Company Registration No. 10410616 (England and Wales)

# Affordable Housing and Healthcare Group Limited

## Annual report and group financial statements for the year ended 31 January 2021

**Affordable Housing and Healthcare Group Limited**

**Company information**

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| | | |
|---|---|---|
| **Directors** | Julian Shaffer | |
| | David Hines | |
| | Stanley Fink | (Appointed 13 February 2020) |
| **Secretary** | Claire-Marie McKenna | |
| **Company number** | 10410616 | |
| **Registered office** | 170 Charminster Road<br>Bournemouth<br>Dorset<br>BH8 9RL | |
| **Independent auditor** | Saffery Champness LLP<br>Midland House<br>2 Poole Road<br>Bournemouth<br>Dorset<br>BH2 5QY | |

**Affordable Housing and Healthcare Group Limited**

**Contents**

**Affordable Housing and Healthcare Group Limited**

**Strategic report**
**For the year ended 31 January 2021**

The Directors present the strategic report for the year ended 31 January 2021.

**Principal activity**

The purpose of Affordable Housing and Healthcare Group Limited ("AHH") is to help solve the UK housing crisis by creating vibrant and affordable communities, thereby enabling people to enjoy happy, healthy and affordable lives.

Our mission is to deliver beautiful purpose-built homes and, alongside AHH's wholly-owned Registered Provider of Social Housing, we help Local Authorities in the UK to achieve their affordable housing ambitions. Through our premium Platinum Skies brand, we design, construct and operate the highest quality shared ownership retirement communities across the UK. We will also soon be delivering, through our Quantum Homes brand, stunning new-build homes, available on a general shared ownership basis, to include first-time buyers.

AHH is a holding company in respect of its various subsidiary undertakings and the main contractor for those subsidiary undertakings and a small number of related development entities.

**Business Review**

The Directors report a consolidated EBITDA of £2.7m and statutory net assets of £36.4m.

However, the Directors also use the adjusted net asset position as an alternative measure to assess the performance of AHH. As at 31 January 2021, the Directors believe the adjusted net assets were £103.6m compared to £62.8m as at 31 January 2020.

Please note the following clarifications

1. Assets in the course of construction: within the statutory accounts these are recorded at cost. However, as at the year end 31 January 2021, the Directors estimate the open market value of those assets under construction to be £31.8m higher. The Directors' estimate is based on valuation principles used in "red book" valuations.
2. Homes England grants: the net balance of Homes England grants received as at year-end 31 January 2021 is £9.0m. The Directors are satisfied that the performance criteria set by Homes England are capable of being met and therefore excluded this amount as a liability for management reporting purposes.
3. Goodwill/Amortisation included in the statutory accounts is a net reduction in assets of £2.0m, due to the inclusion of negative goodwill and amortisation of work in progress arising from the acquisition in the prior year of the development partnerships - its inclusion is required by accounting standards. The negative goodwill arises principally from the development risk and associated obligations that AHH has undertaken. The Directors are confident that these obligations can be met. Consequently, as this negative goodwill is expected to unwind in the near term as the development obligations are fulfilled, the Directors exclude this reduction for management reporting purposes.

The adjusted net asset position should be read in conjunction with the statutory net asset position when evaluating the overall performance of AHH.

Throughout 2020, AHH has also taken the opportunity to enhance its management capacity and capability in a number of areas to support its ambition to accelerate its growth, including the appointment of a Managing Director and Group Finance Director.

**Market Opportunity**

The current and primary focus of the AHH business continues to be the development, construction and operating of the highest quality shared ownership retirement communities in the UK. We are also preparing to deliver stunning new-build homes, on a shared ownership basis, for first-time buyers and families looking to move up the housing ladder. Our medium-term objective is the provision of the full-range of affordable housing, on a shared ownership basis, and continuing to work with Local Authorities in the UK to achieve their affordable housing ambitions.

The ongoing Covid pandemic will continue to present trading challenges. However, the defensive measures AHH took from early 2020 has protected the health of our teams and home owners, and allowed us to engage and trade with new customers. While the pandemic continued to disrupt business throughout 2021, it merely held back demand which has and will inevitable flow through to sales in future periods. By late 2021, over 100 of the homes in our most recently completed developments are reserved by customers who are now planning their move-in dates.

Furthermore, market research also indicates that there is a significant growth opportunity for shared ownership retirement communities in the UK. For example, the UK government's Select Committee inquiry into Housing for Older People (published in February 2018) concluded:

*"We believe that, in the face of demand, there is a shortfall in supply of specialist homes in general and particularly for private ownership and rent for the 'middle market'. This limits the housing options available to older people and the opportunity to derive the health and wellbeing benefits linked to specialist homes."*

*"Local authorities should be more receptive to private developers who wish to build housing for older people in their area, and appreciate the potential health and wellbeing benefits leading to reduced need to health and social care services to be gained."*

**Key performance indicators**

In addition to the adjusted net asset measure referred to above, the Directors also use the following key performance indicators:

- Level of gearing - including external and related party debt
- Operating profit margin
- Yield on rental income streams

**Other performance indicators**

- Progress of build to plan
- Percentage of contract variation claims to planned build work
- Weighted average unlet units

The Directors remain satisfied with the business performance against these metrics.

## Principal Risks and uncertainties

The principal risks and uncertainties and how they are mitigated are noted below:

| Risk | Mitigation |
|---|---|
| **Health and Safety**<br>We must ensure that we comply with statutory health and safety obligations. These requirements apply to both existing, and to new build properties. We also have wider responsibilities such as fulfilling our legal duty of care to our staff. | We have robust health and safety policies, named experienced 'responsible' person and we undertake regular health and safety audits. We are responsive to issues raised through our audits and fire risk assessments. |
| **Regulation and legislation**<br>Compliance with regulatory and statutory requirements | The Group has a skilled Board and senior staff with regulated sector knowledge. We have retained advisors with sector specific skills to advise on operational requirements to ensure compliance. An assurance framework in place to ensure that regulatory standards are understood and met which includes compliance with all key legislation. A robust Board training programme in place to ensure that it is fully briefed on regulatory matters. |
| **Sustained impact of Covid-19**<br>A sustained period of operating under national or local government directed control measures could impact on the operating environment | During 2021, budgets were reforecasted and key priorities for operational delivery were agreed with safeguarding measures put in place to ensure the safety of staff and customers. The business plan was stress tested and will continue to be every year or as necessary. Following government guidelines, protocols and policy e.g. vaccinations, work from home, social distancing |
| **Liquidity and funding**<br>Inability to access financing options and maintain sufficient security would have an adverse impact on the availability of funding for future development and growth | The Group continues to enjoy the multi property loan facility secured during the last financial year, along with the additional capitalised rent secured during this financial year. |
| **Diversification**<br>The delivery of new tenures which meets stakeholders', partners', financial and customer expectations | General Needs shared ownership strategy which includes detailed financial modelling.<br>Joint venture with local authority to minimise risk.<br>Working with local authorities in a low volume measured way. No plans to operate affordable rented units, but will pass to the experienced local authority for management.<br>The Group builds units to nationally recognised standards i.e. HAPPI; lifetime homes |
| **Stock quality and decarbonisation**<br>To ensure the quality of housing stock is delivered and maintained at a decent standard and to effectively respond when issues arise. | All AHH stock is less than five years old and under guarantee/warranty. Asset life cycles and sinking funds are in place. |

On behalf of the board

Julian Shaffer
**Director**

19 January 2022

The directors present their annual report and financial statements for the year ended 31 January 2021.

**Results and dividends**

The results for the year are set out on page 12.

Ordinary dividends were paid amounting to £4,000,000. The directors do not recommend payment of a further dividend.

