
PENTLAND HOMES (HOLDINGS) LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JANUARY 2020

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PENTLAND HOMES (HOLDINGS) LIMITED

COMPANY INFORMATION

Directors	P N Tory (appointed 11 October 2007) J N Tory (appointed 11 October 2007) S R Coates (appointed 1 June 2018)
Company secretary	S R Coates
Registered number	06362844
Registered office	The Estate Office Canterbury Road, Etchinghill Folkestone Kent CT18 8FA
Independent auditors	Pure Audit Limited Chartered Certified Accountants & Statutory Auditors 20 Canterbury Innovation Centre University Road Canterbury Kent CT2 7FG
Bankers	Lloyds Bank Plc 43 Sandgate Road Folkestone Kent CT20 1RZ
Solicitors	Cripps LLP 12 Mount Ephraim Road Tunbridge Wells Kent TN24 8AS

PENTLAND HOMES (HOLDINGS) LIMITED

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PENTLAND HOMES (HOLDINGS) LIMITED

GROUP STRATEGIC REPORT FOR THE YEAR ENDED 31 JANUARY 2020

Introduction

The directors present their strategic report for the year ended 31 January 2020.

Business review

The main activities of the business were the purchase and sale of land, and the building and sale of domestic homes in the south-east of England.

The directors are pleased to report on another successful year, continuing to build upon the increases in operations of previous years and preparing for further expansion in future, with new sites being brought to the market.

The year's turnover declined by 5% to £45.9m, the decline is due to one off sale of land for £9.7m by Pentland Kent Limited in previous year. Unit prices were maintained or increased, reflecting the underlying strength of the market and the group's products.

The parent company's profit for the year was £6.3m, which includes distribution of £6.2m on the winding-up of its subsidiary Pentland Kent Ltd.

The key financial and other performance indicators during the year were as follows:

Financial key performance indicators:

	2020 £'000	2019 £'000	Change %
Turnover	45,942	48,253	(5)
Cost of Sales	(38,189)	(34,104)	12
Gross Profit	7,753	14,149	(45)
Operating Profit	4,131	10,998	(62)
Pre-Tax Profit	3,613	10,446	(65)

The average margin on sales of open market homes fell slightly from 33% to 30% due to a changed sales mix.

The group continued to build a high proportion of homes for housing associations and for other third parties at lower margins which reduced overall gross profits to 17% of total turnover. The value of gross profits, after excluding the one off sale of land by PKL in previous year, increased by a pleasing 37%.

Building material and labour costs increased in the year at a lower rate than in the last two years, but rises have been absorbed in the gross margin.

The group continued to invest in staff, marketing for the new sites and administrative facilities in response to the higher business activity, and so overheads rose by 12% in the year.

The balance sheet was strengthened during the year as net current assets increased by £1.3m (4%).

PENTLAND HOMES (HOLDINGS) LIMITED

GROUP STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 JANUARY 2020

	2020 £'000	2019 £'000
Shareholders' Funds	32,168	30,023
Net Current Assets	30,509	29,217
Cash	3,235	1,020
Land	11,464	14,476
Build WIP	30,183	29,129
Speculative WIP	1,052	1,480
Land and WIP	42,699	45,085

Build WIP was maintained at an optimum level as the group's internal controls matched the pace of development with sales activity.

Other KPIs

The number of homes sold in 2020 was 117 (2019: 79), an increase of 48%.

One piece of land was sold in the year. No land was purchased in the year as two large sites were made ready for building starts.

Land owned by the group or by associated companies with either outline or detailed planning permission now amounts to 1519 plots. The group continues to follow a policy of bringing existing land forward for development and adding new sites when required. The holding at the end of the year represented ten years' supply at the current rate of build, but this rate is expected to increase in the coming years and the group's preparations have been made accordingly.

The total number of employees increased in the year from 48 to 57 in response to the increased level of activity and larger number of active sites, and the group's business plan of maintaining a strong development team and skilled building managers continues to be successful.

The directors believe that the steady performance in the year and the ownership of land stocks which either have or are progressing towards planning permission keep the group in a strong position to continue the growth in turnover and profits in forthcoming years.

PENTLAND HOMES (HOLDINGS) LIMITED

GROUP STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 JANUARY 2020

Principal risks and uncertainties

These accounts report on a year of recovered consistency after the previous year of fluctuating trading, as consumer confidence seemed to change with prevailing political events and Brexit in particular.

The arrival of the coronavirus after the financial year-end, however, disrupted this business as well as around the world. The management team took quick action in March to close the head office, building sites and sales offices as precautions against infection, and reopened sites slowly from May as risk management strategies were put in place. The directors were pleased to see that most customers maintained their reservations and that more were taken in the close-down period. Some sale completions were delayed but the impact over the first half of the year has not been significant and although total sales for the whole year are expected to be lower than initially forecast, the company is expected to return another good set of results in 2020/21.

The threat of a further impact by the virus on the country, employment levels and hence on the housing market cannot be ruled out, so the group continues to operate cautiously while remaining open to opportunities as they arise.

Market threats

The directors believe that underlying market conditions in the south east of England remain very good, as demand for homes continues to outstrip supply. The first reactions of the housing market after the lockdown was eased indicate an increased willingness of customers from London and the more built-up parts of the south-east to move out to the rest of Kent, and especially to rural and coastal areas that are well-served by transport links like the high-speed train. The group is selling homes in areas that are attractive to this kind of buyer and should benefit from this movement.

Competition from other developers and from the second hand market both appear to be inadequate to meet this underlying demand, so both the numbers of buyers and the prices offered are likely to be maintained in this region.

The continued shortage of available housing to meet demand was reflected in the significant price inflation seen in the past few years. The directors believe that this will continue albeit at a slower rate, as the recent economic downturn and world-wide uncertainty continues to threaten turbulence in the housing sector.

The prospect of leaving the Single Market and Customs Union at the end of 2020 remains a significant additional threat to all parts of the economy, with a 'no deal' exit posing particular risks. To prepare for this eventuality, the pace of building remains cautious to maintain low stock levels and reduced borrowing.

