from Adderstone 1993 Limited is unsecured, bears no interest per annum and has no fixed repayment terms.

18. Post balance sheet events

There have been no events since the balance sheet date which might be considered unusual, significant or extraordinary.

19. Controlling party

The company is controlled by I R Baggett, a director of the company and the majority shareholder.