

Duchy Homes (Holdings) Limited
Financial Statements
For the year ended
31 December 2018



Duchy Homes (Holdings) Limited

Financial Statements

Year ended 31 December 2018

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Duchy Homes (Holdings) Limited

Officers and Professional Advisers

The board of directors

J C Best
A M Clare
A S Fish
P D Healey
D J Shann
P Whitaker

Company secretary

D M Lush

Registered office

Middleton House
Westlands Road
Leeds
LS11 5UH

Auditor

Ford Campbell Freedman Limited
Chartered accountants & statutory auditor
34 Park Cross Street
Leeds
LS1 2QH

Duchy Homes (Holdings) Limited

Strategic Report

Year ended 31 December 2018

The principal activity of the Group during the year was that of the construction and sale of private dwellings.

The trading results for the year and the Group's financial position at the year-end are shown in the attached financial statements.

Business Review & Results

The Group has now established four operating divisions, all of which have current developments which will deliver units in 2019.

Key performance indicators (KPIs) for the business in the current and preceding year are as follows:

	2018	2017
	£	£
Number of houses sold	50	17
Average selling price	417,000	449,000
Turnover	20,840,630	7,637,525
Gross Profit	2,951,518	1,387,120

The Private Average selling price increased from £456,000 in 2017 to £466,000 in 2018.

The loss before tax was anticipated and is the result of the increased costs involved in the planned divisional and unit growth programme. The Group continues to improve the operational structure and financial strength to support this forecast growth.

The Group received a 5 star home builder rating from the Home Builders Federation Customer Satisfaction Survey, a reflection of the high build quality and exceptional service given to each of our customers.

Duchy Homes (Holdings) Limited

Strategic Report *(continued)*

Year ended 31 December 2018

Principal Risks & Uncertainties

The Group continues to face a range of risks and uncertainties in the course of its business. Such risks include:

(1) Changes to economic conditions, mortgage supply and interest rates. Mortgage rates continue to be competitively priced with good availability. The Group will continue to closely monitor any changes to the macro economic environment and adapt its strategy and forecasts accordingly.

(2) The availability of sufficient materials and skilled labour on a viable basis, to enable the Group's growth. Procurement processes are in place to ensure the security and continuity of supplies and the Group continues to attract highly skilled labour. Strict procedures are in place to ensure actual costs are controlled in line with those anticipated.

(3) The availability of good quality land. The Group continues to be successful in its ability to secure good quality, highly desirable sites to support the strategic objectives.


(4) Access to adequate funding. Funding has been secured to support the long-term strategic plan. Cash is strictly managed through regular forecasts. It is essential that the Group continues to identify and manage these risks effectively in order to deliver our strategic objectives.

Future Developments

We continue to have a clear vision to continue to provide exceptional service to all our customers through developing communities of individually designed, high quality traditional homes, in locations which our customers will enjoy living. This was reflected in the recent 5 star HBF award rating.

The Group has sufficient funding in place to enable significant growth. This funding enables the business to focus on the longer term and helps create further new employment opportunities through the continued planned growth of each of the four Divisional offices.

This report was approved by the board of directors on 10 July 2019 and signed on behalf of the board by:



D J Shann
Director

Registered office:
Middleton House
Westlands Road
Leeds
LS11 5UH

Duchy Homes (Holdings) Limited

Directors' Report

Year ended 31 December 2018

The directors present their report and the financial statements of the group for the year ended 31 December 2018.

Directors

The directors who served the company during the year were as follows:

J C Best
A M Clare
A S Fish
P D Healey
D J Shann
P Whitaker

Dividends

The directors do not recommend the payment of a dividend.

Disclosure of information in the strategic report

In accordance with section 414C(11) of the Companies Act 2006 the company has shown the strategic position and principal activity of the group in the separate strategic report.

Directors' responsibilities statement

The directors are responsible for preparing the strategic report, directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare 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 the company and 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 judgments and accounting estimates that are reasonable and prudent;
- 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 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. They 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.