To meet these threats, the group is committed to maintaining a mix of sites and house-types to offer to a range of customers. It continues to develop a retirement village of bungalows and flats in Hawkinge in partnership with Pentland Properties. This provides a broader offer and reduces exposure to the mainstream housing market.

Operational threats

The house-building industry continued to experience shortages of resources until early 2020 as the construction activity has recovered over the past decade. Longer lead times for some materials were quoted when supplies were scarce and consequent cost inflation was noticeable in some areas. Skilled tradesmen were in demand, and sub contractors had to give pay increases to retain staff, passing costs onto the group.

The group mitigated shortages and cost increases by obtaining early quotes and by placing bulk orders.

These issues were relieved in part by the group's excellent long term relationships with sub contractors and by its high quality long standing management team, and the directors are committed to ensuring that these strengths are maintained in the future.

After the disruption caused by the coronavirus precautions, the new market conditions have not yet become

**GROUP STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 JANUARY 2020**

clear, but the group is working closely with the suppliers and contractors to ensure continuity of work and stability of supply.

The availability of developable land and achieving planning permissions are two of the biggest difficulties for house builders but the group has built up a portfolio of strategic sites that will provide for the future and reduces the need to purchase sites with planning permission already granted. The partnership with Pentland Properties has started to develop a large site at Canterbury which is expected to provide income and profits for the foreseeable future, in addition to sites already held and others to be purchased as they become available.

Financial threats

The directors believe that the group remains in a strong position despite the impacts of coronavirus and economic turbulence as a robust financial structure has been put in place to review and react to such perceived threats. The government's virus precautions had an initial effect on the rate of sales, but this returned to a more normal level and has had no apparent effect on house prices. The geographical position of the group's sites could mean that it benefits from customers moving out of the more expensive parts of the south east and London, encouraged by more widespread working from home. Further economic difficulties may be experienced as the country leaves the Single Market and the Customs Union and if the country suffers a second wave of the virus. The directors have taken steps to prepare the financial structure of the business in advance of this period and to manage the land bank appropriately.

There remains an under supply of housing for the current demand and the government is still looking to support the industry and first time buyers.

Availability of mortgages is not generally a problem for a large proportion of our buyers and some have benefited from the government backed Help to Buy scheme. The group is aware, however, that restrictions on this scheme to first-time buyers only will affect the flexibility of some buyers. The group's sales mix has been changed in the light of this restriction.

Customers are able to obtain mortgages at historically low interest rates. Financial commentators are generally agreed that this situation is likely to continue for the foreseeable future, so the impact on house sale numbers and prices should be minimal.

At the year end the group had borrowed £14m from Lloyds Bank at a percentage above base rate. The directors have reviewed the risk of interest rate changes on this loan and although there seems to be little risk of significant increases, the group has invested in a mechanism to protect against the effects of an increase to protect the group's profits.

Strategic threats

The main impact of the coronavirus precautions on the group in the first half of 2020 was disruption to land sales and purchases. Land sales have been postponed until more clarity is seen in the economy after lock-down, with the unwanted effect of delaying progress on infrastructure works and other projects. Similarly, the group has held back from purchasing new sites although it has a number of options in progress.

The group has maintained lines of finance that supports the current level of business while further funding is being prepared to assist the development of larger sites in future.

Constraints posed to the planned growth of the business by the difficulty of obtaining planning consent on new sites have now been resolved as the group has achieved agreement to detailed plans on a number of existing sites, and the group now has a sufficiency of land for the medium-term.

The group ensures that it complies fully with all Health and Safety, Building Regulation and other legislation.

PENTLAND HOMES (HOLDINGS) LIMITED

GROUP STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 JANUARY 2020

Directors' statement of compliance with duty to promote the success of the Group

Directors have acted and continue to act in the way they consider, in good faith, would be most likely to promote the success of the group for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to

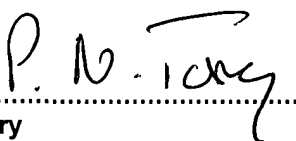
- a) the likely consequences of any decision in the long term,
- b) the interests of the group's employees,
- c) the need to foster the group's business relationships with suppliers, customers and others,
- d) the impact of the group's operations on the community and the environment,
- e) the desirability of the group maintaining a reputation for high standards of business conduct, and
- f) the need to act fairly as between members of the group.

In doing so, the directors have encouraged good relationships with all of its stakeholders, and in particular:

- with local communities during the planning stages of new developments, holding meetings to encourage contributions from local authorities, parish councils and the public;
- with local charities both directly and through the associated charitable foundation, to contribute to their valuable work – the group will be building a hospice and will continue its close relationship with it in future;
- with contractors on sites to ensure that the works have as little impact on local residents as practicable, with favourable responses both from the residents and the Considerate Contractors Scheme inspectors. Quarterly newsletters and information boards are provided for the larger sites;
- with the local environment, maintaining "exceptional environmental policies, procedures and ecology measures" during pre-commencement, development and after the sites have been occupied, through the various site management companies;
- with customers, as the group strives for excellence during the purchase process, at the time of occupation and afterwards through its customer care relationships.

The group is very aware of the valued contribution made by all of its staff and its contractors, and the directors ensure the highest levels of management commitment to encourage health, safety, skill and enthusiasm throughout the workforce.

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


.....
P N Tory
Director

Date: 22nd September 2020

PENTLAND HOMES (HOLDINGS) LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 JANUARY 2020

The directors present their report and the financial statements for the year ended 31 January 2020.

Directors' responsibilities statement

The directors are responsible for preparing the Group Strategic Report, the Directors' Report and the consolidated 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the Group 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 for the Group's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Principal activity

The principal activity of the group in the year under review was that of the development and sale of residential property.

Results and dividends

The group profit for the year, after taxation, amounted to £2,925,321 (2019 - £8,525,668).

The directors recommended a final dividend of £6.384 per share amounting to £100,000, making a total of £100,000 for the year (2019: £240,000).

Directors

The directors who served during the year were:

P N Tory (appointed 11 October 2007)

J N Tory (appointed 11 October 2007)

S R Coates (appointed 1 June 2018)

Political contributions

The group made no political donations in the period.

