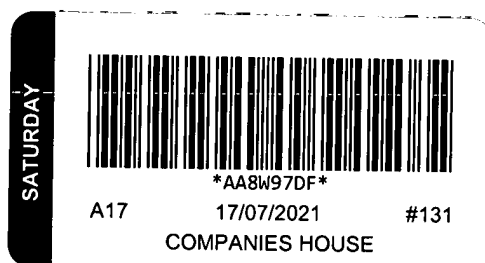


# Linden Wates (The Frythe) Limited

Annual report and Financial statements

For the year ended 31 December 2020

Registered Number: 08542578



# **Linden Wates (The Frythe) Limited**

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## **Linden Wates (The Frythe) Limited**

### **Officers and professional advisors**

#### **Directors**

D Maddox  
N Flint  
A Norton  
D Brocklebank  
D Bowen

#### **Company Secretary**

Vistry Secretary Limited

#### **Registered Office**

11 Tower View  
Kings Hill  
West Malling  
Kent  
England  
ME19 4UY

#### **Independent Auditors**

PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
40 Clarendon Road  
Watford  
Hertfordshire  
WD17 1JJ

#### **Bankers**

Lloyds Bank PLC  
10 Gresham Street  
London  
EC2V 7AE

#### **Solicitors**

Cripps Harries Hall LLP  
Wallside House  
12 Mount Ephraim Road  
Tunbridge Wells  
Kent  
TN1 1EG

## **Linden Wates (The Frythe) Limited**

### **Strategic report for the year ended 31 December 2020**

The directors present their strategic report for Linden Wates (The Frythe) Limited ("the Company"), for the year ended 31 December 2020.

#### **Review of business**

The Company's principal activity is the building and selling of residential apartments and houses in Wilshere Park, Welwyn, Hertfordshire.

The site at Welwyn was acquired on 2nd August 2013. During the year, there were 5 (2019: 22) legal completions generating revenue of £2,486,000 (2019: £11,998,000). It is anticipated the site will be completed by the end of 2022.

#### **Principal risks, uncertainties and key performance indicators**

The business and the execution of the Company's strategy are subject to a number of risks and uncertainties. The key business risks and uncertainties affecting the company are considered to relate to the strength and volatility of the UK housing market. This includes changes to the UK housing market and the economic cycle affecting consumer confidence and the availability of mortgage finance. The directors monitor Government and Industry data on housing prices, sales volumes and construction commencement data thus enabling anticipation of market changes and facility to adjust build programmes, sales releases and purchaser incentives accordingly. Given the straightforward nature of the business, the directors are of the opinion that analysis using KPIs is not necessary for an understanding of the development, performance or position of the business.

#### **General**

The Company's loss after tax for the financial year was £44,000 (2019: £3,040,000), which has been deducted from reserves. The Company has net assets of £9,032,000 (2019: £9,076,000).

On behalf of the board



D Maddox  
Director  
15 July 2021

## **Linden Wates (The Frythe) Limited**

### **Directors' report for the year ended 31 December 2020**

The directors present their report and audited financial statements of Linden Wates (The Frythe) Limited ("the Company"), registered number 08542578 for the year ended 31 December 2020.

#### **Future developments**

The company plans to complete the development of its site as set out in the strategic report. Unless any further sites are acquired, the Company will then cease to trade.

#### **Brexit**

The UK's separation from the EU on 31 January 2020 has not had any significant impact on the business. We continue to keep this complex matter under review.

#### **COVID-19**

During 2020, the Covid-19 pandemic resulted in the closure of developments in the month of March; reopening commenced in April in line accordance with strict guidance and protocol from the Government, Public Health England and the HSE. This site closure impacted the business' ability to build and sell properties in the period of closure, however development sites were not subsequently closed again and therefore subsequent lockdowns did not significantly impact the business.

The UK Government has shown commitment to support the housebuilding industry through the national crisis and the Company will seek to utilise this support where appropriate and available to our business.