**Directors**

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

| | |
|---|---|
| Julian Shaffer | |
| David Hines | |
| Michael Adams | (Resigned 2 February 2021) |
| Anthony Spotswood | (Resigned 1 September 2021) |
| Stanley Fink | (Appointed 13 February 2020) |

**Financial instruments**

In addition to the risks identified in the Strategic report, the group's activities expose it to a number of financial risks. Details of these and how the company mitigates these risks are set out below.

***Liquidity risk***

Liquidity risk arises from the group's management of working capital and the finance charges on its debt instruments. It is the risk that the company will encounter difficulty in meeting its financial obligations when they fall due. The board receive regular cash flow projections as well as information regarding cash balances. The group continues to benefit from the multi property loan facility secured during the last financial year, along with the additional capitalised rent secured during this financial year.

***Credit risk***

The group is dependent on a relatively small number of customers as transactions primarily relate to property sales. As such there is concentration of credit risk which could materially and adversely affect the group's financial results. The credit worthiness of the customers is continually monitored by management.

**Economic environment**

The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a "Global Pandemic" on the 11th March 2020, has impacted global financial markets. In the UK market activity is being impacted in all sectors and the current response to COVID 19 means that we are faced with an unprecedented set of circumstances. At the approval date of these financial statements the future impact to the real estate market is unknown and we cannot reliably estimate its effect on values in the short term. The directors confirm that the carrying values of the property portfolio presented in the financial statements reflect their fair value as at the balance sheet date.

In light of the current uncertainties the directors have assessed the potential financial implications of the pandemic, as explained in note 1.3, and have assessed that the Group has sufficient resources to allow it to trade through this period without any additional working funding required.

In July 2021 the Group completed the sale and leaseback of the long leases across its Old Manor Retirement Living village with AI Senior Capital Nominee 1 Limited for £29.3m. This partnership has allowed the Group to deliver an end-to-end funding structure for the wider delivery of affordable homes and communities.

With this now in place, Affordable Housing and Healthcare Group Limited can continue its transition from developer and operator of retirement living communities, to platform for delivering affordable homes across the board – from First-time to Last-time Buyers and Key Workers.

**Future developments**

Information on the future developments in the business of the Group has been included in the Strategic Report.

**Auditor**

In accordance with the company's articles, a resolution proposing that Saffery Champness LLP be reappointed as auditor of the group will be put at a General Meeting.

**Statement of disclosure to auditor**

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the auditor of the company is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the auditor of the company is aware of that information.

On behalf of the board

Julian Shaffer
**Director**

19 January 2022

## Directors' responsibilities statement
**For the year ended 31 January 2021**

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the ;
- prepare the on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

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

**Independent auditor's report**
**To the members of Affordable Housing and Healthcare Group Limited**

**Opinion**

We have audited the financial statements of Affordable Housing and Healthcare Group Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 January 2021 which comprise the group statement of comprehensive income, the group statement of financial position, the company statement of financial position, the group statement of changes in equity, the company statement of changes in equity, the group statement of cash flows and notes to the financial statements including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group and of the parent company's affairs as at 31 January 2021 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**Basis for opinion**

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

**Conclusions relating to going concern**

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.

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 parent 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.

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

## Other information

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

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

We have nothing to report in this regard.

## Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

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

In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and the directors' report.

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

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

## Responsibilities of directors

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

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

**Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the group and parent company financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 specific procedures for this engagement and the extent to which these are capable of detecting irregularities, including fraud are detailed below.

Identifying and assessing risks related to irregularities:
We assessed the susceptibility of the company's financial statements to material misstatement and how fraud might occur, including through discussions with the directors, discussions within our audit team planning meeting, updating our record of internal controls and ensuring these controls operated as intended. We evaluated possible incentives and opportunities for fraudulent manipulation of the financial statements. We identified laws and regulations that are of significance in the context of the company by discussions with directors and by updating our understanding of the sector in which the group and parent company operate.

Laws and regulations of direct significance in the context of the company include The Companies Act 2006 and UK Tax legislation.

Audit response to risks identified
We considered the extent of compliance with these laws and regulations as part of our audit procedures on the related financial statement items including a review of financial statement disclosures. We reviewed the company's records of breaches of laws and regulations, minutes of meetings and correspondence with relevant authorities to identify potential material misstatements arising. We discussed the company's policies and procedures for compliance with laws and regulations with members of management responsible for compliance.

During the planning meeting with the audit team, the engagement partner drew attention to the key areas which might involve non-compliance with laws and regulations or fraud. We enquired of management whether they were aware of any instances of non-compliance with laws and regulations or knowledge of any actual, suspected or alleged fraud. We addressed the risk of fraud through management override of controls by testing the appropriateness of journal entries and identifying any significant transactions that were unusual or outside the normal course of business. We assessed whether judgements made in making accounting estimates gave rise to a possible indication of management bias. At the completion stage of the audit, the engagement partner's review included ensuring that the team had approached their work with appropriate professional scepticism and thus the capacity to identify non-compliance with laws and regulations and fraud.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. 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 is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

**Use of our report**

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

**Jamie Lane (Senior Statutory Auditor)**
**For and on behalf of Saffery Champness LLP**

19 January 2022

**Chartered Accountants**
**Statutory Auditors**

Midland House
2 Poole Road
Bournemouth
Dorset
BH2 5QY

**Affordable Housing and Healthcare Group Limited**

**Group statement of comprehensive income**
**For the year ended 31 January 2021**

| | Notes | 2021 £ | 2020 £ |
|---|---|---|---|
| **Turnover** | 3 | 11,603,474 | 25,170,055 |
| Cost of sales | | (10,413,643) | (19,234,786) |
| **Gross profit** | | 1,189,831 | 5,935,269 |
| Administrative expenses | | (5,896,448) | (8,643,863) |
| Other operating income | 3 | 3,189,219 | 4,414,230 |
| Profit on disposal of property | | - | 453,936 |
| **Operating (loss)/profit** | 4 | (1,517,398) | 2,159,572 |
| Interest receivable and similar income | 8 | 12,707 | 60,192 |
| Interest payable and similar expenses | 9 | (2,540,641) | (1,828,112) |
| Other gains and losses | 10 | 6,688,980 | 1,209,667 |
| **Profit before taxation** | | 2,643,648 | 1,601,319 |
| Tax on profit | 11 | (1,044,625) | (664,077) |
| **Profit for the financial year** | 28 | 1,599,023 | 937,242 |
| **Other comprehensive income** | | | |
| Tax relating to other comprehensive income | | - | 161,435 |
| **Total comprehensive income for the year** | | 1,599,023 | 1,098,677 |

Profit for the financial year is all attributable to the owners of the parent company.

Total comprehensive income for the year is all attributable to the owners of the parent company.

