

Registration number: 04339730

# Hungate (York) Regeneration Limited

Annual Report and Consolidated Financial Statements

for the Year Ended 30 June 2020



## **Hungate (York) Regeneration Limited**

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## **Hungate (York) Regeneration Limited**

### **Company Information**

<b>Directors</b>	P T Millington J O Pitt J D Clark C T Murphy
<b>Company secretary</b>	R Marshall
<b>Registered office</b>	Millshaw, Leeds West Yorkshire LS11 8EG
<b>Auditors</b>	KPMG LLP Statutory Auditor 15 Canada Square London United Kingdom E14 5GL

## **Hungate (York) Regeneration Limited**

### **Strategic Report for the Year Ended 30 June 2020**

The directors of Hungate (York) Regeneration Limited present their report for the financial year ended 30 June 2020.

#### **Business review**

The Group recorded a profit after tax of £1.2m (2019: £0.3m). During the year the Group legally completed on 96 units on the Hungate Block F development in York.

The Group finished the year with a net asset position of £9.7m (2019: £8.6m).

#### **Principal risks and uncertainties**

The Group takes a prudent approach to risk; risk management is embedded in the organisation, with different types of risk requiring different levels and types of management response.

Although many of the risk factors influencing the business are macroeconomic, others are particular to the Group's operations. The section below highlights some of the risks which affect the Group as a whole, although it is not intended to be an extensive analysis of all such risks.

Macro conditions	The Group's business activities are impacted by prevailing economic conditions in the regions in which it operates.
Capital Markets	Property development is capital intensive and dependent on access to both equity and debt capital from third parties.
Political environment	In each of our operating regions we work with governments as a major customer and stakeholder and as such, our business is susceptible to changes in the political environment.
Competitive Dynamics	The extent to which we are facing competition in our existing markets and sectors, and the threat of new competition.
Maintaining Strong Relationship	Customer and stakeholder focus is critical to delivering resilient products efficiently and on costs.
Eliminating Incidents and Injuries	The safety of our people, our supply chain, and the members of the public we interact with is paramount.

The Group continues to monitor potential risks and uncertainties posed from the UK's exit from the EU. In particular, consideration has been given to specific risks relating to the workforce, investors, customers, the security of our supply chain and where possible, mitigating actions are being implemented. We are of the view that the UK, and in particular London, is one of the most resilient economies in the world. Despite the continuing political uncertainty surrounding Brexit, The Group believes in the long-term viability of the UK as a place to invest.

The Group is closely monitoring the developing situation relating to COVID-19 which has emerged in early 2020. The Directors and management of The Group have taken immediate and significant actions, all within management's control, to reduce costs and optimise the cash flow and liquidity position, including reduction of non-essential capital and project expenditure and overhead reduction initiatives. The full impact the pandemic will have on The Group is uncertain given the situation is evolving and the wider impact on the economy is unknown, however due to the nature of The Group, to date, there has not been a material impact. Refer to note 2 which provides further details around the directors' assessment of the Group to continue as a going concern.


## **Hungate (York) Regeneration Limited**

### **Strategic Report for the Year Ended 30 June 2020 (continued)**

#### **Outlook**

With the continuing support of its parent entities, the Group will continue that of property development.

Approved by the Board on 20 January 2021 and signed on its behalf by:

  
.....  
**J D Clark**  
Director

## **Hungate (York) Regeneration Limited**

### **Directors' Report for the Year Ended 30 June 2020**

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

#### **Directors**

The following persons held office as directors of the Company during the financial year and up to the date of this report:

P T Millington

J O Pitt

J D Clark

C T Murphy

#### **Results**

The Group's profit after tax for the year was £1.2m (2019: profit of £0.3m).

#### **Dividends**

The directors do not recommend the payment of a dividend (2019: £nil).

#### **Political donations**

The Group made no political donations or incurred any political expenditure during the year (2019: £nil).

#### **Financial risk management**

Information about the Group's financial risks, the Group's objectives, policies and processes for measuring and managing financial risk are detailed in note 15 to the financial statements.

#### **Outlook**

With the continuing support of its parent entities, the Group will continue that of property development.

The Group continues to monitor potential risks and uncertainties posed from the UK's exit from the EU. In particular, consideration has been given to specific risks relating to the workforce, investors, customers, the security of our supply chain and where possible, mitigating actions are being implemented. We are of the view that the UK, and in particular London, is one of the most resilient economies in the world. Despite the continuing political uncertainty surrounding Brexit, The Group believes in the long-term viability of the UK as a place to invest.

The Group is closely monitoring the developing situation relating to Covid-19 which has emerged in early 2020. The full impact the outbreak will have on the Group is uncertain given the situation is evolving and the wider impact on the economy is unknown. The Directors have considered the cash flow requirements of the Group for a period of at least twelve months post signing of these financial statements and believe the Group will be able to continue to meet its financial commitments. Refer to note 2 of the financial statement which provides further details around the director's assessment of the Group to continue as a going concern.

#### **Events after the balance sheet date**

There were no material events subsequent to the end of the financial year.