PENTLAND HOMES (HOLDINGS) LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 JANUARY 2020

Future developments

The group has built up a land bank that will provide an increasing number of house sales in the future. Planning permission has been achieved for many existing owned sites, but the directors will consider purchasing new parcels of land for prompt development.

Financial instruments

The group has the benefit of an interest rate hedge contract to protect against significant interest rate increases.

Research and development activities

The group continues to investigate alternative methods of construction, for improved build quality and efficiency of construction processes.

Going concern

The activities of the group and the factors that are likely to affect its future development, financial position and risk management objectives are described in the Strategic Report.

The group has considerable financial resources and access to further funding, and the directors consider that the group is in a strong position to manage its business risks and to take advantage of the market conditions in the house building industry, which, despite Brexit and the coronavirus, seem to remain strong in the medium term. Consequently they continue to adopt the going concern basis in preparing the annual report and accounts.

The directors have reviewed the group's business and consider that there are no liabilities that have not been shown in the balance sheet.

Engagement with suppliers, customers and others

Engagement with suppliers, customers and other stakeholders is explained in the strategic report.

Matters covered in the strategic report

Items required under Sch. 7 to be disclosed in the directors' report are set out in the strategic report in accordance with s.414C(11) CA 2006.

Disclosure of information to auditors

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

- so far as the director is aware, there is no relevant audit information of which the Company and the Group's auditors are unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company and the Group's auditors are aware of that information.

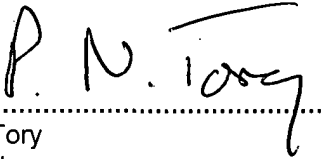
Auditors

The auditors, Pure Audit Limited, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

PENTLAND HOMES (HOLDINGS) LIMITED

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 JANUARY 2020

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



.....
P N Tory
Director

Date: 22 September 2020

PENTLAND HOMES (HOLDINGS) LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PENTLAND HOMES (HOLDINGS) LIMITED

Opinion

We have audited the financial statements of Pentland Homes (Holdings) Limited (the 'parent Company') and its subsidiaries (the 'Group') for the year ended 31 January 2020, which comprise the Group Statement of Comprehensive Income, the Group and Company Balance Sheets, the Group Statement of Cash Flows, the Group and Company Statement of Changes in Equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 January 2020 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our

PENTLAND HOMES (HOLDINGS) LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PENTLAND HOMES (HOLDINGS) LIMITED (CONTINUED)

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

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

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

- the information given in the Group Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Group Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Group Strategic Report or the Directors' Report.

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

- adequate accounting records have not been kept 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.

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

PENTLAND HOMES (HOLDINGS) LIMITED

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PENTLAND HOMES (HOLDINGS) LIMITED
(CONTINUED)**

Auditors' responsibilities for the audit of the financial statements

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

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

Use of our report

This report is made solely to the Company's members in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditors' Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members for our audit work, for this report, or for the opinions we have formed.

Alan Davidson (Senior Statutory Auditor)

for and on behalf of

Pure Audit Limited

Chartered Certified Accountants & Statutory Auditors

20 Canterbury Innovation Centre

University Road

Canterbury

Kent

CT2 7FG

Date: 22 September 2020

PENTLAND HOMES (HOLDINGS) LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 JANUARY 2020

	Note	2020 £	2019 £
Turnover	4	45,941,722	48,253,190
Cost of sales		(38,188,904)	(34,103,847)
Gross profit		7,752,818	14,149,343
Administrative expenses		(3,664,665)	(3,268,605)
Other operating income	5	20,028	87,934
Fair value movements		22,388	29,187
Operating profit	6	4,130,569	10,997,859
Interest receivable and similar income	10	2,442	288
Interest payable and expenses	11	(533,198)	(651,071)
Other finance income		13,508	98,612
Profit before taxation		3,613,321	10,445,688
Tax on profit	12	(688,000)	(1,920,020)
Profit for the financial year		2,925,321	8,525,668
Total comprehensive income for the year		2,925,321	8,525,668
Profit for the year attributable to:			
Non-controlling interests		-	684,097
Owners of the parent Company		2,925,321	7,841,571
		2,925,321	8,525,668
Total comprehensive income for the year attributable to:			
Non-controlling interest		-	684,097
Owners of the parent Company		2,925,321	7,841,571
		2,925,321	8,525,668

The notes on pages 22 to 44 form part of these financial statements.

PENTLAND HOMES (HOLDINGS) LIMITED
REGISTERED NUMBER: 06362844

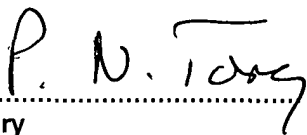
CONSOLIDATED BALANCE SHEET
AS AT 31 JANUARY 2020

	Note	2020 £	2019 £
Fixed assets			
Tangible assets	14	936,792	985,435
Investment property	16	1,296,361	1,258,893
		<u>2,233,153</u>	<u>2,244,328</u>
Current assets			
Stocks		42,698,676	45,085,376
Debtors: amounts falling due after more than one year	18	-	82,644
Debtors: amounts falling due within one year	18	4,724,581	1,449,285
Cash at bank and in hand	19	3,235,088	1,019,722
		<u>50,658,345</u>	<u>47,637,027</u>
Creditors: amounts falling due within one year		<u>(20,149,620)</u>	<u>(18,419,585)</u>
Net current assets		<u>30,508,725</u>	<u>29,217,442</u>
Total assets less current liabilities		<u>32,741,878</u>	<u>31,461,770</u>
Provisions for liabilities			
Deferred tax	23	-	(17,146)
Other provisions	24	(573,436)	(1,421,503)
		<u>(573,436)</u>	<u>(1,438,649)</u>
Net assets		<u><u>32,168,442</u></u>	<u><u>30,023,121</u></u>
Capital and reserves			
Called up share capital	25	15,664	15,664
Share premium account		3,309,814	3,309,814
Profit and loss account		28,837,605	26,012,284
Non-controlling interests		5,359	685,359
		<u>32,168,442</u>	<u>30,023,121</u>

PENTLAND HOMES (HOLDINGS) LIMITED
REGISTERED NUMBER: 06362844

CONSOLIDATED BALANCE SHEET (CONTINUED)
AS AT 31 JANUARY 2020

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


.....
P N Tory
Director

Date: 22nd September 2020

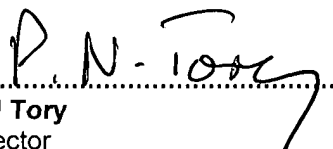
The notes on pages 22 to 44 form part of these financial statements.

