

# Linden Wates (Kempshott) Limited

Annual report and Financial statements  
for the year ended 31 December 2019  
Registered Number: 09229161



## **Linden Wates (Kempshott) Limited**

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## **Linden Wates (Kempshott) Limited**

Officers and professional advisors

### **Directors**

D Bowen  
D Brocklebank  
N Flint  
D Maddox  
A Norton

### **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**

HSBC Bank plc  
165 High Street  
Southampton  
Hampshire  
SO14 2NZ

### **Solicitors**

DAC Beachcroft LLP  
100 Fetter Lane  
London  
EC14A 1BN

## **Linden Wates (Kempshott) Limited**

### **Strategic report for the year ended 31 December 2019**

The directors present their strategic report for Linden Wates (Kempshott) Limited ("the Company"), for the year ended 31 December 2019.

#### **Review of business**

The Company's principal activity is the building and selling of residential apartments and houses in Basingstoke. The company was formed as a joint venture between Linden Limited and Wates Developments Limited. With effect from 1 April 2018, Wates Developments Limited transferred its interest in the company to Wates Group Limited.

The site at Basingstoke was acquired on 31 October 2014. There were 52 (2018: 68) legal completions in the year generating revenue of £19,466,000 (2018: £24,300,000).

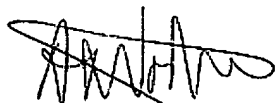
#### **Principal risks, uncertainties and key performance indicators**

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 for the financial year was £964,000 (2018: £4,089,000 profit), which has been deducted from reserves. The company has net assets of £9,325,000 (2018: £10,289,000) as at 31 December 2019.

On behalf of the board



A Norton  
Director  
19 November 2021

## **Linden Wates (Kempshott) Limited**

### **Directors' report for the year ended 31 December 2019**

The directors present their report and audited financial statements of Linden Wates (Kempshott) Limited ("the Company"), registered number 09229161 for the year ended 31 December 2019.

#### **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, however, is still being monitored by the directors.

#### **COVID-19**

The coronavirus (COVID-19) pandemic has had a significant impact on the Company in 2020. In March 2020, following the announcement of the nationwide lockdown, the company commenced the closure of developments and commenced reopening towards the end of April 2020 in accordance with strict guidance and protocol from the Government, Public Health England and the HSE.

A second nationwide lockdown was announced to commence in November 2020 however, in accordance with Government guidance the Company was not required to close its developments and therefore continues to trade as normal. The Company has on this basis, reassessed the ability to continue as a going concern and the expected impact on the business.

The Company continues to prioritise the safety, health and wellbeing of its customers and suppliers and seeks to support them during these unprecedented times.

Notwithstanding the strength of the Company's liquidity, the company's Board is taking prudent decisions to best support the business through this period of uncertainty, including measures to protect the company's cash position, liquidity and maintain a robust balance sheet.

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

#### **Dividends**

The directors do not recommend the payment of a dividend (2018: £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 (Kempshott) Limited**

### **Directors' report for the year ended 31 December 2019 (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, with the following exceptions:

D Maddox, J Chalmers were appointed as directors of the Company on 26 February 2020.

A Norton was appointed as a director of the Company on 19 November 2020.

S Swinscoe resigned as a director of the Company on 14 May 2019.

P Hopkins resigned as a director of the Company on 30 August 2019.

A Modle resigned as a director of the Company on 7 October 2019.

M Leach and T Wicks resigned as directors of the Company on 26 February 2020.

A Hammond resigned as a director of the Company on 31 July 2020.

J Chalmers resigned as a director of the Company on 21 October 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 resigned as Company Secretary and Vistry Secretary Limited was appointed as Company Secretary of the Company on 25 June 2021.

#### **Qualifying third-party and pension scheme indemnity provisions**

The Group maintains appropriate Directors' and Officers' Liability Insurance on behalf of the Directors and Company Secretary. In addition, individual qualifying third-party indemnities are given to the Directors and Company Secretary which comply with the provisions of Section 234 of the Companies Act 2006 and were in force throughout the year and up to the date of signing the Annual Report.