#### **Dividends**

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

#### **Financial risk management**

The Company's operations expose it to a variety of financial risks, including the effects of credit risk, liquidity risk, cash flow risk and interest rate risk. The potential impact of these financial risks is monitored by directors during board meetings.

Where appropriate, credit checks are made prior to the acceptance of a new customer and these are reviewed on a periodic basis together with ongoing checks in respect of existing customers. Reviews of the debtors ledger are carried out with the finance and sales teams and action initiated, as appropriate, to collect any overdue amounts, thus optimising the company's liquidity position.

The rates of interest earned or paid on the cash balances and loans and overdrafts are monitored on an ongoing basis with regular reviews of the banking arrangements. Deposits, loans and overdrafts are made with reference to these facilities, in conjunction with projections of future cash requirements.

## **Linden Wates (The Frythe) Limited**

### **Directors' report for the year ended 31 December 2020 (Continued)**

#### **Directors**

The present directors of the Company are set out on page 1, all of whom served throughout the year and up to the date of signing the financial statements, except:

N Chapman (resigned 26 February 2020).

A Robertson (resigned 26 February 2020).

N Laugharne (resigned 26 February 2020).

M Leach (resigned 26 February 2020).

A Hammond (appointed 26 February 2020, resigned 31 July 2020).

J Chalmers (appointed 26 February 2020, resigned on 21 October 2020).

A Norton (appointed 19 November 2020).

Galliford Try Secretariat Services Limited resigned as Company Secretary and M Palmer was appointed as Company Secretary of the Company on 26 February 2020. M Palmer subsequently resigned as Company Secretary on 25 June 2021 and was replaced by Vistry Secretary Limited.

#### **Going concern**

The financial statements have been prepared on a going concern basis, which assumes that for the foreseeable future the Company will be able to meet its liabilities as they fall due.

The directors performed an assessment in relation to the company's ability to continue as a going concern, this included assessing its current position and reviewing future cash flow forecasts with considerations to entity specific factors. Accordingly, the directors believe in the company's ability to continue as a going concern and to meet its financial obligations as they fall due for the foreseeable future and as minimum for a period of twelve months from the date of signing these financial statements.

#### **Statement of directors' responsibilities in respect of the financial statements**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

Under company law, directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable international accounting standards in conformity with the requirements of the Companies Act 2006 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and

## **Linden Wates (The Frythe) Limited**

**Directors' report for the year ended 31 December 2020 (Continued)**

### **Statement of directors' responsibilities in respect of the financial statements (continued)**

- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

### **Directors' confirmations**

In the case of each director in office at the date the Directors' Report is approved:

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

This confirmation is given and should be interpreted in accordance with Section 418 of the Companies Act 2006.

### **Independent auditors**

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office.

The directors' report was approved by the board of directors on 15 July 2021 and signed on its behalf by:

A handwritten signature in dark ink, appearing to read 'D Maddox', written over a horizontal line.

D Maddox  
Director

# Independent auditors' report to the members of Linden Wates (The Frythe) Limited

## Report on the audit of the financial statements

### Opinion

In our opinion, Linden Wates (The Frythe) Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report and Financial statements (the "Annual Report"), which comprise: the balance sheet as at 31 December 2020; the income statement, the statement of comprehensive income, the statement of cash flows, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

### Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.



## **Reporting on other information**

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

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

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 December 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

## **Responsibilities for the financial statements and the audit**

### **Responsibilities of the directors for the financial statements**

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also 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.