PENTLAND HOMES (HOLDINGS) LIMITED
REGISTERED NUMBER: 06362844

COMPANY BALANCE SHEET
AS AT 31 JANUARY 2020

	Note	2020 £	2019 £
Fixed assets			
Investments	15	15,674	15,674
		<u>15,674</u>	<u>15,674</u>
Current assets			
Debtors: amounts falling due after more than one year	18	6,120,000	-
Cash at bank and in hand	19	49,068	6,424
		<u>6,169,068</u>	<u>6,424</u>
Total assets less current liabilities		6,184,742	22,098
Net assets excluding pension asset		6,184,742	22,098
Net assets		6,184,742	22,098
Capital and reserves			
Called up share capital	25	15,664	15,664
Profit and loss account brought forward		6,434	6,515
Profit for the year		6,262,644	239,919
Other changes in the profit and loss account		(100,000)	(240,000)
		<u>6,169,078</u>	<u>6,434</u>
Profit and loss account carried forward		6,184,742	22,098

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


P N Tory
Director

22/9/2020

The notes on pages 22 to 44 form part of these financial statements.

PENTLAND HOMES (HOLDINGS) LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 JANUARY 2020

	Called up share capital £	Share premium account £	Profit and loss account £	Equity attributable to owners of parent Company £	Non- controlling interests £	Total equity £
At 1 February 2019	15,664	3,309,814	26,012,284	29,337,762	685,359	30,023,121
Comprehensive income for the year						
Profit for the year	-	-	2,925,321	2,925,321	-	2,925,321
Other comprehensive income for the year						
	-	-	-	-	-	-
Total comprehensive income for the year	-	-	2,925,321	2,925,321	-	2,925,321
Dividends: Equity capital	-	-	(100,000)	(100,000)	-	(100,000)
Distributions to non controlling interest	-	-	-	-	(680,000)	(680,000)
Total transactions with owners	-	-	(100,000)	(100,000)	(680,000)	(780,000)
At 31 January 2020	15,664	3,309,814	28,837,605	32,163,083	5,359	32,168,442

The notes on pages 22 to 44 form part of these financial statements.

PENTLAND HOMES (HOLDINGS) LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 JANUARY 2019

	Called up share capital £	Share premium account £	Profit and loss account £	Equity attributable to owners of parent Company £	Non- controlling interests £	Total equity £
At 1 February 2018	15,664	3,309,814	18,410,713	21,736,191	1,262	21,737,453
Comprehensive income for the year						
Profit for the year	-	-	7,841,571	7,841,571	684,097	8,525,668
Other comprehensive income for the year						
	-	-	-	-	-	-
Total comprehensive income for the year	-	-	7,841,571	7,841,571	684,097	8,525,668
Dividends: Equity capital	-	-	(240,000)	(240,000)	-	(240,000)
Total transactions with owners	-	-	(240,000)	(240,000)	-	(240,000)
At 31 January 2019	15,664	3,309,814	26,012,284	29,337,762	685,359	30,023,121

The notes on pages 22 to 44 form part of these financial statements.

PENTLAND HOMES (HOLDINGS) LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 JANUARY 2020

	Called up share capital £	Profit and loss account £	Total equity £
At 1 February 2019	15,664	6,434	22,098
Comprehensive income for the year			
Profit for the year	-	6,262,644	6,262,644
Other comprehensive income for the year			
	-	-	-
Total comprehensive income for the year	-	6,262,644	6,262,644
Contributions by and distributions to owners			
Dividends: Equity capital	-	(100,000)	(100,000)
Total transactions with owners	-	(100,000)	(100,000)
At 31 January 2020	15,664	6,169,078	6,184,742

The notes on pages 22 to 44 form part of these financial statements.

PENTLAND HOMES (HOLDINGS) LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 JANUARY 2019

	Called up share capital £	Profit and loss account £	Total equity £
At 1 February 2018	15,664	6,515	22,179
Comprehensive income for the year			
Profit for the year	-	239,919	239,919
Other comprehensive income for the year			
	-	-	-
Total comprehensive income for the year	-	239,919	239,919
Contributions by and distributions to owners			
Dividends: Equity capital	-	(240,000)	(240,000)
Total transactions with owners	-	(240,000)	(240,000)
At 31 January 2019	15,664	6,434	22,098

The notes on pages 22 to 44 form part of these financial statements.

PENTLAND HOMES (HOLDINGS) LIMITED

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 JANUARY 2020**

	2020 £	2019 £
Cash flows from operating activities		
Profit for the financial year	3,613,321	10,445,688
Adjustments for:		
Depreciation of tangible assets	338,348	310,801
Impairments of fixed assets	(22,388)	(29,187)
Loss on disposal of tangible assets	(11,500)	(12,287)
Interest paid	533,198	651,071
Interest received	(15,950)	(98,900)
Decrease/(increase) in stocks	2,386,700	(14,021,122)
(Increase)/decrease in debtors	(3,192,902)	311,683
Increase/(decrease) in creditors	1,757,313	(966,639)
(Decrease)/increase in provisions	(848,067)	698,391
Corporation tax (paid)	(2,069,056)	(429,921)
Net cash generated from operating activities	2,469,017	(3,140,422)
Cash flows from investing activities		
Purchase of tangible fixed assets	(289,705)	(271,181)
Sale of tangible fixed assets	11,750	39,100
Purchase of investment properties	(15,080)	-
Interest received	15,950	98,900
Net cash from investing activities	(277,085)	(133,181)
Cash flows from financing activities		
New secured loans	14,000,000	-
Repayment of loans	(11,500,000)	(1,634,403)
Repayment of/new finance leases	(56,794)	(13,206)
Loans due from/(repaid to) directors	-	(1,782,638)
Loans from other participating interests repaid	(1,106,574)	5,947,176
Dividends paid	(100,000)	(424,741)
Non controlling interest dividends paid	(680,000)	-
Interest paid	(533,198)	(651,071)
Net cash used in financing activities	23,434	1,441,117
Net increase/(decrease) in cash and cash equivalents	2,215,366	(1,832,486)
Cash and cash equivalents at beginning of year	1,019,722	2,852,208
Cash and cash equivalents at the end of year	3,235,088	1,019,722