**Affordable Housing and Healthcare Group Limited**

**Group statement of financial position**
**As at 31 January 2021**

| | Notes | | 2021 | | 2020 |
|---|---|---|---|---|---|
| | | £ | £ | £ | £ |
| **Fixed assets** | | | | | |
| Goodwill | **13** | | 3,156,592 | | 3,208,173 |
| Negative goodwill | **13** | | (1,879,774) | | (1,988,557) |
| Net goodwill | | | 1,276,818 | | 1,219,616 |
| Tangible assets | **14** | | 39,897,707 | | 9,847,438 |
| Investment properties | **15** | | - | | 1,401,300 |
| | | | 41,174,525 | | 12,468,354 |
| **Current assets** | | | | | |
| Stocks | **18** | 86,049,392 | | 78,519,046 | |
| Debtors falling due after more than one year | **19** | 6,200,000 | | 6,200,000 | |
| Debtors falling due within one year | **19** | 25,018,190 | | 7,676,746 | |
| Cash at bank and in hand | | 12,278,404 | | 2,319,873 | |
| | | 129,545,986 | | 94,715,665 | |
| **Creditors: amounts falling due within one year** | **20** | (41,543,628) | | (19,230,666) | |
| **Net current assets** | | | 88,002,358 | | 75,484,999 |
| **Total assets less current liabilities** | | | 129,176,883 | | 87,953,353 |
| **Creditors: amounts falling due after more than one year** | **21** | | (92,824,570) | | (48,668,197) |
| **Provisions for liabilities** | **24** | | - | | (229,840) |
| **Net assets** | | | 36,352,313 | | 39,055,316 |
| **Capital and reserves** | | | | | |
| Called up share capital | **27** | | 35,000,100 | | 35,000,100 |
| Capital contribution | **28** | | - | | 460,680 |
| Other reserves | **28** | | 158,654 | | - |
| Profit and loss reserves | **28** | | 1,193,559 | | 3,594,536 |
| **Total equity** | | | 36,352,313 | | 39,055,316 |

The financial statements were approved by the board of directors and authorised for issue on 19 January 2022 and are signed on its behalf by:

Julian Shaffer
**Director**

**Affordable Housing and Healthcare Group Limited**

**Company statement of financial position**
**As at 31 January 2021**

| | Notes | | 2021 | | 2020 |
|---|---|---|---|---|---|
| | | £ | £ | £ | £ |
| **Fixed assets** | | | | | |
| Tangible assets | **14** | | 120,128 | | 103,760 |
| Investments | **16** | | 27,707,912 | | 27,707,912 |
| | | | 27,828,040 | | 27,811,672 |
| **Current assets** | | | | | |
| Debtors falling due after more than one year | **19** | 6,200,000 | | 6,200,000 | |
| Debtors falling due within one year | **19** | 30,611,565 | | 32,385,708 | |
| Cash at bank and in hand | | 5,913,829 | | 634,305 | |
| | | 42,725,394 | | 39,220,013 | |
| **Creditors: amounts falling due within one year** | **20** | (36,775,912) | | (16,162,271) | |
| **Net current assets** | | | 5,949,482 | | 23,057,742 |
| **Total assets less current liabilities** | | | 33,777,522 | | 50,869,414 |
| **Creditors: amounts falling due after more than one year** | **21** | | (10,049,434) | | (15,580,132) |
| **Net assets** | | | 23,728,088 | | 35,289,282 |
| **Capital and reserves** | | | | | |
| Called up share capital | **27** | | 35,000,100 | | 35,000,100 |
| Profit and loss reserves | **28** | | (11,272,012) | | 289,182 |
| **Total equity** | | | 23,728,088 | | 35,289,282 |

As permitted by s408 Companies Act 2006, the company has not presented its own profit and loss account and related notes. The company's loss for the year was £7,561,194 (2020 - £210,705 loss).

The financial statements were approved by the board of directors and authorised for issue on 19 January 2022 and are signed on its behalf by:

Julian Shaffer
**Director**

**Company Registration No. 10410616**

**Affordable Housing and Healthcare Group Limited**

**Group statement of changes in equity**
**For the year ended 31 January 2021**

| | Notes | Share capital | Revaluation reserve | Capital contribution | Other reserves | Profit and loss reserves | Total |
|---|---|---|---|---|---|---|---|
| | | £ | £ | £ | £ | £ | £ |
| **Balance at 1 February 2019** | | 32,070,105 | 788,252 | 460,680 | - | 1,707,607 | 35,026,644 |
| **Period ended 31 January 2020:** | | | | | | | |
| Profit for the period | | - | - | - | - | 937,242 | 937,242 |
| Other comprehensive income: | | | | | | | |
| Tax relating to other comprehensive income | | - | 161,435 | - | - | - | 161,435 |
| Total comprehensive income for the period | | - | 161,435 | - | - | 937,242 | 1,098,677 |
| Issue of share capital | **27** | 2,929,995 | - | - | - | - | 2,929,995 |
| Realised revaluation gain | | - | (949,687) | - | - | 949,687 | - |
| **Balance at 31 January 2020** | | 35,000,100 | - | 460,680 | - | 3,594,536 | 39,055,316 |
| **Year ended 31 January 2021:** | | | | | | | |
| Profit and total comprehensive income for the year | | - | - | - | - | 1,599,023 | 1,599,023 |
| Dividends | **12** | - | - | - | - | (4,000,000) | (4,000,000) |
| Other movements | | - | - | (460,680) | 158,654 | - | (302,026) |
| **Balance at 31 January 2021** | | 35,000,100 | - | - | 158,654 | 1,193,559 | 36,352,313 |

**Affordable Housing and Healthcare Group Limited**

**Company statement of changes in equity**
**For the year ended 31 January 2021**

| | Notes | Share capital | Profit and loss reserves | Total |
|---|---|---|---|---|
| | | £ | £ | £ |
| **Balance at 1 February 2019** | | 32,070,105 | 499,887 | 32,569,992 |
| **Period ended 31 January 2020:** | | | | |
| Loss and total comprehensive income for the period | | - | (210,705) | (210,705) |
| Issue of share capital | **27** | 2,929,995 | - | 2,929,995 |
| **Balance at 31 January 2020** | | 35,000,100 | 289,182 | 35,289,282 |
| **Year ended 31 January 2021:** | | | | |
| Loss and total comprehensive income for the year | | - | (7,561,194) | (7,561,194) |
| Dividends | **12** | - | (4,000,000) | (4,000,000) |
| **Balance at 31 January 2021** | | 35,000,100 | (11,272,012) | 23,728,088 |

**Affordable Housing and Healthcare Group Limited**

**Group statement of cash flows**
**For the year ended 31 January 2021**

| | Notes | | 2021 | | 2020 |
|---|---|---|---|---|---|
| | | £ | £ | £ | £ |
| **Cash flows from operating activities** | | | | | |
| Cash absorbed by operations | **34** | | (4,665,460) | | (7,498,907) |
| Income taxes paid | | | (805,404) | | (572,917) |
| **Net cash outflow from operating activities** | | | (5,470,864) | | (8,071,824) |
| **Investing activities** | | | | | |
| Purchase of tangible fixed assets | | (32,746,578) | | (13,288,544) | |
| Proceeds on disposal of tangible fixed assets | | 10,749,434 | | 17,658,219 | |
| Net cash acquired with subsidiaries | | - | | 33,810 | |
| Other loans made | | (214,265) | | (1,307,400) | |
| Interest received | | 12,707 | | 60,192 | |
| **Net cash (used in)/generated from investing activities** | | | (22,198,702) | | 3,156,277 |
| **Financing activities** | | | | | |
| Proceeds from issue of shares | | - | | 5,229,995 | |
| Grant | | 720,250 | | 1,097,317 | |
| Repayment of borrowings | | (11,172,858) | | (12,761,090) | |
| Proceeds of new loans | | 25,178,476 | | 10,442,161 | |
| Interest paid | | (2,640,641) | | (1,828,112) | |
| Proceeds from sale and leaseback deal | | 29,542,870 | | - | |
| Dividends paid to equity shareholders | | (4,000,000) | | - | |
| **Net cash generated from financing activities** | | | 37,628,097 | | 2,180,271 |
| **Net increase/(decrease) in cash and cash equivalents** | | | 9,958,531 | | (2,735,276) |
| Cash and cash equivalents at beginning of year | | | 2,319,873 | | 5,055,149 |
| **Cash and cash equivalents at end of year** | | | 12,278,404 | | 2,319,873 |

## 1 Accounting policies

**Company information**

Affordable Housing and Healthcare Group Limited ("the company") is a private limited company incorporated in England and Wales. The registered office is 170 Charminster Road, Bournemouth, Dorset, BH8 9RL.