#### **Disclosure of information to the auditor**

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Group's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

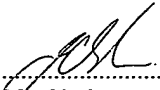
## **Hungate (York) Regeneration Limited**

### **Directors' Report for the Year Ended 30 June 2020 (continued)**

#### **Reappointment of auditor**

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

Approved by the Board on <sup>20 January 2021</sup> and signed on its behalf by:

  
.....  
J.D. Clark  
Director

## **Hungate (York) Regeneration Limited**

### **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 Group and parent company financial statements for each financial year. Under that law the directors have elected to prepare both the Group and the parent company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (IFRSs as adopted by the EU) 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 parent company and of their profit or loss for that period. In preparing each of the Group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- assess the Group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or parent company or to cease operations, or have no realistic alternative but to do so.

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

## **Hungate (York) Regeneration Limited**

### **Independent Auditor's Report to the Members of Hungate (York) Regeneration Limited**

#### **Opinion**

We have audited the financial statements of Hungate (York) Regeneration Limited (the "Group") for the year ended 30 June 2020, which comprise the Consolidated Statement of Profit or Loss, Consolidated Statement of Financial Position, Company Statement of Financial Position, Consolidated Statement of Changes in Equity, Company Statement of Changes in Equity, Consolidated Statement of Cash Flows and Company Statement of Cash Flows and related notes, including the accounting policies in note 3.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's affairs and of the parent company's affairs as at 30 June 2020 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- the parent company financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of, and as applied in accordance with the provisions of, the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

#### **Going concern**

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

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

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

## **Hungate (York) Regeneration Limited**

### **Independent Auditor's Report to the Members of Hungate (York) Regeneration Limited (continued)**

#### **Strategic report and Directors' report opinion**

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

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

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

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

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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.

We have nothing to report in these respects.

#### **Directors' responsibilities**

As explained more fully in the Statement of Directors' Responsibilities 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; 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; assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

#### **Auditor's responsibilities**

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

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

## **Hungate (York) Regeneration Limited**

### **Independent Auditor's Report to the Members of Hungate (York) Regeneration Limited (continued)**

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

This report is made solely to the Group'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 Group'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 Group and the Group's members, as a body, for our audit work, for this report, or for the opinions we have formed.



.....  
Ian Griffiths  
(Senior Statutory Auditor)  
for and on behalf of KPMG LLP, Statutory Auditor  
Chartered Accountants  
15 Canada Square  
London  
United Kingdom  
E14 5GL

Date: 21 January 2021

## Hungate (York) Regeneration Limited

### Consolidated Statement of Profit or Loss for the Year Ended 30 June 2020

	Note	2020 £ 000	2019 £ 000
Revenue	4	26,352	44
Cost of sales		<u>(24,935)</u>	<u>(90)</u>
<b>Gross profit/(loss)</b>		<b>1,417</b>	<b>(46)</b>
Administrative expenses		<u>1</u>	<u>3</u>
<b>Results from operating activities</b>		<b>1,418</b>	<b>(43)</b>
Finance income		<u>5</u>	<u>-</u>
<b>Profit/(loss) before tax</b>		<b>1,423</b>	<b>(43)</b>
Income tax (expense)/credit	7	<u>(264)</u>	<u>334</u>
<b>Profit after tax</b>		<b>1,159</b>	<b>291</b>
<b>Profit/(loss) attributable to:</b>			
Owners of the Company		<u>1,159</u>	<u>291</u>
<b>Total profit after tax</b>		<b>1,159</b>	<b>291</b>

The above results were derived from continuing operations.

The notes to and forming part of these financial statements are set out on pages 17 to 33.

# Hungate (York) Regeneration Limited

(Registration number: 04339730)

## Consolidated Statement of Financial Position as at 30 June 2020

	Note	30 June 2020 £ 000	30 June 2019 £ 000
<b>Assets</b>			
<b>Non current assets</b>			
Deferred tax asset	7	-	20
<b>Total non current assets</b>		-	20
<b>Current assets</b>			
Inventories	9	24,107	43,566
Trade and other receivables	10	56	96
Cash and cash equivalents	11	2,149	691
<b>Total current assets</b>		26,312	44,353
<b>Total assets</b>		26,312	44,373
<b>Non current liabilities</b>			
Trade and other payables	14	(11,763)	(16,063)
<b>Total non current liabilities</b>		(11,763)	(16,063)
<b>Current liabilities</b>			
Trade and other payables	14	(4,572)	(6,753)
Borrowings	13	-	(12,969)
Current tax payable		(244)	(14)
<b>Total current liabilities</b>		(4,816)	(19,736)
<b>Total liabilities</b>		(16,579)	(35,799)
<b>Net assets</b>		9,733	8,574
<b>Equity</b>			
Share capital	12	3,155	3,155
Retained earnings		6,578	5,419
<b>Equity attributable to owners of the Company</b>		9,733	8,574

The notes to and forming part of these financial statements are set out on pages 17 to 33.