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

### **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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to tax legislation, health and safety standards and other legislation specific to the industry in which the entity operates, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to manipulate revenue or expenses and management bias in determining accounting estimates. Audit procedures performed by the engagement team included:

- Discussion with management, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- Challenging assumptions and judgements made by management in their significant accounting estimates and judgements, in particular in relation to site margins; and
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

### Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

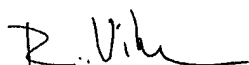
## Other required reporting

### Companies Act 2006 exception reporting

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

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



Radek Vik (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Watford  
15 July 2021

**Linden Wates (The Frythe) Limited****Income statement for the year ended 31 December 2020**

	<b>Note</b>	<b>2020 £'000</b>	<b>2019 £'000</b>
Revenue	2	<b>2,486</b>	11,998
Cost of sales		<b>(2,526)</b>	(14,993)
Gross loss		<b>(40)</b>	(2,995)
Administrative expenses		<b>(4)</b>	(7)
Operating loss	5	<b>(44)</b>	(3,002)
Finance income	4	–	1
Finance costs	4	–	(42)
Loss before taxation		<b>(44)</b>	(3,043)
Tax on Loss	6	–	3
Loss for the financial year		<b>(44)</b>	(3,040)

There are no recognised gains and losses other than those shown in the income statement above.

There is no material difference between the results shown in the income statement above and their historical cost equivalents for the financial year stated above.

All results are derived from continuing operations.

**Linden Wates (The Frythe) Limited****Statement of comprehensive income for the year ended 31 December 2020**

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Loss for the year	<b>(44)</b>	<b>(3,040)</b>
Total comprehensive Expense for the year	<b>(44)</b>	<b>(3,040)</b>

**Linden Wates (The Frythe) Limited**

Balance Sheet as at 31 December 2020

	Note	2020 £'000	2019 £'000
<b>Assets</b>			
<b>Current assets</b>			
Developments	7	6,255	7,504
Trade and other receivables	8	2,488	2,141
Corporation tax recoverable	9	26	26
Cash and cash equivalents	10	3,123	998
Total current assets		11,892	10,669
<b>Total assets</b>		<b>11,892</b>	<b>10,669</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Trade and other payables	11	(2,860)	(1,593)
Total current liabilities		(2,860)	(1,593)
Net current assets		9,032	9,076
<b>Total liabilities</b>		<b>(2,860)</b>	<b>(1,593)</b>
<b>Net assets</b>		<b>9,032</b>	<b>9,076</b>
<b>Equity</b>			
Share capital	13	1	1
Retained profits		9,031	9,075
<b>Total equity</b>		<b>9,032</b>	<b>9,076</b>

The notes on pages 14 to 21 are an integral part of these financial statements.

The financial statements on pages 9 to 21 were approved and authorised by the Board of directors on 15 July 2021 and signed on its behalf by:



D Maddox  
Director

Company registered number: 08542578

**Linden Wates (The Frythe) Limited****Statement of changes in equity for the year ended 31 December 2020**

	<b>Share capital £'000</b>	<b>Retained earnings £'000</b>	<b>Total equity £'000</b>
As at 1 January 2019	1	12,115	12,116
Total comprehensive expense and loss for the year	–	(3,040)	(3,040)
As at 31 December 2019	1	9,075	9,076
Total comprehensive expense and loss for the year	–	(44)	(44)
<b>At 31 December 2020</b>	<b>1</b>	<b>9,031</b>	<b>9,032</b>

# Linden Wates (The Frythe) Limited

## Statement of cash flows for the year ended 31 December 2020

	Note	2020 £'000	2019 £'000
<b>Cash flows from operating activities continuing operations</b>			
<b>Operating loss</b>		<b>(44)</b>	<b>(3,002)</b>
<b>Net cash used in operations before changes in working capital</b>		<b>(44)</b>	<b>(3,002)</b>
Decrease in developments	7	1,002	8,166
Increase in trade and other receivables	8	(347)	(1,852)
Increase/(decrease) in trade and other payables excluding amounts owed to joint venture partners	11	1,514	(57)
<b>Net cash generated from operations</b>		<b>2,125</b>	<b>3,255</b>
Interest received		-	1
Income tax paid		-	-
<b>Net cash generated from operating activities</b>		<b>2,125</b>	<b>3,256</b>
<b>Cash flows from financing activities</b>			
Interest on borrowings		-	(42)
Decrease in amounts owed to joint venture partners	14	-	(2,507)
<b>Net cash used in financing activities</b>		<b>-</b>	<b>(2,549)</b>
<b>Net increase in cash and cash equivalents</b>		<b>2,125</b>	<b>707</b>
Cash and cash equivalents at the beginning of the year		998	291
<b>Cash and cash equivalents at the end of the year</b>		<b>3,123</b>	<b>998</b>