#### **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 Company believes that preparing the financial statements on the going concern basis is appropriate due to the continued financial support of the shareholders. The Company has received confirmation that the shareholders intend to support the Company for at least one year after these financial statements are signed.

#### **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 Financial Reporting Standards (IFRSs) in conformity with the Companies Act 2006. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

## **Linden Wates (Kempshott) Limited**

Directors' report for the year ended 31 December 2019 (Continued)

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

In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRS in conformity with 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
- 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 19 November 2021 and signed on its behalf by:



A Norton  
Director

# ***Independent auditors' report to the members of Linden Wates (Kempshott) Limited***

## **Report on the audit of the financial statements**

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### **Opinion**

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

- give a true and fair view of the state of the company's affairs as at 31 December 2019 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 2019; 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.

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### **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.

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### **Conclusions relating to going concern**

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

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

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

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### **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 the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require 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 2019 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.

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## **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, 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.

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.

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## Other required reporting

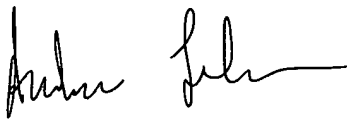
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### Companies Act 2006 exception reporting

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

- we have not received 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.



Andrew Johns (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London  
19 November 2021

**Linden Wates (Kempshott) Limited**

Income statement for the year ended 31 December 2019

	Note	2019 £'000	2018 £'000
Revenue	2	19,466	24,300
Cost of sales		(20,329)	(18,943)
Gross (loss)/profit		(863)	5,357
Administrative expenses		(3)	(7)
Operating (loss)/profit	5	(866)	5,350
Finance costs	4	(98)	(302)
(Loss)/profit before taxation		(964)	5,048
Tax on (loss)/profit	6	–	(959)
(Loss)/profit for the year		(964)	4,089

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 (Kempshott) Limited****Statement of comprehensive income for the year ended 31 December 2019**

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
(Loss)/profit for the year	<b>(964)</b>	<b>4,089</b>
Total comprehensive (expense)/income for the year	<b>(964)</b>	<b>4,089</b>

There is no other comprehensive income in the year. Total comprehensive expense (2018: income) therefore equals the loss (2018: profit) for the year.

**Linden Wates (Kempshott) Limited**

Balance Sheet as at 31 December 2019

	Note	2019 £'000	2018 £'000
<b>Assets</b>			
<b>Current assets</b>			
Developments	7	6,158	15,630
Trade and other receivables	8	3,465	1,389
Corporation tax recoverable	9	333	–
Cash and cash equivalents	10	153	1
<b>Total current assets</b>		<b>10,109</b>	<b>17,020</b>
<b>Total assets</b>		<b>10,109</b>	<b>17,020</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Current tax liabilities	12	–	(325)
Trade and other payables	11	(784)	(1,240)
<b>Total current liabilities</b>		<b>(784)</b>	<b>(1,565)</b>
<b>Net current assets</b>		<b>9,325</b>	<b>15,455</b>
<b>Non-current liabilities</b>			
Trade and other payables	14	–	(5,166)
<b>Total non-current liabilities</b>		<b>–</b>	<b>(5,166)</b>
<b>Total liabilities</b>		<b>(784)</b>	<b>(6,731)</b>
<b>Net assets</b>		<b>9,325</b>	<b>10,289</b>
<b>Equity</b>			
Share capital	15	1	1
Retained profits		9,324	10,288
<b>Total equity</b>		<b>9,325</b>	<b>10,289</b>

The notes on pages 14 to 23 are an integral part of these financial statements.

The financial statements on pages 9 to 23 were approved and authorised by the Board of directors on 19 November 2021 and signed on its behalf by:



A Norton  
Director  
Company registered number: 09229161

**Linden Wates (Kempshott) Limited****Statement of changes in equity for the year ended 31 December 2019**

	<b>Share capital £'000</b>	<b>Retained earnings £'000</b>	<b>Total equity £'000</b>
As at 01 January 2018	1	6,199	6,200
Total comprehensive income and profit for the year	–	4,089	4,089
As at 31 December 2018	1	10,288	10,289
Total comprehensive expense and loss for the year	–	(964)	(964)
<b>At 31 December 2019</b>	<b>1</b>	<b>9,324</b>	<b>9,325</b>