Approved by the Board on 20 January 2021 and signed on its behalf by:

  
J D Clark  
Director

# Hungate (York) Regeneration Limited

(Registration number: 04339730)

## Company Statement of Financial Position as at 30 June 2020

	Note	30 June 2020 £ 000	30 June 2019 £ 000
<b>Assets</b>			
<b>Non current assets</b>			
Investments	8	-	-
Deferred tax assets	7	-	20
<b>Total non current assets</b>		<u>-</u>	<u>20</u>
<b>Current assets</b>			
Inventories	9	24,107	43,566
Trade and other receivables	10	56	96
Cash and cash equivalents	11	2,149	691
<b>Total current assets</b>		<u>26,312</u>	<u>44,353</u>
<b>Total assets</b>		<u>26,312</u>	<u>44,373</u>
<b>Non current liabilities</b>			
Trade and other payables	14	(11,763)	(16,063)
<b>Total non current liabilities</b>		<u>(11,763)</u>	<u>(16,063)</u>
<b>Current liabilities</b>			
Trade and other payables	14	(4,627)	(6,808)
Borrowings	13	-	(12,969)
Current tax payable		(244)	(14)
<b>Total current liabilities</b>		<u>(4,871)</u>	<u>(19,791)</u>
<b>Total liabilities</b>		<u>(16,634)</u>	<u>(35,854)</u>
<b>Net assets</b>		<u>9,678</u>	<u>8,519</u>
<b>Equity</b>			
Share capital	12	3,155	3,155
Retained earnings		6,523	5,364
<b>Total equity</b>		<u>9,678</u>	<u>8,519</u>

The notes to and forming part of these financial statements are set out on pages 17 to 33.

Approved by the Board on 20 January 2021 and signed on its behalf by:



J D Clark

Director

# Hungate (York) Regeneration Limited

## Consolidated Statement of Changes in Equity for the Year Ended 30 June 2020

	Share capital £ 000	Retained earnings £ 000	Total £ 000
At 1 July 2018	3,155	5,128	8,283
Profit for the year	-	291	291
Total comprehensive income	-	291	291
<b>At 30 June 2019</b>	<b>3,155</b>	<b>5,419</b>	<b>8,574</b>

	Share capital £ 000	Retained earnings £ 000	Total £ 000
At 1 July 2019	3,155	5,419	8,574
Profit for the year	-	1,159	1,159
Total comprehensive income	-	1,159	1,159
<b>At 30 June 2020</b>	<b>3,155</b>	<b>6,578</b>	<b>9,733</b>

The notes to and forming part of these financial statements are set out on pages 17 to 33.

## Hungate (York) Regeneration Limited

### Company Statement of Changes in Equity for the Year Ended 30 June 2020

	Share capital £ 000	Retained earnings £ 000	Total £ 000
At 1 July 2018	3,155	5,073	8,228
Profit for the year	-	291	291
Total comprehensive income	-	291	291
<b>At 30 June 2019</b>	<b>3,155</b>	<b>5,364</b>	<b>8,519</b>

	Share capital £ 000	Retained earnings £ 000	Total £ 000
At 1 July 2019	3,155	5,364	8,519
Profit for the year	-	1,159	1,159
Total comprehensive income	-	1,159	1,159
<b>At 30 June 2020</b>	<b>3,155</b>	<b>6,523</b>	<b>9,678</b>

The notes to and forming part of these financial statements are set out on pages 17 to 33.

## Hungate (York) Regeneration Limited

### Consolidated Statement of Cash Flows for the Year Ended 30 June 2020

	Note	2020 £ 000	2019 £ 000
<b>Cash flows from operating activities</b>			
Profit for the year		1,159	291
Adjustments to cash flows from non-cash items			
Finance income		(5)	-
Income tax expense/(credit)		264	(334)
		1,418	(43)
Working capital adjustments			
Decrease/(increase) in inventories	9	19,459	(16,446)
Decrease in trade and other receivables	10	40	91
(Decrease)/increase in trade and other payables	14	(6,495)	2,385
Net cash flow generated from/(used in) from operating activities		14,422	(14,013)
<b>Cash flows from investing activities</b>			
Interest received		5	-
Net cash flow generated from investing activities		5	-
<b>Cash flows from financing activities</b>			
Proceeds from bank borrowing draw downs		-	12,969
Repayment of bank borrowing		(12,969)	-
Net cash flow (used in)/generated from financing activities		(12,969)	12,969
Net increase/(decrease) in cash and cash equivalents		1,458	(1,044)
Cash and cash equivalents at 1 July		691	1,735
Cash and cash equivalents at 30 June		2,149	691

The notes to and forming part of these financial statements are set out on pages 17 to 33.

## Hungate (York) Regeneration Limited

### Company Statement of Cash Flows for the Year Ended 30 June 2020

	Note	2020 £ 000	2019 £ 000
<b>Cash flows from operating activities</b>			
Profit for the year		1,159	291
Adjustments to cash flows from non-cash items			
Finance income		(5)	-
Income tax expense/(credit)		264	(334)
		1,418	(43)
Working capital adjustments			
Decrease/(increase) in inventories	9	19,459	(16,446)
Decrease in trade and other receivables	10	40	91
(Decrease)/increase in trade and other payables	14	(6,495)	2,385
Net cash flow generated from/(used in) operating activities		14,422	(14,013)
<b>Cash flows from investing activities</b>			
Interest received		5	-
Net cash flow generated from investing activities		5	-
<b>Cash flows from financing activities</b>			
Proceeds from bank borrowing draw downs		-	12,969
Repayment of bank borrowing		(12,969)	-
Net cash flow (used in)/generated from financing activities		(12,969)	12,969
Net increase/(decrease) in cash and cash equivalents		1,458	(1,044)
Cash and cash equivalents at 1 July		691	1,735
Cash and cash equivalents at 30 June		2,149	691

The notes to and forming part of these financial statements are set out on pages 17 to 33.

# **Hungate (York) Regeneration Limited**

## **Notes to the Financial Statements for the Year Ended 30 June 2020**

### **1 General information**

Hungate (York) Regeneration Limited (the "Company") is a private company limited by share capital incorporated and domiciled in United Kingdom. The company registration number is 04339730.