The group consists of Affordable Housing and Healthcare Group Limited and all of its subsidiaries.

### 1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary a mounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of freehold properties and to include investment properties at fair value.

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

The consolidated financial statements of the group are consolidated in the financial statements of Quantum Group Holdings Limited, the ultimate parent company. These consolidated financial statements are available from its registered office: 170 Charminster Road, Bournemouth, Dorset, BH8 9RL.

The principal accounting policies adopted are set out below.

### 1.2 Basis of consolidation

In the parent company financial statements, the cost of a business combination is the fair value at the acquisition date of the assets given, equity instruments issued and liabilities incurred or assumed, plus costs directly attributable to the business combination. The excess of the cost of a business combination over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recognised as goodwill. The cost of the combination includes the estimated amount of contingent consideration that is probable and can be measured reliably, and is adjusted for changes in contingent consideration after the acquisition date. Provisional fair values recognised for business combinations in previous periods are adjusted retrospectively for final fair values determined in the 12 months following the acquisition date. Investments in subsidiaries, joint ventures and associates are accounted for at cost less impairment.

Deferred tax is recognised on differences between the value of assets (other than goodwill) and liabilities recognised in a business combination accounted for using the purchase method and the amounts that can be deducted or assessed for tax, considering the manner in which the carrying amount of the asset or liability is expected to be recovered or settled. The deferred tax recognised is adjusted against goodwill or negative goodwill.

**1 Accounting policies (continued)**

The consolidated group financial statements consist of the financial statements of the parent company Affordable Housing and Healthcare Group Limited together with all entities controlled by the parent company (its subsidiaries) and the group's share of its interests in joint ventures and associates.

All financial statements are made up to 31 January 2021. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the group.

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Entities in which the group holds an interest and which are jointly controlled by the group and one or more other venturers under a contractual arrangement are treated as joint ventures. Entities other than subsidiary undertakings or joint ventures, in which the group has a participating interest and over whose operating and financial policies the group exercises a significant influence, are treated as associates.

Investments in joint ventures and associates are carried in the group statement of financial position at cost plus post-acquisition changes in the group's share of the net assets of the entity, less any impairment in value. The carrying values of investments in joint ventures and associates include acquired goodwill.

If the group's share of losses in a joint venture or associate equals or exceeds its investment in the joint venture or associate, the group does not recognise further losses unless it has incurred obligations to do so or has made payments on behalf of the joint venture or associate.

Unrealised gains arising from transactions with joint ventures and associates are eliminated to the extent of the group's interest in the entity.

**1.3 Going concern**

At the time of approving the financial statements, the directors have assessed whether there are significant doubts about the Group's ability to continue as a going concern.

The Directors have carried out a detailed assessment of going concern as part of the financial reporting process, taking into consideration a number of matters including forecast cash flows, covenant compliance and medium and long term business plans.

Also in light of the current uncertainties around the Covid-19 outbreak, the directors have assessed the potential financial implications of the pandemic and have assessed that the Group has sufficient resources to allow it to trade through this period without any additional working funding required.

On the basis of this assessment, the Directors have considered that it is appropriate to prepare the financial statements on a going concern basis.

## 1 Accounting policies (continued)

### 1.4 Turnover

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. Below is a summary of the specific recognition criteria relevant to the Group's sources of revenue.

***Turnover***

The Group's turnover comprises income earned from:

- the provision of property development services relating to assisted living and other healthcare related assets, and
- the sale of open market affordable housing and shared ownership properties, including those sold through its wholly owned subsidiary, Affordable Housing Communities Limited, a Registered Provider.

Sale of properties can take place either as a direct sale of the Group or on an agency basis.
A direct sale is regarded as one where the Group has the ability to determine price and is exposed to other factors including, but not limited to inventory and credit risk. Where direct sales arise, the Group recognises the full value of the sale on exchange as this is the point where the group has transferred the significant risks and rewards of ownership to the buyer.

An agency sale arises where the Group is acting on behalf of another party and the Group does not have the commercial development and credit risk. Where such sales arise the gross sales value and associated cost of sale are excluded from the financial statements. The commission or other sales incentive earned from facilitating the sale is recognised when the sale of the underlying property is regarded as unconditional and the Group has fulfilled its agency obligations and has thus earned the right to its commission.

***Other operating income***

Other operating income relates to ancillary income earned from the Group's activities and includes service charge income, rental income and grant income.

Rent and service charge income are recognised as earned under the terms of the underlying agreement.

Grant income is recognised as the awarding criteria are met.

## 1 Accounting policies (continued)

### 1.5 Intangible fixed assets - goodwill

Goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in the fair value of the Group's share of its identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight-line basis to the Consolidated Statement of Comprehensive Income over its useful economic life.

Negative goodwill represents excess over cost of acquirer's interest in the net fair value of acquiree's net assets. Subsequent to initial recognition the amount is released in the profit and loss in the periods in which the non-monetary assets are recovered. In preparing these financial statements management expect the non-monetary assets to be recovered over periods between one and five years. This assessment is re-appraised each year and negative goodwill is amortised in accordance with that assessment.

### 1.6 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Freehold land is not depreciated. For other assets, depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

| | |
|---|---|
| Housing Properties | 0.25% Straight line (once complete and operational) |
| Fixtures and fittings | 15% reducing balance |
| Motor vehicles | 25% reducing balance |

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in the income statement.

### 1.7 Investment properties

Investment property, which is property held to earn rentals and/or for capital appreciation, is initially recognised at cost, which includes the purchase cost and any directly attributable expenditure. Subsequently it is measured at fair value at the reporting end date. Changes in fair value are recognised in profit or loss.

Property rented to a group entity is accounted for as tangible fixed assets.

### 1.8 Fixed asset investments

Equity investments are measured at fair value through profit or loss, except for those equity investments that are not publicly traded and whose fair value cannot otherwise be measured reliably, which are recognised at cost less impairment until a reliable measure of fair value becomes available.

In the parent company financial statements, investments in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses.

## 1 Accounting policies (continued)

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

An associate is an entity, being neither a subsidiary nor a joint venture, in which the company holds a long-term interest and where the company has significant influence. The group considers that it has significant influence where it has the power to participate in the financial and operating decisions of the associate.

Investments in associates are initially recognised at the transaction price (including transaction costs) and are subsequently adjusted to reflect the group's share of the profit or loss, other comprehensive income and equity of the associate using the equity method. Any difference between the cost of acquisition and the share of the fair value of the net identifiable assets of the associate on acquisition is recognised as goodwill. Any unamortised balance of goodwill is included in the carrying value of the investment in associates.

Losses in excess of the carrying amount of an investment in an associate are recorded as a provision only when the company has incurred legal or constructive obligations or has made payments on behalf of the associate.

In the parent company financial statements, investments in associates are accounted for at cost less impairment.

Entities in which the group has a long term interest and shares control under a contractual arrangement are classified as jointly controlled entities.

### 1.9 Impairment of fixed assets

At each reporting period end date, the group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The carrying amount of the investments accounted for using the equity method is tested for impairment as a single asset. Any goodwill included in the carrying amount of the investment is not tested separately for impairment.

## 1 Accounting policies (continued)

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

### 1.10 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

### 1.11 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

### 1.12 Financial instruments

The group has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the group's statement of financial position when the group becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

**1 Accounting policies (continued)**

***Basic financial assets***

Basic financial assets, which include debtors, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

***Other financial assets***

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

***Impairment of financial assets***

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

***Derecognition of financial assets***

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the group transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

***Classification of financial liabilities***

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

## 1 Accounting policies (continued)

***Basic financial liabilities***

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

***Derecognition of financial liabilities***

Financial liabilities are derecognised when the group's contractual obligations expire or are discharged or cancelled.