**Linden Wates (Kempshott) Limited****Statement of cash flows for the year ended 31 December 2019**

	<b>Note</b>	<b>2019 £'000</b>	<b>2018 £'000</b>
<b>Cash flows from operating activities continuing operations</b>			
<b>Operating profit</b>		<b>(866)</b>	<b>5,350</b>
<b>Net cash generated from operations before changes in working capital</b>		<b>(866)</b>	<b>5,350</b>
Decrease in developments	7	9,472	3,296
(Increase)/decrease in trade and other receivables	8	(2,077)	909
Decrease in trade and other payables	11	(636)	(3,639)
<b>Net cash generated from operations</b>		<b>5,893</b>	<b>5,916</b>
Corporation tax paid		(658)	(1,223)
<b>Net cash generated from operating activities</b>		<b>5,235</b>	<b>4,693</b>
<b>Cash flows from financing activities</b>			
Interest on borrowings	16	(98)	(302)
Decrease in borrowings	16	(4,985)	(4,390)
<b>Net cash used in financing activities</b>		<b>(5,083)</b>	<b>(4,692)</b>
<b>Net increase in cash and cash equivalents</b>		<b>152</b>	<b>1</b>
Cash and cash equivalents at the beginning of the year		1	–
<b>Cash and cash equivalents at the end of the year</b>		<b>153</b>	<b>1</b>

## **Linden Wates (Kempshott) Limited**

### **Notes to the financial statements for the year ended 31 December 2019**

#### **1. Accounting Policies**

##### **General Information**

Linden Wates (Kempshott) Limited ('the Company') is a private Company limited by shares and is incorporated and domiciled in United Kingdom (Registered number: 09229161). The address of the registered office is 11 Tower View, Kings Hill, 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).

##### **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, amendments and interpretations:**

New standards, amendments and interpretations that became mandatory for the first time for the financial year beginning 1 January 2019 are listed below.

- Amendments to IAS 1 and IAS 8 - definition of material
- Amendments to IFRS3 - definition of a business
- Amendments to IFRS 9, IAS 39, IFRS 7 - interest rate benchmark reform
- Revised conceptual framework for financial reporting
- IFRS 16 Leases

IFRS 16 Leases is a new accounting standard that is effective for the year ended 31 December 2019 and has had no material impact on the Company and therefore there is no transition impact to the opening balances. There are no other amendments to accounting standards or IFRIC interpretations that are effective for the year ended 31 December 2019 that have had a material impact on the Company.

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

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2019 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.

## **Linden Wates (Kempshott) Limited**

### **Notes to the financial statements for the year ended 31 December 2019 (Continued)**

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

##### **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 Company believes that preparing the financial statements on the going concern basis is appropriate due to the continued financial support of the shareholders. The Company has received confirmation that the shareholders intend to support the Company for at least one year after these financial statements are signed.

##### **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 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:

##### **(i) Estimation of costs to complete and loss provisions**

In order to determine the profit and loss that the Company is able to recognise on its developments and in a specific period, the Company has to allocate total costs of the developments between the proportion completing in the period and the proportion to complete in a future period. The assessment of the total costs to be incurred requires a degree of estimation. However, the Company has established internal controls to review and ensure the appropriateness of estimates made.

##### **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.

## **Linden Wates (Kempshott) Limited**

### **Notes to the financial statements for the year ended 31 December 2019 (Continued)**

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

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

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.

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 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 and developments**

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 and contract assets. To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Company has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the

## Linden Wates (Kempshott) Limited

### Notes to the financial statements for the year ended 31 December 2019 (Continued)

#### 1. Accounting Policies (continued)

##### Trade receivables (continued)

loss rates for the contract assets. 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 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.