The consolidated financial statements of the Company for the financial year ended 30 June 2020 comprises the Company and its controlled entities (together referred to as "the Group").

The address of the Company's registered office is:

Millshaw, Leeds  
West Yorkshire  
LS11 8EG  
United Kingdom

The principal activity is that of property development.

### **2 Basis of preparation**

#### **Basis of preparation**

Both the parent company financial statements and the group financial statements are general purpose financial statements which have been prepared in accordance with International Financial Reporting Standards and interpretations as adopted by the EU ("adopted IFRS"). On publishing the parent company financial statements here together with the group financial statements, the Company is taking advantage of the exemption in s408 of the Companies Act 2006 not to present its individual income statement and related notes that form a part of these approved financial statements.

The financial statements have been prepared in accordance with adopted IFRSs and under the historical cost basis.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

Amounts are presented in pounds sterling, with all values rounded to the nearest thousand pounds unless otherwise indicated.

#### **Basis of consolidation**

The Group consolidation comprises all subsidiaries controlled by the Company.

## **Hungate (York) Regeneration Limited**

### **Notes to the Financial Statements for the Year Ended 30 June 2020 (continued)**

#### **2 Basis of preparation (continued)**

A subsidiary is an entity controlled by the company. Control is achieved where the company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the group.

Inter-company transactions, balances and unrealised gains on transactions between the company and its subsidiaries, which are related parties, are eliminated in full.

Intra-group losses are also eliminated but may indicate an impairment that requires recognition in the consolidated financial statements.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group. Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling shareholder's share of changes in equity since the date of the combination. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

No income statement is presented for the Company as permitted by section 408 of the Companies Act 2006. The Company made a profit after tax for the financial year of £1,159,000 (2019 - profit of £291,000).

#### **Summary of significant accounting policies and key accounting estimates**

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

#### **Impact of New and Revised Accounting**

None of the standards, interpretations and amendments which are effective for periods beginning on or after 1 July 2019 are expected to have a material effect on the financial statements.

#### **Changes in accounting policy**

None of the standards applied for the first time from 1 July 2019 have had a material effect on the financial statements.

#### **Going concern**

The financial statements have been prepared on the going concern basis which the directors believe to be appropriate. The Group finished the year with a net asset position of £9,733K (2019: £8,574K). The Directors have considered the liquidity and cash flows of the Group going forward, in particular adverse effects that could arise due to the ongoing COVID-19 pandemic. The Director's downside scenario represents severe but plausible scenarios and include assumptions related to the future sales of remaining units and development strategies going forwards. Following this assessment, the Company is well placed to manage its financing and future commitments over the next 12 months from the date of the financial statements.

## **Hungate (York) Regeneration Limited**

### **Notes to the Financial Statements for the Year Ended 30 June 2020 (continued)**

#### **2 Basis of preparation (continued)**

##### **Critical accounting judgements and key sources of estimation uncertainty**

The preparation of financial statements that comply with IFRS requires management to make judgements, estimates and assumptions which can affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. These estimates and underlying assumptions are reviewed on an ongoing basis and revisions are recognised prospectively. Accounting judgements that have the most significant effects on reported amounts and further information about estimated uncertainties are highlighted in the relevant accounting policy in note 3.

#### **3 Accounting policies**

##### **Revenue recognition**

###### *Revenue from the sale of development properties*

The Group develops and sells residential land lots and built form products, including residential apartments, commercial and retail buildings. Sale of residential land lots and apartments typically contain one component and are recognised at a point in time with each contract treated as a single performance obligation to transfer control of an asset to a customer. Residential land lots and apartments are recognised on settlement with the customer.

The sale of retail, commercial and mixed use assets may include land, construction, development management and investment service components. Where there are multiple components within one contract, the transaction price is allocated based on the stand-alone selling prices of each component, typically using the residual approach, and revenue is recognised based on the policies noted above. Sales of commercial and retail buildings are recognised when the customer obtains control of the asset based on the specific terms and conditions of the sales contract.

The Group discounts deferred proceeds to reflect the time value of money where the period between the transfer of control of a development property and receipt of payment from the customer exceeds one year. Deferred proceeds from customers are recognised in trade and other receivables where the right to receive payment is unconditional. Deposits received in advance from customers are recognised as a contract liability until the performance obligation has been met.

The measurement and recognition of revenue from the sale of development properties is an area of accounting judgement as it requires management to exercise judgement in valuing the individual components of a development property sale, given the due consideration to cost inputs, market conditions and commercial factors.

Proceeds from the sale of residential land lots and apartments are received upon settlement, which will typically occur between 6-12 weeks following practical completion on the asset. Proceeds from the sale of retail, commercial and mixed use assets are received in accordance with the specific terms of each contract.

###### *Other revenue*

Other revenue primarily includes dividends, distributions and miscellaneous items. Dividend and distribution revenue is recognised when the right to receive payment is established, usually on declaration of the dividend or distribution.

Net gains and losses on sale/transfer of investments, including consolidated entities and equity accounted investments, are recognised when an unconditional contract is in place.

## **Hungate (York) Regeneration Limited**

### **Notes to the Financial Statements for the Year Ended 30 June 2020 (continued)**

#### **3 Accounting policies (continued)**

##### **Finance income and costs**

Finance income is recognised as it is earned using the effective interest method, which applies the interest rate that discounts estimated future cash receipts over the expected life of the financial instrument. The discount is then recognised as finance revenue over the remaining life of the financial instrument.