PENTLAND HOMES (HOLDINGS) LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 31 JANUARY 2020

	2020	2019
	£	£
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	3,235,088	1,019,722
	3,235,088	1,019,722

CONSOLIDATED ANALYSIS OF NET DEBT
FOR THE YEAR ENDED 31 JANUARY 2020

	At 1 February 2019 £	Cash flows £	At 31 January 2020 £
Cash at bank and in hand	1,019,722	2,215,366	3,235,088
Debt due within 1 year	(11,500,000)	(2,500,000)	(14,000,000)
Finance leases	(56,794)	56,794	-
	(10,537,072)	(227,840)	(10,764,912)

The notes on pages 22 to 44 form part of these financial statements.

PENTLAND HOMES (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 2020

1. General information

The entity is a private company limited by share, incorporated in England and Wales. The address of its registered office is:

The Estate Office
Canterbury Road
Etchinghill
Folkestone
Kent
CT18 8FA

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgment in applying the Group's accounting policies (see note 3).

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of Comprehensive Income in these financial statements.

The following principal accounting policies have been applied:

2.2 Basis of consolidation

The consolidated financial statements present the results of the Company and its own subsidiaries ("the Group") as if they form a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the Balance Sheet, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated Statement of Comprehensive Income from the date on which control is obtained. They are deconsolidated from the date control ceases.

In accordance with the transitional exemption available in FRS 102, the group has chosen not to retrospectively apply the standard to business combinations that occurred before the date of transition to FRS 102, being

PENTLAND HOMES (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 2020

2. Accounting policies (continued)

2.3 Going concern

The activities of the group and the factors that are likely to affect its future development, financial position and risk management objectives are described in the Strategic Report.

The group has considerable financial resources and access to further funding, and the directors consider that the group is in a strong position to manage its business risks and to take advantage of the continuing favourable market conditions in the house-building industry, which, despite Brexit and the coronavirus, seem to remain strong in the medium term. Consequently, they continue to adopt the going concern basis in preparing the annual report and accounts.

The directors have reviewed the group's business and consider that there are no liabilities or significant events that have not been included and disclosed in the accounts.

2.4 Foreign currency translation

Functional and presentation currency

The group's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Consolidated Statement of Comprehensive Income within 'finance income or costs'. All other foreign exchange gains and losses are presented in profit or loss within 'other operating income'.

On consolidation, the results of overseas operations are translated into Sterling at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations are translated at the rate ruling at the reporting date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in other comprehensive income.

PENTLAND HOMES (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 2020

2. Accounting policies (continued)

2.5 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the group and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the group has transferred the significant risks and rewards of ownership to the buyer;
- the group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the group will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Sale of residential units

In respect of sales of residential units, a contract is established through a formal purchase process that involves the exchange of contracts via solicitors. Revenue from the sale of residential units is recognised at a point in time on legal completion where the group has transferred to the buyer the control of the units.

Contract revenue

The group acts as a main contractor on certain building projects, primarily on behalf of the housing associations where the group must provide social housing units as part of its obligations under the planning consent or has sold the land to the housing association and entered into a construction contract to provide the completed units.

Revenue on construction contracts is recognised over time as the performance obligations are satisfied. The output method is used to measure the progress of the group's performance over the duration of the contract. This is done through valuation surveys conducted by the group and by the customer respectively who then agree the value of work completed. The agreed valuation is used to determine the revenue to be recognised for the period. Where the outcome of a contract on which revenue is recognised over time cannot be estimated reliably, revenue is recognised to the extent of contract costs incurred.

2.6 Operating leases: the Group as lessee

Rentals paid under operating leases are charged to profit or loss on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

PENTLAND HOMES (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 2020

2. Accounting policies (continued)

2.7 Leased assets: the Group as lessee

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets. Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives. Assets acquired by hire purchase are depreciated over their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the company. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to profit or loss so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

2.8 Interest income

Interest income is recognised in profit or loss using the effective interest method.

2.9 Finance costs

Finance costs are charged to profit or loss over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.10 Borrowing costs

All borrowing costs are recognised in profit or loss in the year in which they are incurred.

2.11 Pensions

Defined contribution pension plan

The Group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Once the contributions have been paid the Group has no further payment obligations.

The contributions are recognised as an expense in profit or loss when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the Group in independently administered funds.

PENTLAND HOMES (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 2020

2. Accounting policies (continued)

2.12 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company and the Group operate and generate income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance Sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the Group can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

2.13 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Long-term leasehold property	-	2%
Plant and machinery	-	25%
Motor vehicles	-	25%
Office equipment	-	25%

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

PENTLAND HOMES (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 2020

2. Accounting policies (continued)

2.14 Investment property

Investment property is carried at fair value determined annually by management and derived from the current market rents and investment property yields for comparable real estate, adjusted if necessary for any difference in the nature, location or condition of the specific asset. No depreciation is provided. Changes in fair value are recognised in profit or loss.

2.15 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

Investments in unlisted Group shares, whose market value can be reliably determined, are remeasured to market value at each balance sheet date. Gains and losses on remeasurement are recognised in the Consolidated Statement of Comprehensive Income for the period. Where market value cannot be reliably determined, such investments are stated at historic cost less impairment.

Investments in listed company shares are remeasured to market value at each Balance Sheet date. Gains and losses on remeasurement are recognised in profit or loss for the period.

2.16 Stocks

Cost includes the purchase of sites, the cost of infrastructure and construction works, and legal and professional fees incurred during development prior to sale. Net realisable value is estimated based upon the future expected selling price, less estimated costs of completion and estimated costs to sell.

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a weighted average basis. Work in progress and finished goods include labour and attributable overheads.

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

2.17 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.18 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Consolidated Statement of Cash Flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.