#### 2. Revenue

Revenue and profit are recognised as follows which should be read in conjunction with the Company's new accounting policy applied from 1 April 2018 as detailed in note 1 accounting policies:

Revenue stream	Nature, timing of satisfaction of performance obligations and significant payment terms
Private development	<p>Individual customers obtain control of a unit once the sale is legally complete (unconditional sale). This is typically the same time that the customer has paid.</p> <p>Revenue is therefore recognised on the sale of individual units (net of incentives), at a point in time.</p> <p>Contracts for onward sale of part exchange properties are entered into with a different customer and therefore represent separate revenue contracts.</p>
Unit sales to Registered Providers/ Investors in the Private Rented Sector (PRS)	<p>This represents sales of (affordable) housing units to Housing Associations and other Registered Providers/PRS, treated as a single performance obligation (subsequent to the transfer of land - see below). The Company receives payments from the customer during the building of the units (based on a schedule of value that reflects the timing and performance of service delivery), indicating that the customer controls all the work in progress as the house is being built. The units are built on the customer land. Therefore, revenue on performance obligations to construct these units is recognised over time (the period of construction) based on an output model (certification of work done to date). Un-invoiced amounts are presented as contract assets.</p> <p>Management do not expect a financing component to exist in respect of these contracts.</p>

**Linden Wates (Kempshott) Limited****Notes to the financial statements for the year ended 31 December 2019 (Continued)****2. Revenue (continued)**

Land sales	The sale of land, whether or not in conjunction with the sale of a number of housing units, is assessed to be a distinct performance obligation to the sale of any related units and control is deemed to pass to the customer on the unconditional exchange of contracts. Revenue is therefore recognised at a point in time (unconditional exchange of contracts).
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	2019 £'000	2018 £'000
<b>Revenue by type</b>		
Private housing	17,109	21,538
Affordable housing	2,357	2,762
	<b>19,466</b>	<b>24,300</b>

**Disaggregation of revenue**

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

	2019 £'000	2018 £'000
<b>Timing of revenue recognition</b>		
Over time	2,357	2,762
At a point in time	17,109	21,538

The amount of revenue recognised during the year from performance obligations satisfied (or partially satisfied) in previous years amount to £2,357,000 (2018: £2,762,000).

**3. Employees and directors**

There were no employees during the year (2018: nil). The directors did not receive any remuneration for their services during the year (2018: £nil).

**4. Finance costs**

	2019 £'000	2018 £'000
Interest payable and similar charges		
- to joint venture partners	(98)	(302)
<b>Net finance cost</b>	<b>(98)</b>	<b>(302)</b>

**Linden Wates (Kempshott) Limited****Notes to the financial statements for the year ended 31 December 2019 (Continued)****5. Loss before tax**

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

	2019 £'000	2018 £'000
Developments recognised as cost of sales	20,329	18,943

During 2019 a £524,181 (credit) was released to the Income Statement. This adjustment arose from an unreconciled and unsupported credit item in WIP.

**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:

	2019 £'000	2018 £'000
Fees payable to the Company's auditors for the audit of the financial statements	3	7

**6. Tax on (loss)/profit**

	2019 £'000	2018 £'000
Current tax on profit for the year	–	(959)
Tax expense	–	(959)

The total tax expense for the year of £nil (2018: £959,000) is lower than (2018: same as) the blended standard rate of corporation tax in the UK of 19% (2018: 19%). The differences are explained below:

	2019 £'000	2018 £'000
(Loss)/profit before taxation	(964)	5,048
(Loss)/profit before taxation multiplied by the blended standard rate in the UK of 19% (2018: 19%)	183	(959)
Consortium relief surrendered	(183)	–
Total tax charge	–	(959)

The standard rate of corporation tax in the UK changed from 20% to 19% with effect from 1 April 2017. Accordingly, the Company's profits were taxed at a blended standard rate of 19% for the year to 31 December 2019 (2018: 19%).

The UK corporation tax rate is due to be reduced to 17% from April 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

**7. Developments**

	2019 £'000	2018 £'000
Land	1,165	7,136
Work in progress	3,765	5,848
Part exchange properties	1,228	2,646
	6,158	15,630

**Linden Wates (Kempshott) Limited****Notes to the financial statements for the year ended 31 December 2019 (Continued)****8. Trade and other debtors**

	2019 £'000	2018 £'000
Amounts falling due within one year:		
Trade receivables	771	256
Other debtors	451	1
Amounts owed by joint venture partners	2,176	–
Contract assets	–	563
Recoverable value-added tax	67	569
	<b>3,465</b>	<b>1,389</b>

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 no significant concentration of credit risk.

There was no contract assets or accrued income as at 31 December 2019 (2018: £563,000).