Finance costs include interest, amortisation of discounts or premiums relating to borrowings and amortisation of costs incurred in connection with the arrangement of new borrowings facilities. Costs incurred in connection with the arrangement of borrowings are capitalised and amortised over the life of the borrowings. Finance costs are expensed immediately as incurred unless they relate to acquisition and development of qualifying assets. Qualifying assets are assets that take more than six months to prepare for their intended use or sale. Finance costs related to qualifying assets are capitalised.

##### **Taxation**

Income tax on the profit or loss for the period comprises current and deferred tax. Income tax is recognised in the Statement of Profit or Loss, except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable or receivable on the taxable income for the financial year, using applicable tax rates (and tax laws) at the Statement of Financial Position date, and any adjustment to tax payable in respect of previous financial years.

Deferred tax is the expected tax payable or receivable in future periods as a result of past transactions or events and is calculated by comparing the accounting balance sheet to the tax balance sheet. Temporary differences are provided for any differences in the carrying amounts of assets and liabilities between the accounting and tax balance sheets. Temporary differences are not provided for on the initial recognition of assets or liabilities that affect neither accounting nor taxable profit and differences relating to investments in subsidiaries to the extent that they are not likely to reverse in the foreseeable future.

Measurement of deferred tax is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using applicable tax rates and laws at the reporting date.

Recognition of deferred tax assets is only to the extent it is probable that future taxable profits will be available so as the related tax asset will be realised. Deferred tax assets may include deductible temporary differences, unused tax losses and unused tax credits.

Management considers the estimation of future taxable profits to be an area of estimation uncertainty as a change in any of the assumptions used in budgeting and forecasting would have an impact on the future profitability of the Company. Forecasts and budgets form the basis of future profitability to support the carrying value of deferred tax assets.

Presentation of deferred tax assets and liabilities can be offset if there is a legally enforceable right to offset current tax liabilities and assets, they relate to income taxes levied by the same tax authority, and they are intended to be settled on a net basis or realised simultaneously.

## **Hungate (York) Regeneration Limited**

### **Notes to the Financial Statements for the Year Ended 30 June 2020 (continued)**

#### **3 Accounting policies (continued)**

##### **Cash and cash equivalents**

Cash and cash equivalents include cash on hand, deposits held at call with banks, bank overdrafts and other short term highly liquid investments that are readily convertible to known amounts of cash within three months and which are subject to an insignificant risk of changes in value. Bank overdrafts (if applicable) are shown as a current liability on the Statement of Financial Position.

##### **Trade and other receivables**

Trade and other receivables are non derivative financial assets with fixed or determinable payments that are not equity securities. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable.

Trade and other receivables are carried at amortised cost using the effective interest method, which applies the interest rate that discounts estimated future cash receipts over the term of the receivable. Cash flows relating to short term trade and other receivables are not discounted if the effect of discounting is immaterial. The discount, if material, is then recognised as finance income over the remaining term.

The Group assesses provision for impairment of the receivable based on expected loss, if material. The Group considers reasonable and supportable information that is relevant and reliable. This includes both quantitative and qualitative information and analysis, based on the Group's historical impairment experience, credit assessment of customers and any relevant forward-looking information. The amount of provision is recognised in the Statement of Profit or Loss.

## **Hungate (York) Regeneration Limited**

### **Notes to the Financial Statements for the Year Ended 30 June 2020 (continued)**

#### **3 Accounting policies (continued)**

##### **Inventories**

The gross amount of work in progress consists of costs attributable to work performed, including recoverable pre contract and project bidding costs and emerging profit after providing for any foreseeable losses. In applying the accounting policies on providing for these losses accounting judgement is required.

Work in progress is presented as part of inventories for all contracts in which costs incurred exceeds cost of sales. If cost of sales exceed costs incurred, then the difference is presented in trade and other payables as an other payable.

Once practical completion of a unit has been reached, inventories are classified as Completed units.

The recoverable amount of each property is assessed at each Statement of Financial Position date and accounting judgement is required to assess whether a provision is raised where cost (including costs to complete) exceeds net realisable value.

Inventories are expensed as a cost of sales in the Statement of Profit or Loss. Management uses accounting judgement in determining:

- The apportionment of cost of sales through either land area or sales revenue;
- The amount of cost of sales, which includes costs incurred to date and final forecast costs; and
- The nature of the expenditure, which may include acquisition costs, development costs, borrowing costs and those costs incurred in preparing the property for sale.

##### **Trade and other payables**

###### *Trade and other payables*

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether or not billed to the Group. Trade and other payables are settled in the normal course of business. Trade and other payables are carried at amortised cost using the effective interest method, which applies the interest rate that discounts estimated future cash outflows over the term of the trade and other payables. Cash flows relating to short term trade and other payables are not discounted if the effect of discounting is immaterial. The discount, if material, is then recognised as a finance cost over the remaining term.

###### *Retentions*

Retentions are amounts payable for the purpose of security and for the provision of defects in accordance with contract terms. Release of retention amounts are in accordance with contractual terms.

###### *Unearned income*

Primarily relates to unearned income and deposits received in advance on presold apartments. These amounts will be recognised as income in line with the 'Sale of development properties' accounting policy in Note 3.