Duchy Homes (Holdings) Limited

Directors' Report *(continued)*

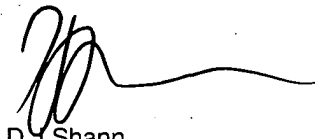
Year ended 31 December 2018

Auditor

Each of the persons who is a director at the date of approval of this report confirms that:

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

This report was approved by the board of directors on 10 July 2019 and signed on behalf of the board by:



D J Shann
Director

Registered office:
Middleton House
Westlands Road
Leeds
LS11 5UH

Duchy Homes (Holdings) Limited

Independent Auditor's Report to the Members of Duchy Homes (Holdings) Limited

Year ended 31 December 2018

Opinion

We have audited the financial statements of Duchy Homes (Holdings) Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2018 which comprise the consolidated statement of comprehensive income, consolidated statement of financial position, company statement of financial position, consolidated statement of changes in equity, company statement of changes in equity, consolidated statement of cash flows and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including 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's and of the parent company's affairs as at 31 December 2018 and of the group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- 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 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

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

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

Duchy Homes (Holdings) Limited

Independent Auditor's Report to the Members of Duchy Homes (Holdings) Limited *(continued)*

Year ended 31 December 2018

Other information

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

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

We have nothing to report in this regard.

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 its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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

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

Duchy Homes (Holdings) Limited

Independent Auditor's Report to the Members of Duchy Homes (Holdings) Limited *(continued)*

Year ended 31 December 2018

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

Auditor's 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 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.

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

Use of our report

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



Dale Coleman FCA (Senior Statutory Auditor)

For and on behalf of
Ford Campbell Freedman Limited
Chartered accountants & statutory auditor
34 Park Cross Street
Leeds
LS1 2QH

10 July 2019

Duchy Homes (Holdings) Limited

Consolidated Statement of Comprehensive Income

Year ended 31 December 2018

	Note	Year to 31 Dec 18 £	Period from 20 Jun 17 to 31 Dec 17 £
Turnover	4	20,840,630	7,637,525
Cost of sales		17,889,113	6,250,405
Gross profit		2,951,517	1,387,120
Administrative expenses		5,469,699	1,400,508
Operating loss	5	(2,518,182)	(13,388)
Other interest receivable and similar income	8	—	4
Interest payable and similar expenses	9	1,427,274	271,023
Loss before taxation		(3,945,456)	(284,407)
Tax on loss	10	7,103	37,419
Loss for the financial year		(3,952,559)	(321,826)
Fair value adjustment on acquisition		—	1,172,901
Total comprehensive income for the year		(3,952,559)	851,075
Loss for the financial year attributable to:			
The owners of the parent company		(4,034,917)	(748,158)
Non-controlling interests		82,358	426,332
		(3,952,559)	(321,826)
Total comprehensive income for the year attributable to:			
The owners of the parent company		(4,033,571)	424,743
Non-controlling interests		81,012	426,332
		(3,952,559)	851,075

All the activities of the group are from continuing operations.


Duchy Homes (Holdings) Limited

Consolidated Statement of Financial Position

31 December 2018

	Note	2018 £	2017 £
Fixed assets			
Tangible assets	11	406,763	72,884
Current assets			
Stocks	13	32,963,882	12,754,577
Debtors	14	2,856,312	136,655
Cash at bank and in hand		2,200,272	3,175,219
		38,020,466	16,066,451
Creditors: amounts falling due within one year	15	5,072,743	5,520,837
Net current assets		32,947,723	10,545,614
Total assets less current liabilities		33,354,486	10,618,498
Creditors: amounts falling due after more than one year	16	36,950,000	9,750,000
Provisions	17	—	14,039
Net (liabilities)/assets		(3,595,514)	854,459
Capital and reserves			
Called up share capital	20	3,384	3,384
Profit and loss account	21	(3,608,828)	424,743
Equity attributable to the owners of the parent company		(3,605,444)	428,127
Non-controlling interests		9,930	426,332
		(3,595,514)	854,459

These financial statements were approved by the board of directors and authorised for issue on 10 July 2019, and are signed on behalf of the board by:



D J Shann
Director

Company registration number: 10826280

The notes on pages 15 to 25 form part of these financial statements.