# **Linden Wates (The Frythe) Limited**

## **Notes to the financial statements for the year ended 31 December 2020**

### **1. Accounting Policies**

#### **General Information**

Linden Wates (The Frythe) Limited ('the Company') is a Company incorporated and domiciled in United Kingdom (Registered number: 08542578). The address of the registered office is 11 Tower View, Kings Hill, West Malling, Kent, England, ME19 4UY.

The financial statements are measured and presented in pounds sterling as that is the currency of the primary economic environment in which the Company operates. The amounts stated are denominated in thousands (£'000).

Linden Wates (The Frythe) Limited is a private Company limited by shares.

#### **Basis of preparation**

The principal accounting policies applied in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

These financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 ('IFRS') and the applicable legal requirements of the Companies Act 2006. The financial statements have been prepared on a going concern basis under the historical cost convention. The Company has consistently applied all accounting standards in accordance with the requirements of the Companies Act 2006.

#### **New standards and interpretations not yet adopted**

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2020 reporting periods and have not been early adopted by the company. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

#### **Going concern**

The financial statements have been prepared on a going concern basis, which assumes that for the foreseeable future the Company will be able to meet its liabilities as they fall due.

The directors performed an assessment in relation to the company's ability to continue as a going concern, this included assessing its current position and reviewing future cash flow forecasts with considerations to entity specific factors. Accordingly, the directors believe in the company's ability to continue as a going concern and to meet its financial obligations as they fall due for the foreseeable future and as minimum for a period of twelve months from the date of signing these financial statements.

#### **Critical accounting estimates and judgments**

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about the carrying value of assets and liabilities which are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if



## Linden Wates (The Frythe) Limited

### Notes to the financial statements for the year ended 31 December 2020 (Continued)

#### 1. Accounting Policies (continued)

##### **Critical accounting estimates and judgments (continued)**

the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods. There are no critical judgements in applying the entity's accounting policy.

Material estimates and assumptions are made in particular with regards to establishing the following policies:

- **Margin recognition**

The gross margin from revenue generated on each of the Company's individual sites within the year is recognised based on the latest forecast for the gross margin expected to be generated over the remaining life of that site. The remaining life gross margin is calculated using forecasts for selling prices and all land, build, infrastructure and overhead costs associated with that site. There is inherent uncertainty and sensitivity to external forces (predominantly house prices and labour costs) in these forecasts, which are reviewed regularly throughout the year by management.

- **Land held for development and housing work in progress**

The Company holds inventories which are stated at the lower of cost and net realisable value. To assess the net realisable value of land held for development and housing work in progress, the Company completes a financial appraisal of the likely revenue which will be generated when these inventories are combined as residential properties for sale and sold. Where the financial appraisal demonstrates that the revenue will exceed the costs of the inventories and other associated costs of constructing the residential properties, the inventories are stated at cost. Where the assessed revenue is lower, the extent to which there is a shortfall is written off through the income statement leaving the inventories stated at a realisable value. To the extent that the revenues which can be generated change, or the final cost to complete for the site varies from estimates, the net realisable value of the inventories may be different.

##### **Revenue and profit**

Revenue is recognised when the Company transfers control of goods or services to customers. Revenue comprises the fair value of the consideration received or receivable net of rebates, discounts and value added tax. Where consideration is subject to variability, the Company estimates the amount receivable. Revenue recognised is constrained to the amount which is highly probable not to result in a significant reversal in future periods. The Company's revenue relates to one class of business and is all generated in the UK.