## Hungate (York) Regeneration Limited

### Notes to the Financial Statements for the Year Ended 30 June 2020 (continued)

#### 3 Accounting policies (continued)

##### Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost using the effective interest rate method. Under the amortised cost method the difference between the amount initially recognised and the redemption value is recorded in the Statement of Profit or Loss over the period of the borrowing on an effective interest basis.

##### Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

#### 4 Revenue

The analysis of the group's revenue for the year from continuing operations is as follows:

	2020 £ 000	2019 £ 000
Sale of development properties	26,323	-
Other revenue	29	44
	<u>26,352</u>	<u>44</u>

#### 5 Directors' remuneration

The directors are employees of the following entities:

J D Clark: Lendlease Europe Limited <sup>1</sup> (2019: Lendlease Development (Europe) Limited <sup>1</sup>)

R J Cook: Lendlease Development (Europe) Limited <sup>1</sup>

C T Murphy: Lendlease Development (Europe) Limited <sup>1</sup>

P T Millington: Evans Management Limited

J O Pitt: Evans Management Limited

Any qualifying services in respect of the Company are considered to be incidental and part of the directors' overall management services for the above entities. The directors' remuneration for the current year and prior year is included in the financial statements of the above entities.

Note 1: The director was directly employed by Lendlease Construction (Europe) Limited during the financial year, however their costs were recharged to the above entities.

#### 6 Auditor's remuneration

	2020 £ 000	2019 £ 000
Audit of financial statements	<u>(6)</u>	<u>(6)</u>

## Hungate (York) Regeneration Limited

### Notes to the Financial Statements for the Year Ended 30 June 2020 (continued)

#### 7 Taxation

Tax charged/(credited) in the Statement of Profit or Loss

	2020 £ 000	2019 £ 000
<b>Current tax</b>		
UK corporation tax	244	-
Adjustment in respect of previous periods	-	(338)
<b>Total current tax</b>	<u>244</u>	<u>(338)</u>
<b>Deferred tax</b>		
Current year	26	(8)
Effect of change in tax rates	(3)	1
Adjustment in respect of previous periods	(3)	11
<b>Total deferred tax</b>	<u>20</u>	<u>4</u>
<b>Total income tax charge/(credit)</b>	<u><u>264</u></u>	<u><u>(334)</u></u>

The tax on profit before tax for the year is lower than the standard rate of corporation tax in the UK (2019 - lower than the standard rate of corporation tax in the UK) of 19% (2019 - 19%).

The differences are reconciled below:

	2020 £ 000	2019 £ 000
Profit/(loss) before tax	<u>1,423</u>	<u>(43)</u>
Income tax using the domestic corporation tax rate 19% (2019: 19%)	270	(8)
Adjustment in respect of previous periods	(3)	(327)
Effect of changes in tax rates	(3)	1
<b>Total income charge/(credit)</b>	<u><u>264</u></u>	<u><u>(334)</u></u>

The effective rate of taxation will vary as a result of any dividends paid by shareholdings, overseas tax rates, prior year tax claims and the utilisation of tax losses brought forward. The Group's profits for the accounting period are taxed at a statutory rate of 19% (2019: 19%).

# Hungate (York) Regeneration Limited

## Notes to the Financial Statements for the Year Ended 30 June 2020 (continued)

### 7 Taxation (continued)

#### Deferred tax

#### Group

#### Deferred tax assets and liabilities

	Asset £ 000
<b>2020</b>	
Unused tax losses recognised	-
<b>2019</b>	Asset £ 000
Unused tax losses recognised	20

#### Deferred tax movement during the year:

	At 1 July 2019 £ 000	Recognised in income £ 000	At 30 June 2020 £ 000
Unused tax losses recognised	20	(20)	-

#### Deferred tax movement during the prior year:

	At 1 July 2018 £ 000	Recognised in income £ 000	At 30 June 2019 £ 000
Unused tax losses recognised	24	(4)	20

A UK corporation rate of 19% (effective 1 April 2020) was substantively enacted on 17 March 2020, reversing the previously enacted reduction in the rate from 19% to 17%. This will increase the Group's future current tax charge accordingly. The deferred tax asset at 30 June 2020 has been calculated at 19% (2019: 17%).

# Hungate (York) Regeneration Limited

## Notes to the Financial Statements for the Year Ended 30 June 2020 (continued)

### 7 Taxation (continued)

#### Company

#### Deferred tax assets and liabilities

	Asset £ 000
<b>2020</b>	
Unused tax losses recognised	-
<b>2019</b>	
Unused tax losses recognised	20

#### Deferred tax movement during the year:

	At 1 July 2019 £ 000	Recognised in income £ 000	At 30 June 2020 £ 000
Tax losses carry-forwards	20	(20)	-

#### Deferred tax movement during the prior year:

	At 1 July 2018 £ 000	Recognised in income £ 000	At 30 June 2019 £ 000
Tax losses carry-forwards	24	(4)	20

A UK corporation rate of 19% (effective 1 April 2020) was substantively enacted on 17 March 2020, reversing the previously enacted reduction in the rate from 19% to 17%. This will increase the Company's future current tax charge accordingly. The deferred tax asset at 30 June 2020 has been calculated at 19% (2019: 17%).

## Hungate (York) Regeneration Limited

### Notes to the Financial Statements for the Year Ended 30 June 2020 (continued)

#### 8 Investments

The total cost and carrying amount of the investments held by the Company as at 30 June 2020 is £1 (2019: £1).