### 1.13 Equity instruments

Equity instruments issued by the group are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the group.

### 1.14 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

***Current tax***

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

## 1 Accounting policies (continued)

***Deferred tax***

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Where items recognised in other comprehensive income or equity are chargeable to or deductible for tax purposes, the resulting current or deferred tax expense or income is presented in the same component of comprehensive income or equity as the transaction or other event that resulted in the tax expense or income. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

### 1.15 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

### 1.16 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

### 1.17 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets at the lower of the assets fair value at the date of inception and the present value of the minimum lease payments. The related liability is included in the statement of financial position as a finance lease obligation. Lease payments are treated as consisting of capital and interest elements. The interest is charged to profit or loss so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

**1 Accounting policies (continued)**

**1.18 Government grants**

Government grants include grants receivable from Homes England (HE) for the provision of affordable housing. A grant which does not impose specific future performance conditions is recognised as revenue when the grant proceeds are received or receivable. A grant that imposes specific future performance related obligations on the Group or one of its subsidiaries is only recognised when those conditions are met. A grant received before those performance criteria are satisfied are recognised as a liability.

Grants due from government organisations or received in advance are included in on the balance sheet within current liabilities. Where performance criteria for grants received extent over a period in excess of one year at the balance sheet date, the relevant proportion of the grant is shown in long term liabilities.

By agreement with HE, grants received for the provision of affordable housing are subordinated to development financing loans. Government grants are repayable when the property for which the grant was received is no longer classed as affordable housing.

If there is no requirement to repay the grant, any unamortised grant remaining within creditors is released and recognised as income in the statement of comprehensive income.

**1.19 Finance costs**

Finance costs are charged to the consolidated statement of comprehensive income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount.

Where eligible, finance costs directly attributable to the construction of tangible fixed assets, stock and work in progress are capitalised within those balance sheet categories.

**1.20 Housing properties**

Housing properties are properties held for the provision of social housing or to otherwise provide social benefit.

Completed housing and share ownership properties are stated at fair value at the date of valuation less subsequent accumulated depreciation and accumulated impairment losses. Fair value of the asset is based on anticipated discounted cash flows generated by the asset, This takes into account the regulated nature of the future expected rent reviews. Revaluations are made with sufficient regularity to ensure the carrying amount does not materially differ from the fair value of the properties as at the year end.

## 1 Accounting policies (continued)

### 1.21 Sale and leaseback

Where the group enters into a sale and leaseback transaction, consideration is given to the substance of the transaction. The group applies various 'tests' when considering whether to derecognise an asset, or whether the transaction should be treated as a financing transaction. These 'tests' include: the duration of the lease, whether ownership options exist at the end of the lease, the risks and rewards which exist which may indicate ownership.

Where the asset remains on the balance sheet, it will be accounted for according to FRS 102, with a liability being recognised for the fair value of future lease payments, discounted at the rate implicit within the lease.

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

In the application of the group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. 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 where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

**Critical judgements**

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

- The carrying value of freehold land and buildings

- The carrying value of investment properties

- The useful economic life of goodwill and the period over which to write off negative goodwill

- The carrying value of work in progress

## 3 Turnover and other revenue

| | 2021 | 2020 |
|---|---|---|
| | £ | £ |
| **Turnover analysed by class of business** | | |
| Property Sales | 6,726,950 | 23,280,011 |
| Design and construction fees | 4,876,524 | 1,890,044 |
| | 11,603,474 | 25,170,055 |

| | 2021 | 2020 |
|---|---|---|
| | £ | £ |
| **Other significant revenue** | | |
| Interest income | 12,707 | 60,192 |
| Rent and similar income | 1,702,015 | 455,096 |
| Grant income | 1,407,000 | 1,928,000 |
| Other income including management fees | 80,204 | 2,031,134 |

## 4 Operating (loss)/profit

| | 2021 | 2020 |
|---|---|---|
| | £ | £ |
| Operating (loss)/profit for the year is stated after charging/(crediting): | | |
| Government grants | (1,407,000) | (1,928,000) |
| Depreciation of owned tangible fixed assets | 102,876 | 24,405 |
| (Profit)/loss on disposal of tangible fixed assets | (65,719) | 2,008 |
| Amortisation of intangible assets | (57,202) | (3,948,577) |
| Operating lease charges | 47,767 | 47,767 |

## 5 Auditor's remuneration

| | 2021 | 2020 |
|---|---|---|
| Fees payable to the company's auditor and associates: | £ | £ |
| **For audit services** | | |
| Audit of the financial statements of the group and company | 54,100 | 56,250 |
| | 54,100 | 56,250 |
| **For other services** | | |
| Taxation compliance services | 13,750 | 15,750 |
| All other non-audit services | 13,900 | 12,600 |
| | 27,650 | 28,350 |

## 6 Employees

The average monthly number of persons (including directors) employed by the group and company during the year was:

| | Group 2021 | 2020 | Company 2021 | 2020 |
|---|---|---|---|---|
| | Number | Number | Number | Number |
| Directors | 4 | 3 | 4 | 3 |
| Admin | 43 | 36 | 43 | 36 |
| Other | 65 | 54 | 65 | 54 |
| | 112 | 93 | 112 | 93 |

Their aggregate remuneration comprised:

| | Group 2021 | 2020 | Company 2021 | 2020 |
|---|---|---|---|---|
| | £ | £ | £ | £ |
| Wages and salaries | 5,926,840 | 4,744,398 | 5,926,841 | 4,744,398 |
| Social security costs | 836,952 | 607,333 | 836,951 | 607,333 |
| Pension costs | 77,365 | 167,060 | 77,365 | 167,060 |
| | 6,841,157 | 5,518,791 | 6,841,157 | 5,518,791 |

During the period staff cost directly attributable to the development of tangible fixed assets, stock and work in progress of £1,945,146 (2020: £3,112,992) have been capitalised within those balances.

## 7 Directors' remuneration

| | 2021 | 2020 |
|---|---|---|
| | £ | £ |
| Remuneration for qualifying services | 650,538 | 358,878 |
| Company pension contributions to defined contribution schemes | 657 | 100,877 |
| | 651,195 | 459,755 |

Remuneration disclosed above includes the following amounts paid to the highest paid director:

| | 2021 | 2020 |
|---|---|---|
| | £ | £ |
| Remuneration for qualifying services | 207,083 | 200,399 |

## 8 Interest receivable and similar income

| | 2021 | 2020 |
|---|---|---|
| | £ | £ |
| **Interest income** | | |
| Interest on bank deposits | 12,707 | 60,192 |

## 9 Interest payable and similar expenses

| | 2021 | 2020 |
|---|---|---|
| | £ | £ |
| Other interest on financial liabilities | - | 104,415 |
| Interest on finance leases and hire purchase contracts | 797,750 | - |
| Other interest | 1,742,891 | 1,723,697 |
| | 2,540,641 | 1,828,112 |

## 10 Other gains and losses

| | 2021 | 2020 |
|---|---|---|
| | £ | £ |
| Changes in the fair value of properties | 6,688,980 | 1,209,667 |

## 11 Taxation

| | 2021 | 2020 |
|---|---|---|
| | £ | £ |
| **Current tax** | | |
| UK corporation tax on profits for the current period | 1,247,274 | 476,631 |
| Adjustments in respect of prior periods | 27,191 | (42,394) |
| Total current tax | 1,274,465 | 434,237 |
| **Deferred tax** | | |
| Origination and reversal of timing differences | (229,840) | 229,840 |
| Total tax charge | 1,044,625 | 664,077 |