Where a modification to an existing contract occurs, the Company assesses the nature of the modification and whether it represents a separate performance obligation required to be satisfied or whether it is a modification to the existing performance obligation.

Revenue is recognised as follows:

The Company sells private housing units and associated land, inclusive of customer options, incentives and warranties. In most instances, the contract with the customer is assessed to only contain one performance obligation. Revenue from the sale of individual private housing units, net of incentives, is recognised at the point of legal completion. Contract consideration for private house sales may include part exchange properties at fair value. The onwards sale of part exchange properties is recognised as revenue, on legal completion.

Sales of land where title transfers prior to construction beginning (or at 'golden brick') are considered to be a distinct performance obligation. Revenue from land sales is recognised at a point in time, being the unconditional exchange of contracts or at 'golden brick', provided that the Company does not retain legal title to the land.

# **Linden Wates (The Frythe) Limited**

## **Notes to the financial statements for the year ended 31 December 2020 (Continued)**

### **1. Accounting Policies (continued)**

#### **Revenue and profit (continued)**

Revenue from affordable housing development is recognised over time. Development of multiple units on the same site (inclusive of design and construction activities contracted for at the same time, and mobilisation activities) is considered to be a single performance obligation. Where a contract comprises units across multiple sites, typically each site will represent a distinct performance obligation. Revenue is accounted for on an over time basis. The amount of revenue recognised is calculated based on the output method.

#### **Finance income and cost**

Interest income and expense is recognised on a time proportion basis using the effective interest method.

#### **Dividend policy**

Final dividend distribution to the Company's directors is recognised as a liability in the Company's financial statements in the year in which the dividends are approved by the Company's shareholders. Interim dividends are recognised when paid.

#### **Current tax**

Current income tax is based on the taxable profit for the year. Taxable profit differs from profit before taxation recorded in the income statement because it excludes items of income or expense that are taxable or deductible in other years or that are never taxable or deductible. The liability for current tax is calculated using rates that have been enacted, or substantively enacted, by the balance sheet date.

The Company surrenders tax losses and other allowances by consortium relief to its members. The Company receives no reimbursement for these tax losses.

#### **Inventories**

Inventories are valued at the lower of cost and net realisable value. Work in progress is valued at the lower of cost, including direct costs and directly attributable overheads, and net realisable value.

Where a development is in progress, net realisable value is assessed by considering the expected future revenues and the total costs to complete the development including direct costs and directly attributable overheads. To the extent that the Company anticipates selling a development in its current state then net realisable value is taken as open market value at the balance sheet date less any anticipated selling costs.

#### **Trade receivables**

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less loss allowance. The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped on shared credit risk characteristics and the days past due. The expected loss rates are based on historical payment profiles, adjusted to reflect the current and forward-looking information.

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

Cash and cash equivalents are carried in the balance sheet at nominal value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash at bank and in hand, including bank deposits with original

# Linden Wates (The Frythe) Limited

## Notes to the financial statements for the year ended 31 December 2020 (Continued)

### 1. Accounting Policies (continued)

maturities of three months or less. Bank overdrafts are also included as they are an integral part of the Company's cash management.

Bank deposits with an original term of more than three months are classified as short-term deposits where the cash can be withdrawn on demand and the penalty for early withdrawal is not significant.

#### Trade payables

Trade payables on normal terms are not interest bearing and are stated at their nominal value. Trade payables on extended terms, are recorded at their fair value at the date of acquisition of the asset to which they relate. The discount to nominal value is amortised over the period of the credit term and charged to finance costs using the effective rate. Amounts owed to joint venture partners are stated at their nominal value including accrued interest.

### 2. Revenue

	2020 £'000	2019 £'000
Revenue by type		
Private housing	2,486	11,998
	<b>2,486</b>	<b>11,998</b>

#### Disaggregation of revenue

The revenue disaggregation below represents the Company's underlying revenue.