**9. Corporation tax recoverable**

	2019 £'000	2018 £'000
Corporation tax recoverable	333	–

**10. Cash and cash equivalents**

	2019 £'000	2018 £'000
Cash and cash equivalents	153	1

The effective interest rate received on cash balances is nil% (2018: nil%).

**11. Trade and other payables**

	2019 £'000	2018 £'000
Contract liabilities	–	105
Other creditors	110	499
Accrued liabilities and deferred income	674	636
	<b>784</b>	<b>1,240</b>

There was no contract liability or deferred income as at 31 December 2019 (2018: £105,000).

**12. Current tax liabilities**

	2019 £'000	2018 £'000
Corporation tax payable	–	325

## **Linden Wates (Kempshott) Limited**

### **Notes to the financial statements for the year ended 31 December 2019 (Continued)**

#### **13. 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. 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.

#### **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 borrowings. Borrowings 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 HSBC 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.

##### **(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.

## Linden Wates (Kempshott) Limited

### Notes to the financial statements for the year ended 31 December 2019 (Continued)

#### 13. Financial instruments (continued)

##### 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, trade and other payables excluding deferred income, VAT and social security taxes. There is no difference between the book value and the fair value of the Company's financial assets and financial liabilities.

#### 14. Trade and other payables

	2019 £'000	2018 £'000
Amounts owed to joint venture partners	–	4,985
Other creditors	–	181
	–	5,166

Other creditors include £nil (2018: £nil) deferred income. There was no non-current contract liability or deferred income as at 31 December 2019 (2018: nil).

##### Changes in liabilities arising from financing activities:

	2019 £'000	2018 £'000
Balance at 01 January		
Current	–	–
Non-current	4,985	9,375
	4,985	9,375
Repayment of borrowings	(5,083)	(4,692)
Interest on joint venture loan	98	302
Balance at 31 December	–	4,985
Current	–	–
Non-current	–	4,985

#### 15. Share capital

	Number of Shares	Ordinary Shares £'000
Allotted and fully paid ordinary shares of £1		
A Ordinary share	1,000	1
At 31 December 2018 and 31 December 2019	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.

## **Linden Wates (Kempshott) Limited**

### **Notes to the financial statements for the year ended 31 December 2019 (Continued)**

#### **16. Related party transactions**

At the end of the year, there was £2,176,018 (2018: £4,985,231 owed to) due from both Linden Limited £1,088,009 (2018: £2,492,616 owed to) and Wates Group Limited, £1,088,009 (2018: £2,492,615 owed to). Loan interest payable of £nil (2018: £302,246) was accrued at the year end.

During the year Linden Limited received fees for the management of the Joint Venture of £512,644 (2018: £743,832).

In addition to the above transactions, during the year, the total trading expenditure made by the company to subsidiaries of Vistry Group Plc amounted to £9,897,392 (2018: £11,760,909). The resulting liability amounted to £505,784 (2018: £551,385).

#### **17. 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.

#### **18. Post balance sheet events**

The coronavirus (COVID-19) pandemic has had a significant impact on the Company in 2020. In March 2020, following the announcement of the nationwide lockdown, the Company commenced the closure of its development and commenced reopening towards the end of April 2020 in accordance with strict guidance and protocol from the Government, Public Health England and the HSE.

A second nationwide lockdown was announced to commence in November 2020 however, in accordance with Government guidance the Company was not required to close its developments and therefore continues to trade as normal. The Company has on this basis, reassessed the ability to continue as a going concern and the expected impact on the business.

The Company is taking prudent decisions to best support the business through this period of uncertainty, including measures to protect the Company's cash position, liquidity and maintain a robust balance sheet.

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

It is noted that there remains uncertainty around COVID-19 and how long the pandemic will continue to impact the UK and so it is difficult to reliably estimate the effect on the future financial position and results of the Company. The Company continues to monitor the changing environment and seeks to respond promptly and appropriately.

The Company has determined that these events are non-adjusting subsequent events and so no adjustment has been made to the financial statements for the year ended 31 December 2019 as a result.

At the time of signing financial statements, the development scheme has been completed and all units have been sold.

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

#### **19. Controlling party**

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