#### Group subsidiaries

Details of the group subsidiaries as at 30 June 2020 are as follows:

Name of subsidiary	Principal activity	Country of incorporation	Note	Ownership and voting rights %	
				2020	2019
Hungate (York) Retail Limited	Property development	United Kingdom	1	100%	100%

#### Notes - registered addresses:

1. Millshaw, Leeds, West Yorkshire, United Kingdom, LS11 8EG

#### 9 Inventories

	Group		Company	
	30 June 2020 £ 000	30 June 2019 £ 000	30 June 2020 £ 000	30 June 2019 £ 000
<b>Current</b>				
Completed development property units	2,942	-	2,942	-
Development properties (work in progress)	21,165	43,566	21,165	43,566
<b>Total current inventories</b>	<b>24,107</b>	<b>43,566</b>	<b>24,107</b>	<b>43,566</b>
<b>Total inventories</b>	<b>24,107</b>	<b>43,566</b>	<b>24,107</b>	<b>43,566</b>

## Hungate (York) Regeneration Limited

### Notes to the Financial Statements for the Year Ended 30 June 2020 (continued)

#### 9 Inventories (continued)

The Group has also considered the impacts of COVID-19 on its recoverability assessment of inventories at 30 June 2020. As part of its semi-annual review of development property projects, the Group has considered slow down in sales volumes in the short-term, longer production timeframes, and increased costs for its projects. From this assessment the directors have determined that no impairment is required for the year ended 30 June 2020.

#### 10 Trade and other receivables

	Group		Company	
	30 June 2020 £ 000	30 June 2019 £ 000	30 June 2020 £ 000	30 June 2019 £ 000
Other receivables	56	96	56	96
<b>Total current trade and other receivables</b>	<b>56</b>	<b>96</b>	<b>56</b>	<b>96</b>
<b>Total trade and other receivables</b>	<b>56</b>	<b>96</b>	<b>56</b>	<b>96</b>

In the current reporting period, additional reviews were undertaken to assess recoverability in light of the COVID-19 pandemic. No additional risk has been identified.

There is no impairment recognised on any receivables and no receivables past due.

#### 11 Cash and cash equivalents

	Group		Company	
	30 June 2020 £ 000	30 June 2019 £ 000	30 June 2020 £ 000	30 June 2019 £ 000
Cash at bank	2,149	691	2,149	691

#### 12 Share capital

##### Allotted, called up and fully paid shares

	2020		2019	
	No. 000	£ 000	No. 000	£ 000
Ordinary A Shares of £1 each	300	300	300	300
Ordinary B Shares of £1 each	300	300	300	300
Ordinary C Shares of £1 each	300	300	300	300
Deferred Ordinary Shares of £1 each	2,255	2,255	2,255	2,255
	<b>3,155</b>	<b>3,155</b>	<b>3,155</b>	<b>3,155</b>

## Hungate (York) Regeneration Limited

### Notes to the Financial Statements for the Year Ended 30 June 2020 (continued)

#### 12 Share capital (continued)

##### Rights, preferences and restrictions

Ordinary shares have the following rights, preferences and restrictions:

The holders of ordinary shares have the right to receive declared dividends from the Company and are entitled to one vote per share at meetings of the Company.

Deferred ordinary shares have the following rights, preferences and restrictions:

Confer no voting rights and no right to dividend. The shares' right to return of assets in the assets in the event of winding up or other distribution is subordinated to that of the "A", "B" and "C" shares.

#### 13 Loans and borrowings

	Group		Company	
	30 June 2020 £ 000	30 June 2019 £ 000	30 June 2020 £ 000	30 June 2019 £ 000
<b>Current</b>				
Bank borrowings	-	(12,969)	-	(12,969)

Bank borrowings comprise a £16.874m facility established on 13 October 2017 and maturing 30 months after establishment. Interest accrues at the rate of LIBOR + 3.25% per annum. The carrying amount at year end is £nil (2019 - £12,969,000).

#### 14 Trade and other payables

	Group		Company	
	30 June 2020 £ 000	30 June 2019 £ 000	30 June 2020 £ 000	30 June 2019 £ 000
<b>Current</b>				
Trade payables	(23)	(105)	(23)	(105)
Amounts due to related parties 16	-	(24)	(55)	(79)
Retentions and deferred payments	(961)	(1,123)	(961)	(1,123)
Accrued expenses	(3,413)	(2,919)	(3,413)	(2,919)
Other payables	(172)	(42)	(172)	(42)
Unearned Income <sup>1</sup>	(3)	(2,540)	(3)	(2,540)
<b>Total current trade and other payables</b>	<b>(4,572)</b>	<b>(6,753)</b>	<b>(4,627)</b>	<b>(6,808)</b>
<b>Non current</b>				
Amounts due to related parties 16	(11,763)	(16,063)	(11,763)	(16,063)
<b>Total trade and other payables</b>	<b>(16,335)</b>	<b>(22,816)</b>	<b>(16,390)</b>	<b>(22,871)</b>

1. Movements in unearned income relate primarily to customer deposits recognised as revenue during the year on Hungate Phase 3 sites as control of the residential apartments is transferred to the customer upon legal completion.

## Hungate (York) Regeneration Limited

### Notes to the Financial Statements for the Year Ended 30 June 2020 (continued)

#### 14 Trade and other payables (continued)

The group's exposure to market and liquidity risks, including maturity analysis, related to trade and other payables is disclosed in note 15.