PENTLAND HOMES (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 2020

2. Accounting policies (continued)

2.19 Creditors

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

2.20 Holiday pay accrual

A liability is recognised to the extent of any unused holiday pay entitlement which is accrued at the Balance Sheet date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the Balance Sheet date.

2.21 Provisions for liabilities

Provisions are made where an event has taken place that gives the Group a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to profit or loss in the year that the Group becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet.

2.22 Financial instruments

The Group only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or in case of an out-right short-term loan that is not at market rate, the financial asset or liability is measured, initially at the present value of future cash flows discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost, unless it qualifies as a loan from a director in the case of a small company, or a public benefit entity concessionary loan.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Consolidated Statement of Comprehensive Income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the

PENTLAND HOMES (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 2020

2. Accounting policies (continued)

2.22 Financial instruments (continued)

difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Group would receive for the asset if it were to be sold at the balance sheet date.

Financial assets and liabilities are offset and the net amount reported in the Balance Sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or income as appropriate. The company does not currently apply hedge accounting for interest rate and foreign exchange derivatives.

2.23 Financial liabilities

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form.

Financial liabilities within the scope of IAS 39 are initially classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

The Group determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

Subsequently, the measurement of financial liabilities depends on their classification as follows:

Interest bearing loans and borrowings

Obligations for loans and borrowings are recognised when the Group becomes party to the related contracts and are measured initially at the fair value of consideration received less directly attributable transaction costs.

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses arising on the repurchase, settlement or otherwise cancellation of liabilities are recognised respectively in finance revenue and finance cost.

Derecognition of financial liabilities

A liability is derecognised when the contract that gives rise to it is settled, sold, cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such as an exchange or modification, this is treated as a derecognition of the original liability, such that the difference in the respective carrying amounts together with any costs or fees incurred are recognised in profit or loss.

PENTLAND HOMES (HOLDINGS) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2020**

2. Accounting policies (continued)

2.24 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

3. Judgments in applying accounting policies and key sources of estimation uncertainty

Estimates and judgements are continually evaluated and are based on historic experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Key sources of estimation uncertainty

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below:

i) Valuation of inventories

The group values inventories at the lower of cost and net realisable value. The net realisable value is based on the judgement of the probability that planning consent will be granted for each site. The group believes that based on directors' experience, planning consent will be given. If planning consent was not achieved then a provision may be required against inventories.

In applying the group's accounting policy for the valuation of inventories the directors are required to assess the expected selling price and costs to sell each of the plots or units that constitute the group's work in progress. Cost includes the cost of acquisition of sites, the cost of infrastructure and construction works, and legal and professional fees incurred during development prior to sale. Estimation of selling price is subject to significant inherent uncertainties, in particular the prediction of future trends in the market value of land.

Whilst the directors exercise due care and attention to make reasonable estimates, taking into account all available information in estimating the future selling price, the estimates will, in all likelihood, differ from actual selling prices achieved in future periods and these differences may, in certain circumstances, be very significant. The critical judgement in respect of receipt of planning consent further increases the level of estimation uncertainty.

ii) Useful economic lives of tangible fixed assets

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and physical condition of the assets.

PENTLAND HOMES (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2020

4. Turnover

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

	2020 £	2019 £
Property development and sale	41,589,353	39,662,072
Contract revenue	4,352,369	8,591,118
	<u>45,941,722</u>	<u>48,253,190</u>

	2020 £	2019 £
United Kingdom	45,941,722	48,253,190
	<u>45,941,722</u>	<u>48,253,190</u>

All turnover arose within the United Kingdom.

5. Other operating income

	2020 £	2019 £
Sundry income	20,028	87,934
	<u>20,028</u>	<u>87,934</u>

6. Operating profit

The operating profit is stated after charging:

	2020 £	2019 £
Other operating lease rentals	16,009	-
	<u>16,009</u>	<u>-</u>

7. Auditors' remuneration

	2020 £	2019 £
Fees payable to the Company's auditors for the audit of the Company's annual financial statements	8,000	8,100
	<u>8,000</u>	<u>8,100</u>

PENTLAND HOMES (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2020

8. Employees

Staff costs, including directors' remuneration, were as follows:

	Group 2020 £	<i>Group 2019 £</i>	Company 2020 £	<i>Company 2019 £</i>
Staff salaries	3,373,699	2,789,484	-	-
Social security costs	501,763	322,760	-	-
Cost of defined contribution scheme	80,291	68,993	-	-
	3,955,753	3,181,237	-	-

The average monthly number of employees, including the directors, during the year was as follows:

	2020 No.	<i>2019 No.</i>
Production	24	21
Administration and support	26	25
	50	46

The parent company has no employees other than the directors, who did not receive any remuneration (2019 - £NIL)

PENTLAND HOMES (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2020

9. Directors' remuneration

During the year retirement benefits were accruing to no directors (2019 - NIL) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £NIL (2019 - £NIL).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £NIL (2019 - £NIL).

The value of the company's contributions paid to a defined benefit pension scheme in respect of the highest paid director amounted to £NIL (2019 - £NIL).

The total accrued pension provision of the highest paid director at 31 January 2020 amounted to £NIL (2019 - £NIL).

The amount of the accrued lump sum in respect of the highest paid director at 31 January 2020 amounted to £NIL (2019 - £NIL).

Remuneration paid to subsidiaries directors:

Directors' emoluments £1,513,414 (2019: £846,653)
Pension £4,022 (2019: £35,049).

The highest paid director of subsidiaries received remuneration of £412,393 (2019: 333,574).

During the year retirement benefits were accruing to 4 directors (2019 - 3) in respect of subsidiaries' defined contribution pension schemes.