Duchy Homes (Holdings) Limited

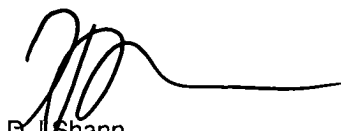
Company Statement of Financial Position

31 December 2018

	Note	2018 £	2017 £
Fixed assets			
Investments	12	1,174,593	1,174,593
Current assets			
Debtors	14	1,692	1,692
Net current assets		1,692	1,692
Total assets less current liabilities		<u>1,176,285</u>	<u>1,176,285</u>
Capital and reserves			
Called up share capital	20	3,384	3,384
Profit and loss account	21	1,172,901	1,172,901
Shareholders funds		<u>1,176,285</u>	<u>1,176,285</u>

The profit for the financial year of the parent company was £Nil (2017: £1,172,901).

These financial statements were approved by the board of directors and authorised for issue on 10 July 2019, and are signed on behalf of the board by:



D J Shann
Director

Company registration number: 10826280

Duchy Homes (Holdings) Limited

Consolidated Statement of Changes in Equity

Year ended 31 December 2018

	Called up share capital £	Profit and loss account £	Equity attributable to the owners of the parent company £	Non- controlling interests £	Total £
At 20 June 2017	–	–	–	–	–
Loss for the year		(748,158)	(748,158)	426,332	(321,826)
Other comprehensive income for the year:					
Fair value adjustment on acquisition	–	1,172,901	1,172,901	–	1,172,901
Total comprehensive income for the year	–	424,743	424,743	426,332	851,075
Issue of shares	3,384	–	3,384	–	3,384
Total investments by and distributions to owners	3,384	–	3,384	–	3,384
At 31 December 2017	3,384	424,743	428,127	426,332	854,459
Loss for the year		(4,034,917)	(4,034,917)	82,358	(3,952,559)
Other comprehensive income for the year:					
Other movement	–	1,346	1,346	(1,346)	–
Total comprehensive income for the year	–	(4,033,571)	(4,033,571)	81,012	(3,952,559)
Dividends paid and payable	–	–	–	(497,414)	(497,414)
Total investments by and distributions to owners	–	–	–	(497,414)	(497,414)
At 31 December 2018	<u>3,384</u>	<u>(3,608,828)</u>	<u>(3,605,444)</u>	<u>9,930</u>	<u>(3,595,514)</u>

The notes on pages 15 to 25 form part of these financial statements.

Duchy Homes (Holdings) Limited
Company Statement of Changes in Equity
Year ended 31 December 2018

	Called up share capital £	Profit and loss account £	Total £
At 20 June 2017	–	–	–
Profit for the year	–	1,172,901	1,172,901
Total comprehensive income for the year	–	1,172,901	1,172,901
Issue of shares	3,384	–	3,384
Total investments by and distributions to owners	3,384	–	3,384
At 31 December 2017	3,384	1,172,901	1,176,285
Profit for the year	–	–	–
At 31 December 2018	<u>3,384</u>	<u>1,172,901</u>	<u>1,176,285</u>

The notes on pages 15 to 25 form part of these financial statements.

Duchy Homes (Holdings) Limited

Consolidated Statement of Cash Flows

Year ended 31 December 2018

	2018 £	2017 £
Cash flows from operating activities		
Loss for the financial year	(3,952,559)	(321,826)
<i>Adjustments for:</i>		
Depreciation of tangible assets	90,180	11,569
Other interest receivable and similar income	—	(4)
Interest payable and similar expenses	1,427,274	271,023
Loss on disposal of tangible assets	361	—
Tax on profit	7,103	37,419
Accrued expenses	313,164	785,410
<i>Changes in:</i>		
Stocks	(20,209,305)	(881,866)
Trade and other debtors	(2,556,221)	(48,557)
Trade and other creditors	(733,614)	(800,637)
Cash generated from operations	(25,613,617)	(947,469)
Interest paid	(1,427,274)	(271,023)
Interest received	—	4
Tax paid	(212,222)	(344)
Net cash used in operating activities	<u>(27,253,113)</u>	<u>(1,218,832)</u>
Cash flows from investing activities		
Purchase of tangible assets	(428,829)	(35,276)
Proceeds from sale of tangible assets	4,409	—
Cash acquired on acquisition	—	2,235,667
Other assets and (liabilities) acquired at acquisition	—	(1,059,724)
Net cash (used in)/from investing activities	<u>(424,420)</u>	<u>1,140,667</u>
Cash flows from financing activities		
Proceeds from issue of ordinary shares	—	3,384
Proceeds from loans from participating interests	27,200,000	3,250,000
Dividends paid	(497,414)	—
Net cash from financing activities	<u>26,702,586</u>	<u>3,253,384</u>
Net (decrease)/increase in cash and cash equivalents	<u>(974,947)</u>	<u>3,175,219</u>
Cash and cash equivalents at beginning of year	<u>3,175,219</u>	<u>—</u>
Cash and cash equivalents at end of year	<u>2,200,272</u>	<u>3,175,219</u>

The notes on pages 15 to 25 form part of these financial statements.