#### 15 Financial risk management and impairment of financial assets

##### Group

##### Liquidity risk

Liquidity risk is the risk of having insufficient funds to settle financial liabilities as and when they fall due. This includes having insufficient levels of committed credit facilities.

The exposure is managed by maintaining sufficient levels of cash and committed credit facilities to meet financial commitments and working capital requirements, managing to funding portfolio benchmarks, and timely review and renewal of credit facilities.

##### Maturity analysis

	Within 1 year £ 000	After 1 year £ 000	Total £ 000
<b>2020</b>			
Trade and other payables	4,572	11,763	16,335
	<u>4,572</u>	<u>11,763</u>	<u>16,335</u>
	Within 1 year £ 000	After 1 year £ 000	Total £ 000
<b>2019</b>			
Trade and other payables	6,753	16,063	22,816
Bank borrowings	12,969	-	12,969
	<u>19,722</u>	<u>16,063</u>	<u>35,785</u>

##### Company

##### Liquidity risk

Liquidity risk is the risk of having insufficient funds to settle financial liabilities as and when they fall due. This includes having insufficient levels of committed credit facilities.

The exposure is managed by maintaining sufficient levels of cash and committed credit facilities to meet financial commitments and working capital requirements, managing to funding portfolio benchmarks, and timely review and renewal of credit facilities.

##### Maturity analysis

	Within 1 year £ 000	After 1 year £ 000	Total £ 000
<b>2020</b>			
Trade and other payables	4,627	11,763	16,390
	<u>4,627</u>	<u>11,763</u>	<u>16,390</u>
	Within 1 year £ 000	After 1 year £ 000	Total £ 000
<b>2019</b>			
Trade and other payables	6,808	16,063	22,871
Interest bearing borrowings	12,969	-	12,969
	<u>19,777</u>	<u>16,063</u>	<u>35,840</u>

## Hungate (York) Regeneration Limited

### Notes to the Financial Statements for the Year Ended 30 June 2020 (continued)

#### 15 Financial risk management and impairment of financial assets (continued)

##### Capital risk management

The Group assesses its capital management model as part of the Board's strategic plan. When investing capital, the Group's objective is to deliver strong shareholder returns and to continue to generate high levels of liquid assets in line with the capital management goals.

The Group actively manages the working capital on a daily basis and operates a strict regime of contract billings and debtor payment cycles to maximise liquidity.

There were no changes to the Group's approach to capital management during the year. The Group is not exposed to externally imposed capital requirements.

There has been no event or circumstance since the balance sheet date that would significantly affect the Group.

#### 16 Related party transactions

##### 16.1 Transactions with key management personnel

Further details of directors' remuneration is disclosed in note 5.

##### 16.2 Summary of transactions with related parties

###### *Summary of transactions with parent entities*

Transactions with the parent entity include a loan to fund working capital.

###### *Summary of transactions with other related parties*

Other related parties are group controlled entities that are neither the nor subsidiaries of the Company. Transactions with other related parties include loans to fund working capital.

##### 16.3 Related party payables

	2020 £ 000	2019 £ 000
Parent entities	(11,763)	(16,063)
Subsidiaries	(55)	(55)
Other related parties	-	(24)
<b>Total related party payables</b>	<b>(11,818)</b>	<b>(16,142)</b>

## **Hungate (York) Regeneration Limited**

### **Notes to the Financial Statements for the Year Ended 30 June 2020 (continued)**

#### **17 Parent and ultimate parent undertaking**

The company's immediate parent is Lendlease Residential (Yorkshire) Limited and White Rose Property Investments No.2 Limited.

The ultimate parent is Lendlease Corporation Limited and Drachs Investments No.3 Limited.

The Company is jointly controlled by Lendlease Residential (Yorkshire) Limited and White Rose Property Investments No.2 Limited.

The ultimate parent undertaking for Lendlease Residential (Yorkshire) Limited is Lendlease Corporation Limited, a company incorporated in Australia, which is the parent of the largest group in which these financial statements are consolidated.

The address of Lendlease Corporation Limited is:

Level 14 Tower Three  
International Towers Sydney  
Exchange Place  
300 Barangaroo Avenue  
Barangaroo NSW 2000

The consolidated financial statements of the group may be obtained from [www.lendlease.com](http://www.lendlease.com)

The smallest group in which the share relating to Lendlease Residential (Yorkshire) Limited is consolidated is headed by Lendlease Europe Holdings Limited, a company incorporated in England and Wales.

The address of Lendlease Europe Holdings Limited is:

20 Triton Street  
Regent's Place  
London NW1 3BF

The consolidated financial statements of that group may be obtained from:

The registrar of Companies  
Companies House  
Crown Way  
Maindy, Cardiff

The ultimate parent undertaking for White Rose Property Investments No.2 Limited is Drachs Investments No.3 Limited, a company incorporated in Jersey. This is the largest and smallest group for which the share relating to White Rose Property No.2 Limited is consolidated.

The address of Drachs Investments No.3 Limited is:

28 Esplanade St  
Helier  
Jersey JE2 3QA

The consolidated financial statements of Drachs Investments No.3 Limited are not publicly available.

## **Hungate (York) Regeneration Limited**

### **Notes to the Financial Statements for the Year Ended 30 June 2020 (continued)**

#### **18 Subsequent events**

There has been no event or circumstance subsequent to the end of the financial year that would significantly affect the Group.