The actual charge for the year can be reconciled to the expected charge for the year based on the profit or loss and the standard rate of tax as follows:

| | 2021 | 2020 |
|---|---|---|
| | £ | £ |
| Profit before taxation | 2,643,648 | 1,601,319 |
| Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2020: 19.00%) | 502,293 | 304,251 |
| Non taxable/disallowed items | 987,638 | 924,869 |
| Losses utilised | - | (6,915) |
| Adjustments in respect of prior years | (235,226) | (42,394) |
| Permanent capital allowances in excess of depreciation | 11,082 | - |
| Depreciation | 19,546 | 4,656 |
| Amortisation of goodwill | (10,868) | (750,230) |
| Deferred tax charge | (229,840) | 229,840 |
| Taxation charge | 1,044,625 | 664,077 |

## 11 Taxation (continued)

In addition to the amount charged to the income statement, the following amounts relating to tax have been recognised directly in other comprehensive income:

| | 2021 | 2020 |
|---|---|---|
| | £ | £ |
| Deferred tax arising on: | | |
| Revaluation of property | - | (161,435) |

## 12 Dividends

| | 2021 | 2020 |
|---|---|---|
| Recognised as distributions to equity holders: | £ | £ |
| Interim paid | 4,000,000 | - |

## 13 Intangible fixed assets

| Group | Goodwill | Negative goodwill | Total |
|---|---|---|---|
| | £ | £ | £ |
| **Cost** | | | |
| At 1 February 2020 | 3,324,230 | (6,794,571) | (3,470,341) |
| Other changes | - | (349,010) | (349,010) |
| At 31 January 2021 | 3,324,230 | (7,143,581) | (3,819,351) |
| **Amortisation and impairment** | | | |
| At 1 February 2020 | 116,057 | (4,806,014) | (4,689,957) |
| Amortisation charged for the year | 51,581 | (108,783) | (57,202) |
| Other changes | - | (349,010) | (349,010) |
| At 31 January 2021 | 167,638 | (5,263,807) | (5,096,169) |
| **Carrying amount** | | | |
| At 31 January 2021 | 3,156,592 | (1,879,774) | 1,276,818 |
| At 31 January 2020 | 3,208,173 | (1,988,557) | 1,219,616 |

The company had no intangible fixed assets at 31 January 2021 or 31 January 2020.

## 14 Tangible fixed assets

| Group | Housing Properties | Fixtures and fittings | Motor vehicles | Total |
|---|---|---|---|---|
| | £ | £ | £ | £ |
| **Cost or valuation** | | | | |
| At 1 February 2020 | 9,731,243 | 111,319 | 44,882 | 9,887,444 |
| Additions | 32,598,511 | 49,137 | 5,300 | 32,652,948 |
| Disposals | (9,079,431) | - | (2,214) | (9,081,645) |
| Revaluation | 6,516,121 | - | - | 6,516,121 |
| At 31 January 2021 | 39,766,444 | 160,456 | 47,968 | 39,974,868 |
| **Depreciation and impairment** | | | | |
| At 1 February 2020 | 1,243 | 27,911 | 10,852 | 40,006 |
| Depreciation charged in the year | 63,293 | 30,219 | 9,364 | 102,876 |
| Eliminated in respect of disposals | (64,536) | - | (1,185) | (65,721) |
| At 31 January 2021 | - | 58,130 | 19,031 | 77,161 |
| **Carrying amount** | | | | |
| At 31 January 2021 | 39,766,444 | 102,326 | 28,937 | 39,897,707 |
| At 31 January 2020 | 9,730,000 | 83,408 | 34,030 | 9,847,438 |

## 14 Tangible fixed assets (continued)

| Company | Fixtures and fittings | Motor vehicles | Total |
|---|---|---|---|
| | £ | £ | £ |
| **Cost or valuation** | | | |
| At 1 February 2020 | 97,641 | 44,882 | 142,523 |
| Additions | 46,467 | 5,300 | 51,767 |
| Disposals | - | (2,214) | (2,214) |
| At 31 January 2021 | 144,108 | 47,968 | 192,076 |
| **Depreciation and impairment** | | | |
| At 1 February 2020 | 27,911 | 10,852 | 38,763 |
| Depreciation charged in the year | 25,006 | 9,364 | 34,370 |
| Eliminated in respect of disposals | - | (1,185) | (1,185) |
| At 31 January 2021 | 52,917 | 19,031 | 71,948 |
| **Carrying amount** | | | |
| At 31 January 2021 | 91,191 | 28,937 | 120,128 |
| At 31 January 2020 | 69,730 | 34,030 | 103,760 |

If revalued assets were stated on an historical cost basis rather than on a fair value basis, the total amounts included would have been as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| | £ | £ | £ | £ |
| Cost | 17,674,569 | 8,886,983 | - | - |
| Accumulated depreciation | - | (1,243) | - | - |
| Carrying value | 17,674,569 | 8,885,740 | - | - |

Interest costs of £1,129,968 (2020: £432,338) were capitalised within land and buildings during the period.

## 14 Tangible fixed assets (continued)

Included within land and buildings above are shared ownership housing properties with a value of £39,766,444 (2020: £9,730,000) which are held by the Group's subsidiary, Affordable Housing Communities Limited, a 'for profit' registered housing provider.

These properties were revalued at 31 January 2021 by the directors by reference to sales prices achieved on unit sales to third parties.

## 15 Investment property

| | Group | Company |
|---|---|---|
| | 2021 | 2021 |
| | £ | £ |
| **Fair value** | | |
| At 1 February 2020 | 1,401,300 | - |
| Additions | 93,630 | - |
| Disposals | (1,667,789) | - |
| Net gains through fair value adjustments | 172,859 | - |
| At 31 January 2021 | - | - |

## 16 Fixed asset investments

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | 2021 | 2020 | 2021 | 2020 |
| | Notes | £ | £ | £ | £ |
| Investments in subsidiaries | 17 | - | - | 27,707,912 | 27,707,912 |

**Movements in fixed asset investments**

| **Company** | Shares in group undertakings |
|---|---|
| | £ |
| **Cost or valuation** | |
| At 1 February 2020 and 31 January 2021 | 27,707,912 |
| **Carrying amount** | |
| At 31 January 2021 | 27,707,912 |
| At 31 January 2020 | 27,707,912 |

## 17 Subsidiaries

Details of the company's subsidiaries at 31 January 2021 are as follows:

The entities listed below have the same registered office as the parent undertaking.

| Name of undertaking | Nature of business | Class of shares held | % Held |
|---|---|---|---|
| Platinum Skies Holdings Ltd | Holding company | Ordinary | 100.00 |
| Platinum Skies Management Ltd | Property management | Ordinary | 100.00 |
| Affordable Housing Communities Limited | Registered provider | Ordinary | 100.00 |
| Quantum Old Manor Retirement Living (Salisbury) Ltd | Developer | Ordinary | 100.00 |
| Quantum Old Manor Retirement Living LLP | Developer | Members equity | 100.00 |
| Platinum Skies Esprit LLP | Developer | Members equity | 100.00 |
| Platinum Skies Quantock House LLP | Developer | Members equity | 100.00 |
| Quantum Sherborne LLP | Developer | Members equity | 100.00 |
| Encore Care Homes Developments Ltd | Developer | Ordinary | 100.00 |
| Ecore Acquisition 1 Ltd | Holding company | Ordinary | 100.00 |
| Encore Surrey LLP | Developer | Members equity | 50.00 |
| Encore Reading Ltd | Developer | Ordinary | 100.00 |
| Mount Road Care Home LLP | Care home | Members equity | 100.00 |
| Encore Acquisition1.5 Limited | Holding company | Ordinary | 100.00 |

## 18 Stocks

| | Group 2021 | 2020 | Company 2021 | 2020 |
|---|---|---|---|---|
| | £ | £ | £ | £ |
| Work in progress | 86,049,392 | 78,519,046 | - | - |

Borrowing costs of £1,129,968 (2020: £1,736,864) have been allocated to stock during the period.