Duchy Homes (Holdings) Limited

Notes to the Financial Statements

Year ended 31 December 2018

1. General information

The company is a private company limited by shares, registered in England and Wales. The address of the registered office is Middleton House, Westlands Road, Leeds, LS11 5UH.

2. Statement of compliance

These financial statements have been prepared in compliance with FRS 102, 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland'.

3. Accounting policies

Basis of preparation

The financial statements have been prepared on the historical cost basis, as modified by the revaluation of certain financial assets and liabilities measured at fair value through profit or loss.

The financial statements are prepared in sterling, which is the functional currency of the entity.

The directors have considered the position of the company following the loss in the year which has taken the group into a net liabilities position of £3,595,514 although it has net current assets of £32,947,723. The loss for the year was planned as the group is in a development phase. The group has the benefit of a long term structured loan of £36,950,000 from a related company and therefore the directors consider it appropriate to prepare the financial statements on the going concern basis.

Disclosure exemptions

The parent company satisfies the criteria of being a qualifying entity as defined in FRS 102. As such, advantage has been taken of the following reduced disclosures available under FRS 102:

- (a) Disclosures in respect of each class of share capital have not been presented.
- (b) No cash flow statement has been presented for the company.
- (c) Disclosures in respect of financial instruments have not been presented.
- (d) No disclosure has been given for the aggregate remuneration of key management personnel.

Consolidation

The consolidated financial statements incorporate the financial statements of the company and all group undertakings. These are adjusted, where appropriate, to conform to group accounting policies. As a consolidated profit and loss account is published, a separate profit and loss account for the parent company is omitted from the group financial statements by virtue of section 408 of the Companies Act 2006.

Duchy Homes (Holdings) Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2018

3. Accounting policies *(continued)*

Non-controlling interests

Minority interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity. Minority interests consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination.

The proportions of profit or loss and changes in equity allocated to the owners of the parent and to the minority interests are determined on the basis of existing ownership interests and do not reflect the possible exercise or conversion of options or convertible instruments.

Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported. These estimates and judgements are continually reviewed and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The judgements (apart from those involving estimations) that management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the financial statements are as follows:

Valuation of work in progress

Work in progress relates to costs incurred to date of acquiring and developing real estate assets. The carrying value of work in progress is assessed based on calculations of the relevant cost of sales linked to each development where the cost of sales is based on detailed forecasts of expected remaining revenues and costs to complete the project. Judgements around expected income are based on sales experience and market conditions as at the measurement date. Judgements around costs to complete are based on the status of completion as well as a detailed understanding of the specific requirements for each development.

Revenue recognition

Turnover represents amounts receivable on private dwellings sold in the period, exclusive of Value Added Tax. Turnover derived from the sale of private dwellings is recognised in the profit and loss account on legal completion.

Taxation

The taxation expense represents the aggregate amount of current and deferred tax recognised in the reporting period. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, tax is recognised in other comprehensive income or directly in equity, respectively.

Current tax is recognised on taxable profit for the current and past periods. Current tax is measured at the amounts of tax expected to pay or recover using the tax rates and laws that have been enacted or substantively enacted at the reporting date.

Duchy Homes (Holdings) Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2018

3. Accounting policies *(continued)*

Taxation *(continued)*

Deferred tax is recognised in respect of all timing differences at the reporting date. Unrelieved tax losses and other 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. Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

Operating leases

Lease payments are recognised as an expense over the lease term on a straight-line basis. The aggregate benefit of lease incentives is recognised as a reduction to expense over the lease term, on a straight-line basis.