	2020 £'000	2019 £'000
Timing of revenue recognition		
At a point in time	2,486	11,998

#### Transaction price allocated to the remaining performance obligations

There is no revenue expected to be recognised in future related to performance obligations which are unsatisfied or partially satisfied at the reporting date.

### 3. Employees and directors

There were no employees during the year (2019: nil). The directors did not receive any remuneration for their services during the year (2019: nil).

### 4. Finance costs /Finance income

	2020 £'000	2019 £'000
Other interest receivable and similar income:		
-other interest income	-	1
Total finance income	-	1
Interest payable and similar charges:		
- to joint venture partners	-	(42)
<b>Net finance cost</b>	<b>-</b>	<b>(41)</b>

## Linden Wates (The Frythe) Limited

### Notes to the financial statements for the year ended 31 December 2020 (Continued)

#### 5. Loss before tax

The following items have been included in arriving at the loss on ordinary activities before taxation:

	2020 £'000	2019 £'000
Developments recognised as cost of sales	2,526	10,572
Impairments	–	4,421

#### Services provided by the Company's auditors

During the year, the Company obtained the following services from the company's auditors at costs as detailed below:

	2020 £'000	2019 £'000
Fees payable to the Company's auditors for the audit of the financial statements	13	7

#### 6. Tax on loss

	2020 £'000	2019 £'000
Current tax on loss for the year	–	–
Current tax	–	3
Tax credit	–	3

The total tax expense for the year of £nil (2019: £3,000) is lower than (2019: higher than) the blended standard rate of corporation tax in the UK of 19.00% (2019: 19.00%). The differences are explained below:

	2020 £'000	2019 £'000
Loss before taxation	(44)	(3,043)
Loss before income tax multiplied by the blended standard rate in the UK of 19% (2019: 19%)	8	578
Losses surrendered as consortium relief for nil consideration	(8)	(578)
Prior year adjustment	–	3
Tax credit	–	3

#### Factors affecting future tax charge

In the 2021 Budget, the Government announced that from 1 April 2023 the corporation tax rate would increase to 25%. As at the balance sheet date there was no deferred tax and therefore it has not been necessary to consider the impact of this proposed rate change.

#### 7. Developments

	2020 £'000	2019 £'000
Land	2,834	3,420
Work in progress	3,421	3,430
Part exchange properties	–	654
	6,255	7,504

# Linden Wates (The Frythe) Limited

## Notes to the financial statements for the year ended 31 December 2020 (Continued)

### 8. Trade and other receivables

	2020 £'000	2019 £'000
Amounts falling due within one year:		
Other receivables	96	161
Amounts owed by joint venture partners	2,338	1,980
Recoverable value-added tax	54	-
	<b>2,488</b>	<b>2,141</b>

Trade receivables are reviewed for impairment based on its historical credit losses. The company does not expect that the value of these credit losses is material to the financial statements therefore no impairment has been recognised. Amounts owed by joint venture partners are non-interest bearing, unsecured and repayable on demand.

The Company's maximum exposure to credit risk is the receivables and financial borrowings balances, but there is no significant concentration of credit risk.

There were no contract assets or accrued income as at 31 December 2020 (2019: £nil).

### 9. Corporation tax recoverable

	2020 £'000	2019 £'000
Corporation tax recoverable	26	26
	<b>26</b>	<b>26</b>

### 10. Cash and cash equivalents

	2020 £'000	2019 £'000
Cash and cash equivalents	3,123	998

The effective interest rate received on cash balances is nil% (2019: nil%).

### 11. Trade and other payables

	2020 £'000	2019 £'000
Amounts owed in less than one year:		
Amounts owed to related parties	1,360	-
Trade payables	-	66
Accrued liabilities and deferred income	1,500	1,527
	<b>2,860</b>	<b>1,593</b>

## **Linden Wates (The Frythe) Limited**

### **Notes to the financial statements for the year ended 31 December 2020 (Continued)**

#### **11. Trade and other payables (continued)**

Amounts owed to related parties are unsecured, repayable on demand and interest free. Accruals and deferred income include £93,000 (2019: £nil) deferred income. There was no contract liability or deferred income as at 31 December 2020 (2019: £nil).