## 19 Debtors

| | Group 2021 | 2020 | Company 2021 | 2020 |
|---|---|---|---|---|
| **Amounts falling due within one year:** | £ | £ | £ | £ |
| Trade debtors | 3,226,085 | 2,248,927 | 644,483 | 7,439,802 |
| Corporation tax recoverable | - | - | 492,952 | 475,000 |
| Amounts owed by group undertakings | - | - | 23,115,054 | 17,533,918 |
| Other debtors | 15,422,652 | 3,842,037 | 1,499,862 | 1,984,488 |
| Prepayments and accrued income | 6,369,453 | 1,585,782 | 4,859,214 | 4,952,500 |
| | 25,018,190 | 7,676,746 | 30,611,565 | 32,385,708 |
| **Amounts falling due after more than one year:** | | | | |
| Amount owed by related parties | 6,200,000 | 6,200,000 | 6,200,000 | 6,200,000 |
| **Total debtors** | 31,218,190 | 13,876,746 | 36,811,565 | 38,585,708 |

## 20 Creditors: amounts falling due within one year

| | Notes | Group 2021 £ | 2020 £ | Company 2021 £ | 2020 £ |
|---|---|---|---|---|---|
| Obligations under finance leases | 23 | 951,054 | - | - | - |
| Other borrowings | 22 | 8,474,960 | - | 7,386,981 | - |
| Trade creditors | | 2,251,565 | 676,838 | 704,052 | 253,127 |
| Amounts owed to group undertakings | | - | - | 14,755,484 | 3,387,081 |
| Corporation tax payable | | 557,500 | 88,439 | - | - |
| Other taxation and social security | | 455,604 | 202,675 | 455,604 | 202,675 |
| Government grants | 25 | 4,110,235 | 1,074,735 | - | - |
| Other creditors | | 16,219,497 | 13,636,954 | 10,764,890 | 9,772,513 |
| Accruals and deferred income | | 8,523,213 | 3,551,025 | 2,708,901 | 2,546,875 |
| | | 41,543,628 | 19,230,666 | 36,775,912 | 16,162,271 |

## 21 Creditors: amounts falling due after more than one year

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | 2021 | 2020 | 2021 | 2020 |
| | Notes | £ | £ | £ | £ |
| Bank loans and overdrafts | 22 | 28,778,693 | 13,031,702 | 2,604,434 | 6,803,887 |
| Obligations under finance leases | 23 | 37,809,700 | - | - | - |
| Other borrowings | 22 | 21,348,677 | 27,026,745 | 7,445,000 | 8,776,245 |
| Government grants | 25 | 4,887,500 | 8,609,750 | - | - |
| | | 92,824,570 | 48,668,197 | 10,049,434 | 15,580,132 |

The bank loans are secured by fixed and floating charges over various of the groups assets.

The bank loan bears interest at 6% plus LIBOR and is due for repayment in November 2023 and is secured on the group's assets.

The other creditors terms are disclosed in note 32.

## 22 Loans and overdrafts

| | Group | | Company | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| | £ | £ | £ | £ |
| Bank loans | 28,778,693 | 13,031,702 | 2,604,434 | 6,803,887 |
| Other borrowings | 29,823,637 | 27,026,745 | 14,831,981 | 8,776,245 |
| | 58,602,330 | 40,058,447 | 17,436,415 | 15,580,132 |
| Payable within one year | 8,474,960 | - | 7,386,981 | - |
| Payable after one year | 50,127,370 | 40,058,447 | 10,049,434 | 15,580,132 |

The bank loans are secured by fixed and floating charges over various of the group's assets.
The terms of the bank loans and other loans are reviewed in note 21.

## 23 Finance lease obligations

| | Group 2021 | 2020 | Company 2021 | 2020 |
|---|---|---|---|---|
| | £ | £ | £ | £ |
| Future minimum lease payments due under finance leases: | | | | |
| Within one year | 4,129,549 | - | - | - |
| In two to five years | 9,843,537 | - | - | - |
| In over five years | 137,902,830 | - | - | - |
| | 151,875,916 | - | - | - |
| Less: future finance charges | (113,115,162) | - | - | - |
| | 38,760,754 | - | - | - |

In September 2020 one of the group's entities entered into a sale and leaseback transaction with a related party whereby the completed properties and the company's share in OPSO property would be sold and a lease entered into for a term of 150 years. At the end of the lease term the company can pay a peppercorn amount to re-purchase the properties. Given the risks and rewards afforded by the lease under the transaction, the directors have accounted for the transaction as a financing transaction, recognising the net present value of the future lease payments, discounted at the rate implicit within the lease.

## 24 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the group and company, and movements thereon:

| | Liabilities 2021 | Liabilities 2020 |
|---|---|---|
| **Group** | £ | £ |
| Revaluations | - | 229,840 |

The company has no deferred tax assets or liabilities.

| | Group 2021 | Company 2021 |
|---|---|---|
| **Movements in the year:** | £ | £ |
| Liability at 1 February 2020 | 229,840 | - |
| Credit to profit or loss | (229,840) | - |
| Asset at 31 January 2021 | - | - |

## 24 Deferred taxation (continued)

At the Budget 2020, the government announced that the Corporation Tax main rate (for all profits except ring fence profits) for the years starting 1 April 2020 and 2021 would remain at 19%. On 24 May 2021 the Finance Bill 2021 was substantively enacted confirming the corporation tax rate will increase to 25% from 1 April 2023. For the purposes of deferred tax in these financial statements, the substantively enacted rate as at the balance sheet date of 19% has been used.

## 25 Government grants

| | Group | | Company | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| | £ | £ | £ | £ |
| Deferred government grant income is included in the financial statements as follows: | | | | |
| Current liabilities | 4,110,235 | 1,074,735 | - | - |
| Non-current liabilities | 4,887,500 | 8,609,750 | - | - |
| | 8,997,735 | 9,684,485 | - | - |

| | Group | |
|---|---|---|
| | 2021 | 2020 |
| | £ | £ |
| **Social Housing assistance** | | |
| Held as deferred income as at 1 February 2020 | 9,684,485 | 10,515,167 |
| Social housing grant received or receivable in the year | 720,250 | 1,097,318 |
| Released in year | (1,407,000) | (1,928,000) |
| Held as deferred income as at 31 January 2021 | 8,997,735 | 9,684,485 |

## 26 Retirement benefit schemes

| | 2021 | 2020 |
|---|---|---|
| **Defined contribution schemes** | £ | £ |
| Charge to profit or loss in respect of defined contribution schemes | 77,365 | 167,060 |

A defined contribution pension scheme is operated for all qualifying employees. The assets of the scheme are held separately from those of the group in an independently administered fund.

## 27 Share capital

| | Group and company | |
|---|---|---|
| | **2021** | **2020** |
| **Ordinary share capital** | **£** | **£** |
| **Issued and fully paid** | | |
| 10,000 (2020 - 10,000) Ordinary Founder shares of 1p each | 100 | 100 |
| 35,000,000 (2020 - 3,500,000) Ordinary Founder A shares of £1 each | 35,000,000 | 35,000,000 |
| | 35,000,100 | 35,000,100 |

Founder A shares do not have voting rights, but rights to dividends.

Initial Founder shares carry voting rights and rights to dividends.

## 28 Reserves

**Other reserves**
The other reserves represents transfers made to a sinking fund reserve by one of the subsidiaries.

**Capital contribution**
The capital contribution relates to amounts advanced to the company which are not repayable and do not carry a rate of interest.

**Revaluation Reserve**
This reserve represents the surplus or deficit arising on the revaluation of the freehold property net of the associated deferred tax provision.