10. Interest receivable

	2020 £	2019 £
Other interest receivable	2,442	288
	<u>2,442</u>	<u>288</u>

11. Interest payable and similar expenses

	2020 £	2019 £
Bank interest payable	530,748	553,612
Other loan interest payable	-	94,259
Finance leases and hire purchase contracts	2,450	3,200
	<u>533,198</u>	<u>651,071</u>

PENTLAND HOMES (HOLDINGS) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2020**

12. Taxation

	2020 £	2019 £
Corporation tax		
Current tax on profits for the year	705,146	1,961,096
	<u>705,146</u>	<u>1,961,096</u>
Total current tax	<u>705,146</u>	<u>1,961,096</u>
Deferred tax		
Origination and reversal of timing differences	(17,146)	(41,076)
Total deferred tax	<u>(17,146)</u>	<u>(41,076)</u>
Taxation on profit on ordinary activities	<u>688,000</u>	<u>1,920,020</u>

Factors affecting tax charge for the year

The tax assessed for the year is the same as (2019 - the same as) the standard rate of corporation tax in the UK of 19% (2019 - 19%) as set out below:

	2020 £	2019 £
Profit on ordinary activities before tax	3,613,321	10,445,688
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2019 - 19%)	686,531	1,984,681
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	984	2,571
Capital allowances for year in excess of depreciation	23,229	11,399
Utilisation of tax losses	841	(29,675)
Short term timing difference leading to an increase (decrease) in taxation	(17,146)	(41,076)
Non-taxable income	(6,439)	(7,880)
Total tax charge for the year	<u>688,000</u>	<u>1,920,020</u>

Factors that may affect future tax charges

PENTLAND HOMES (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2020

12. Taxation (continued)

There were no factors that may affect future tax charges.

13. Dividends

	2020 £	2019 £
Ordinary shares	100,000	240,000
	<u>100,000</u>	<u>240,000</u>

14. Tangible fixed assets

Group

	Long-term leasehold property £	Plant and machinery £	Motor vehicles £	Office equipment £	Total £
Cost or valuation					
At 1 February 2019	510,815	860,864	553,302	186,655	2,111,636
Additions	-	102,174	166,307	21,224	289,705
Disposals	-	(40,862)	(48,811)	-	(89,673)
At 31 January 2020	<u>510,815</u>	<u>922,176</u>	<u>670,798</u>	<u>207,879</u>	<u>2,311,668</u>
Depreciation					
At 1 February 2019	20,432	676,066	307,953	121,750	1,126,201
Charge for the year on owned assets	10,200	123,641	168,979	35,528	338,348
Disposals	-	(40,862)	(48,811)	-	(89,673)
At 31 January 2020	<u>30,632</u>	<u>758,845</u>	<u>428,121</u>	<u>157,278</u>	<u>1,374,876</u>
Net book value					
At 31 January 2020	<u>480,183</u>	<u>163,331</u>	<u>242,677</u>	<u>50,601</u>	<u>936,792</u>
At 31 January 2019	<u>490,383</u>	<u>184,798</u>	<u>245,349</u>	<u>64,905</u>	<u>985,435</u>

PENTLAND HOMES (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2020

14. Tangible fixed assets (continued)

The net book value of land and buildings may be further analysed as follows:

	2020 £	2019 £
Long leasehold	480,183	490,383
	<u>480,183</u>	<u>490,383</u>

The net book value of assets held under finance leases or hire purchase contracts, included above, are as follows:

	2020 £	2019 £
Motor vehicles	-	27,180
	<u>-</u>	<u>27,180</u>

15. Fixed asset investments

Company

	Investments in subsidiary companies £
Cost or valuation	
At 1 February 2019	15,674
At 31 January 2020	<u>15,674</u>

PENTLAND HOMES (HOLDINGS) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2020**

16. Investment property

Group

	Freehold investment property £
Valuation	
At 1 February 2019	1,258,893
Additions at cost	15,080
Surplus on revaluation	22,388
At 31 January 2020	1,296,361

The 2020 valuations were made by directors, on an open market value basis.

If the Investment properties had been accounted for under the historic cost accounting rules, the properties would have been measured as follows:

	2020 £	2019 £
Historic cost	1,042,529	1,027,449
	1,042,529	1,027,449

The 2020 valuations were made by directors, on an open market value for existing use basis.

17. Stocks

	Group 2020 £	Group 2019 £
Work in progress	35,567,290	44,415,376
Finished stock	7,131,386	670,000
	42,698,676	45,085,376

PENTLAND HOMES (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2020

18. Debtors

	Group 2020 £	Group 2019 £	Company 2020 £	Company 2019 £
Due after more than one year				
Amounts owed by group undertakings	-	-	6,120,000	-
Amounts recoverable on L/T contracts	-	82,644	-	-
	-	82,644	6,120,000	-
Due within one year				
Trade debtors			3,930,424	823,944
Other debtors			592,580	449,997
Prepayments and accrued income			201,577	175,344
			4,724,581	1,449,285

Trade debtors balance includes £3,402,659 owed by connected entities.

19. Cash and cash equivalents

	Group 2020 £	Group 2019 £	Company 2020 £	Company 2019 £
Cash at bank and in hand	3,235,088	1,019,722	49,068	6,424
	3,235,088	1,019,722	49,068	6,424

PENTLAND HOMES (HOLDINGS) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2020**

20. Creditors: Amounts falling due within one year

	Group 2020 £	<i>Group 2019 £</i>
Bank loans	14,000,000	11,500,000
Trade creditors	3,518,233	2,151,056
Amounts owed to associates	-	1,106,574
Corporation tax	474,513	1,838,423
Other taxation and social security	140,835	123,595
Obligations under finance lease and hire purchase contracts	-	56,794
Other creditors	1,227,371	976,023
Accruals and deferred income	788,668	667,120
	<u>20,149,620</u>	<u>18,419,585</u>

21. Loans

	Group 2020 £	<i>Group 2019 £</i>
Amounts falling due within one year		
Bank loans	14,000,000	11,500,000
	<u>14,000,000</u>	<u>11,500,000</u>
	<u>14,000,000</u>	<u>11,500,000</u>

PENTLAND HOMES (HOLDINGS) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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The group's bank, Lloyds Bank Plc, has legal charges over portions of land owned by the group as listed below:

- i) A fixed charge and negative pledge dated 25 July 2016 over properties of the group.
- ii) A fixed and floating charge covering all property or undertaking of Pentland Homes Limited dated 2 August 2016. The charge contains negative pledge.
- iii) A floating charge and negative pledge over land adjoining to New Street Farm, Great Chart, Ashford registered at the Land Registry under title number TT42532 was created on 23 August 2016.
- iv) A floating charge and negative pledge over land on the east side of Hollow Lane, Canterbury was created on 23 August 2016.
- v) A fixed and floating charge on land located on the South side of Cockreed Lane, New Romney. The charge was created on 26/11/2018. The charge contains negative pledge.
- vi) A fixed and floating charge on land lying to the North of Canterbury Road, Lydden, Dover. The charge was created on 26/11/2018. The charge contains negative pledge.
- vii) A fixed and floating charge on land located on West Side of Stone Street, Stelling Minnis. The charge was created on 24/05/2019. The charge contains negative pledge.