#### **12. Financial instruments**

The business and the execution of the Company's strategy are subject to a number of risks and uncertainties. The key business risks and uncertainties affecting the Company are considered to relate to the strength and volatility of the UK housing market. This includes changes to the UK housing market and the economic cycle affecting consumer confidence and the availability of mortgage finance. The directors monitor Government and Industry data on housing prices, sales volumes and construction commencement data thus enabling anticipation of market changes and facility to adjust build programmes, sales releases and purchaser incentives accordingly.

##### **Capital risk management**

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, in order to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital.

##### **Financial risk factors**

###### **(a) Market risk**

###### **(i) Foreign exchange risk**

All material activities of the Company take place within the UK and consequently there is little direct exchange risk.

###### **(ii) Price risk**

The Company is affected by the level of UK house prices. These are in turn affected by factors such as mortgage availability, employment levels, interest rates, consumer confidence.

###### **(iii) Interest rate risk**

The Company's income and operating cash flows are substantially independent of changes in market interest rates. The Company's interest rate risk arises from movement in cash and cash equivalents and long-term amounts borrowings and or owed to joint venture partners. Borrowings and or amounts owed to joint venture partners issued at variable rates expose the Company to cash flow interest rate risk.

###### **(b) Credit risk**

Credit risk arises from cash and cash equivalents, deposits and borrowings with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions. The Company has a credit risk exposure to the providers of its banking facilities. These are primarily provided by Lloyds Bank plc and management does not expect any material losses from non-performance of any counter parties, including in respect of receivables not yet due.

## Linden Wates (The Frythe) Limited

### Notes to the financial statements for the year ended 31 December 2020 (Continued)

#### 12. Financial instruments (continued)

##### (c) Liquidity risk

In accordance with IFRS 9 'Financial instruments: recognition and measurement', the Company has reviewed all contracts for embedded derivatives that are required to be separately accounted for if they do not meet certain requirements set out in the standard. No such embedded derivatives have been identified.

##### Fair value of financial instruments

The Company's financial instruments comprise of cash and cash equivalents, trade and other receivables excluding prepayments, financial liabilities – borrowings, amounts owed to joint venture partners, trade and other payables. There is no difference between the book value and the fair value of the Company's financial assets and financial liabilities.

#### 13. Share capital

	Number of Shares	Ordinary Shares £'000
Allotted and fully paid ordinary shares of £1		
At 1 January 2020	1,000	1
At 31 December 2020	1,000	1

Number of shares refers to £1 ordinary shares, which are issued and fully paid. There are no shares issued but not fully paid.

#### 14. Related party transactions

At the end of the year, there was £2,338,273 (2019: £1,980,200) owed from both Linden Limited £1,169,397 (2019: £810,803) and Wates Group Limited, £1,168,876 (2019: £1,169,397).

During the year Linden Limited received fees for the management of the Joint Venture of £nil (2019: £53,455).

In addition to the above transactions, during the year, the total trading expenditure made by the Company to subsidiaries of Vistry Group Plc (2019: Galliford Try Plc) amounted to £1,578,916 (2019: £5,502,851). The resulting liability amounted to £1,360,000 (2019: £nil).

All related party balances with the exception of the loans are unsecured.

#### 15. Guarantees and contingent liabilities

Disputes arise in the normal course of business, some of which lead to litigation or arbitration procedures. The directors make proper provision in the financial statements when they believe a liability exists. Whilst the outcome of disputes and arbitration is never certain, the directors believe that the resolution of all existing actions will not have a material adverse effect on the Company's financial position.

#### 16. Post balance sheet events

No matters have arisen since the year end that requires disclosure in the financial statements.

#### 17. Controlling party

Linden Wates (The Frythe) Limited is jointly owned by Linden Limited and Wates Group Limited with both companies sharing equal control.