**Profit and loss account**
This reserve represents the accumulated profits on distributable reserves.

## 29 Financial commitments, guarantees and contingent liabilities

During the year the Parent Company guaranteed loans advanced to both subsidiary companies and related parties. The amounts advanced to related parties and not included in the Group's consolidated results amount to £nil (2020: £1.882m) and represent a contingent liability.

At the balance sheet date the directors have not received notification that the guarantee will be called in and have no reason to believe this is the case and consequently no provision has been made in these financial statements.

On 31 May 2019 the Group acquired 100% of the members equity of Mount Road Care Homes LLP. The Group is not entitled to any of the profits of the business purchased, this being split between the exiting members and a related party. The group becomes entitled to the net profits arising on the sale of all units. The financial statements have been adjusted for a contingent liability of £3,066,321 in respect of this to adjust the net assets of the subsidiary acquired at fair value.

## 30 Operating lease commitments

**Lessor**

The operating leases represent Older Persons Shared ownership leases to third parties. The leases are negotiated over terms of 125 years. All leases include a provision for annual inflationary rent reviews.There are no options in place for either party to extend the lease terms.

At the reporting end date the group had contracted with tenants for the following minimum lease payments:

| | Group 2021 £ |
|---|---|
| Within one year | 622,828 |
| Between two and five years | 2,519,518 |
| In over five years | 125,179,426 |
| | 128,321,772 |

**Lessee**

At 31 January 2021 the Group did not have any commitments under non-cancellable operating leases. The Group operates from premises under a licence to occupy and pays rent and associated charges to a related party details of which are shown in note 32. The license agreement has no fixed term and is reviewed annually.

## 31 Events after the reporting date

In July 2021 the Group completed the sale and leaseback of the long leases across its Old Manor Retirement Living village with AI Senior Capital Nominee 1 Limited for £29.3m. This partnership has allowed the Group to deliver an end-to-end funding structure for the wider delivery of affordable homes and communities. With this additional cashflow now in place, Affordable Housing and Healthcare Group Limited can continue its transition from developer and operator of retirement living communities, to platform for delivering affordable homes across the board – from First-time to Last-time Buyers and Key Workers.

## 32 Related party transactions

Affordable Housing and Healthcare Group Secured Lending Limited (a related party by virtue of common directorships) advanced under a facility agreement with Group companies amounts totalling £2,282,428 (2020: £27,026,745). At the year end the loan balance outstanding totalled £24,924,927 (2020: £26,276,750). The contract rate of interest on the advance is 7.5% per annum. Total interest charged on the advances amounted to £699,334 (2020: £1,232,881) the majority of which has been capitalised in the Group's developments and work in progress.

As at the year end a loan of £6,200,000 (2020: £6,200,000) was due from Affordable Housing and Healthcare Group Secured Lending Limited to one of the group entities.

During the prior year the Group entered into an agreement with Quantum Group (Management) Limited (a related party by virtue of common directorships) whereby it would earn a fee of 7.5% of qualifying expenditure in respect of project management services the Group was undertaking on its behalf. The value of fees earned during the year was £nil (2020: £1,178,404).

As at the year end the total amount owed to Quantum Group (Management) Limited from group entities was £2,850,853 (2020: £4,380,403).

As at the year end an amount of £3,481 (2020: £140,122) was owed from Quantum Lyngford LLP (a related party by virtue of common control).

Included in trade debtors is an amount of £20,848 (2020: £2,371) due from Bournemouth Care LLP (a related party by virtue of common control). During the year, expenses of £629 (2020: £nil) were recharged from Bournemouth Care LLP to group entities. Expenses of £83,186 (2020: £42,639) were recharged by group entities to Bournemouth Care LLP.

Included in trade debtors is an amount of £439,029 (2020: £2,371) due from Encore Care Homes Limited (a related party by virtue of common control). During the year, expenses of £14,863 (2020: £27,859) were recharged by group entities to Encore Care Homes Limited.

Included in trade debtors is an amount of £34,508 (2020: £7,020) due from Encore Care Homes Management Limited (a related party by virtue of common control). During the year, expenses of £98,525 (2020: £5,858) were recharged by group entities to Encore Care Homes Management Limited.

**32 Related party transactions (continued)**

During the year, Encore Oakdale Poole Limited (a related by virtue of common control) was recharged expenses of £62,613 (2020: £23,198) by group entities. As at the year end an amount of £28,350 (2020: £18,232) was owed from Encore Oakdale Poole Limited to group entities.

During the year, group entities advanced a loan of £nil (2020: £1,089,494) to Encore Oakdale Poole Limited. As at 31 January 2021, the loan balance due from Encore Oakdale Poole Limited was £nil (2020: £1,089,494).

Included in trade debtors is an amount of £nil (2020: £30,277) due from The Eastcliff Project LLP (a related party by virtue of common directorships). Fees charged to The Eastcliff Project LLP in respect of services provided during the year amounted to £38,660 (2020: £47,766).

During the year, the group charged Christchurch Fairmile Village LLP £49,466 (2020: £40,316) in respect of service provided during the year. As at the year end £428,139 (2020: £1,114,387) was owed to Christchurch Fairmile Village LLP by group entities. This loan is interest free and is repayable on demand.

Included within other debtors is an amount of £23,993 (2020: £23,993) due from director D Hines.

During the year £210,242 (2020: £nil) was advanced to Affordable Infrastructure UK Limited (a related party by virtue of common control). As at the year end an amount of £210,242 was written off and the balance owed at year end was £nil (2020: £nil).

During the year, expenses of £207,634 (2020: £5,858) were recharged by group entities to a joint venture between Quantum Teddington Development Limited and Quantum Teddington LLP (related parties by virtue of common control). As at the year end an amount of £307,582 was written off and the remaining balance included in trade debtors at year end was £nil (2020: £125,485).

**33 Controlling party**

The controlling party is Quantum Group Holdings Limited which holds a majority of the Founder shares and voting rights. Quantum Group Holdings Limited is under the control of J Shaffer.

## 34 Cash absorbed by group operations

| | 2021 | 2020 |
|---|---|---|
| | £ | £ |
| Profit for the year after tax | 1,599,023 | 937,242 |
| **Adjustments for:** | | |
| Taxation charged | 1,044,625 | 664,077 |
| Finance costs | 2,640,641 | 1,828,112 |
| Investment income | (12,707) | (60,192) |
| Gain on disposal of tangible fixed assets | (65,719) | (455,944) |
| Intangible amortisation | (57,202) | (3,948,577) |
| Depreciation and impairment of tangible fixed assets | 102,876 | 24,405 |
| Other gains and losses | (6,688,980) | (1,209,667) |
| Non cash adjustment to goodwill | - | (349,011) |
| Grant amortisation | (1,407,000) | (1,928,000) |
| **Movements in working capital:** | | |
| (Increase)/decrease in stock | (7,530,346) | 416,704 |
| Increase in debtors | (7,909,297) | (4,495,579) |
| Increase in creditors | 13,618,626 | 1,077,523 |
| **Cash absorbed by operations** | (4,665,460) | (7,498,907) |

## 35 Analysis of changes in net debt - group

| | 1 February 2020 | Cash flows | Other non-cash changes | 31 January 2021 |
|---|---|---|---|---|
| | £ | £ | £ | £ |
| Cash at bank and in hand | 2,319,873 | 9,958,531 | - | 12,278,404 |
| Borrowings excluding overdrafts | (40,058,447) | (8,954,183) | - | (37,253,653) |
| Obligations under finance leases | - | 29,542,870 | 9,217,884 | (38,760,754) |
| | (37,738,574) | 30,547,218 | 9,217,884 | (63,736,003) |