Other charges:

Westerley Investments Limited have registered a legal charge on 14 May 2004 on freehold property Pound Farm, Kingsnorth, Ashford, Kent on all initial overage payments and further overage payments which may become due at any time within the Perpetuity Period.

22. Hire purchase and finance leases

Minimum lease payments under hire purchase fall due as follows:

	2020 £	2019 £
Within one year	-	56,794
	<u>-</u>	<u>56,794</u>

PENTLAND HOMES (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2020

23. Deferred taxation

Group

	2020 £
At beginning of year	(17,146)
Charged to profit or loss	17,146
At end of year	-
	Group 2020
	£
Accelerated capital allowances	-
	Group 2019
	£
	(17,146)
	-
	(17,146)

24. Provisions

Group

	Customer care and cost to complete provisions £
At 1 February 2019	1,421,503
Charged to profit or loss	(848,067)
At 31 January 2020	573,436

25. Share capital

	2020 £	2019 £
Allotted, called up and fully paid		
15,664 (2019 - 15,664) Ordinary shares of £1.00 each	15,664	15,664

PENTLAND HOMES (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2020

26. Pension commitments

The group operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the group in an independently administered fund. The pension cost charge represents contributions payable by the group to the scheme and amounted to £80,291 (2019: £68,993). Contributions totaling £9,124 (2019: £4,682) were payable to the scheme at the balance sheet date.

27. Commitments under operating leases

At 31 January 2020 the Group had future minimum lease payments under non-cancellable operating leases as follows:

Group	2020 £	2019 £
Not later than 1 year	44,882	23,182
Later than 1 year and not later than 5 years	56,415	21,700
	<u>101,297</u>	<u>44,882</u>

28. Transactions with directors

Loans payable to directors totaled £Nil (2019: £Nil). During the year the group paid interest of £Nil (2019: £23k) on the loan.

The group owns 43.4% share of the investment property in Canada, the remainder is owned by a director of the parent company. Investment property included in the balance sheet represents the group's share of the property.

During the year the group has provided £22,418 (2019: £50,785) worth of goods and services to one of its directors. All of the invoices have been paid in full and there was no balance outstanding at the year end.

PENTLAND HOMES (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 2020

29. Related party transactions

1) P N Tory and J N Tory are directors of Pentland Homes (Holdings) Limited and also control Pentland Golf and Etchinghill Golf. During the year following transactions occurred with the above businesses:

Sale of £14,122 (2019: £77,293) to Etchinghill Golf. At the year end the group owed £Nil (2019: £Nil) to Etchinghill Golf.

Pentland Golf charged cost of £76,650 to group. At the year end the group owed £3,081 (2019: £2,697) to Pentland Golf.

2) J N Tory (director) controls Cave Hotels (UK) Ltd. During the year following transactions occurred with the above entity:

Costs of £222,993 (2019: £12,153) recharged to Cave Hotels UK Ltd and costs of £2,176 (2019: £920) recharged by Cave Hotels (UK) Ltd.

At the year end Cave Hotels (UK) Ltd owed £399,810 (2019: £145,240) to the group.

3) P N Tory and J N Tory are both directors and shareholders of Pentland Properties Ltd. During the year the group provided £9,067,468 (2019: £923,206) worth of goods and services and £Nil (2019: £820,000) loan to Pentland Properties Ltd. At the year end, the group was owed £3,003,077 (2019: £1,106,574 owed to) by Pentland Properties Ltd.

4) Pentland Kent Ltd (PKL) is a 90% subsidiary of Pentland Homes (Holdings) Limited (PHHL). During the year, Pentland Homes Ltd (PHL), a subsidiary, recharged costs of £Nil (2019: £345,718) to Pentland Kent Ltd. At the year end the PHL owed £Nil (2019: £8,390,674 owed by) to PKL.

Pentland Kent Limited is in liquidation and has made distribution of £6.12m to its parent company, PHHL.

30. Interest rate hedge

The group has interest rate hedge with Lloyds Bank Plc for maximum loan of £15m with a cap rate of 2.5%. The hedge will expire on 30 June 2022. The fair value of the financial instruments designated as hedging instruments at 31 January 2020 is £Nil (2019 - £Nil). The amount of the change in fair value of the hedging instrument recognised in profit or loss for the period is £Nil (2019 - £Nil).

31. Post balance sheet events

Impact of COVID-19 pandemic:

The main impact of the coronavirus precautions on the group in the first half of 2020 was disruption to land sales and purchases. Land sales have been postponed until more clarity is seen in the economy after lock-down, with the unwanted effect of delaying progress on infrastructure works and other projects. Similarly, the group has held back from purchasing new sites although it has a number of options in progress.

The group has maintained lines of finance that supports the current level of business while further funding is being prepared to assist the development of larger sites in future.

PENTLAND HOMES (HOLDINGS) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2020**

32. Controlling party

Pentland Homes (Holdings) Limited is the ultimate parent company. P N Tory and J N Tory are the ultimate controlling parties by virtue of their majority shareholding in the parent company.

33. Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Registered office	Class of shares	Holding
Pentland Homes Limited	The Estate Office Canterbury Road, Etchinghill, Folkestone, Kent, CT18 8FA	Ordinary	100%
Pentland Kent Limited	Montague Place Quayside, Chatham Maritime, Chatham, Kent, ME4 4QU	Ordinary	90 -%

The aggregate of the share capital and reserves as at 31 January 2020 and the profit or loss for the year ended on that date for the subsidiary undertakings were as follows:

Name	Aggregate of share capital and reserves £	Profit/(Loss) £
Pentland Homes Limited	25,994,614	2,929,745
Pentland Kent Limited	4,750	(4,760)