Tangible assets

Tangible assets are initially recorded at cost, and subsequently stated at cost less any accumulated depreciation and impairment losses. Any tangible assets carried at revalued amounts are recorded at the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Depreciation

Depreciation is calculated so as to write off the cost or valuation of an asset, less its residual value, over the useful economic life of that asset as follows:

Plant and machinery	- 25% straight line
Fixtures and fittings	- 25% straight line
Commercial vehicles	- 25% straight line
Office equipment	- 25% straight line

Investments

Fixed asset investments are initially recorded at cost, and subsequently stated at cost less any accumulated impairment losses.

Impairment of fixed assets

A review for indicators of impairment is carried out at each reporting date, with the recoverable amount being estimated where such indicators exist. Where the carrying value exceeds the recoverable amount, the asset is impaired accordingly. Prior impairments are also reviewed for possible reversal at each reporting date.

For the purposes of impairment testing, when it is not possible to estimate the recoverable amount of an individual asset, an estimate is made of the recoverable amount of the cash-generating unit to which the asset belongs. The cash-generating unit is the smallest identifiable group of assets that includes the asset and generates cash inflows that largely independent of the cash inflows from other assets or groups of assets.

Duchy Homes (Holdings) Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2018

3. Accounting policies *(continued)*

Stocks

Stocks are measured at the lower of cost and estimated selling price less costs to complete and sell. Cost includes all costs of purchase, costs of conversion and other costs incurred in bringing the stock to its present location and condition.

Defined contribution plans

Contributions to defined contribution plans are recognised as an expense in the period in which the related service is provided. Prepaid contributions are recognised as an asset to the extent that the prepayment will lead to a reduction in future payments or a cash refund.

When contributions are not expected to be settled wholly within 12 months of the end of the reporting date in which the employees render the related service, the liability is measured on a discounted present value basis. The unwinding of the discount is recognised as a finance cost in profit or loss in the period in which it arises.

4. Turnover

Turnover arises from:

	Year to 31 Dec 18 £	Period from 20 Jun 17 to 31 Dec 17 £
Sale of private dwellings	20,840,630	7,637,525

The whole of the turnover is attributable to the principal activity of the group wholly undertaken in the United Kingdom.

5. Operating profit

Operating profit or loss is stated after charging:

	Year to 31 Dec 18 £	Period from 20 Jun 17 to 31 Dec 17 £
Depreciation of tangible assets	90,180	11,569
Loss on disposal of tangible assets	361	—
Operating lease rentals	260,334	76,030

6. Auditor's remuneration

	Year to 31 Dec 18 £	Period from 20 Jun 17 to 31 Dec 17 £
Fees payable for the audit of the financial statements	36,750	19,350

Duchy Homes (Holdings) Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2018

7. Staff costs

The average number of persons employed by the group during the year, including the directors, amounted to:

	2018 No.	2017 No.
Production staff	18	6
Administrative staff	36	16
Management staff	6	6
	<u>60</u>	<u>28</u>

The aggregate payroll costs incurred during the year, relating to the above, were:

	Year to 31 Dec 18 £	Period from 20 Jun 17 to 31 Dec 17 £
Wages and salaries	4,489,664	1,541,956
Social security costs	455,823	133,932
Other pension costs	108,870	21,861
	<u>5,054,357</u>	<u>1,697,749</u>

During the period the company did not have any employees and as such had no related payroll costs.

8. Other interest receivable and similar income

	Year to 31 Dec 18 £	Period from 20 Jun 17 to 31 Dec 17 £
Interest receivable	<u>—</u>	<u>4</u>

9. Interest payable and similar expenses

	Year to 31 Dec 18 £	Period from 20 Jun 17 to 31 Dec 17 £
Interest on banks loans and overdrafts	—	45,030
Other interest payable and similar charges	1,427,274	225,993
	<u>1,427,274</u>	<u>271,023</u>

Duchy Homes (Holdings) Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2018

10. Tax on profit

Major components of tax income

	Year to 31 Dec 18 £	Period from 20 Jun 17 to 31 Dec 17 £
Current tax:		
UK current tax income	35,274	27,644
Adjustments in respect of prior periods	(14,132)	344
Total current tax	<u>21,142</u>	<u>27,988</u>
Deferred tax:		
Origination and reversal of timing differences	(14,039)	9,431
Tax on profit	<u>7,103</u>	<u>37,419</u>

Reconciliation of tax expense

The tax assessed on the loss on ordinary activities for the year is higher than (2017: higher than) the standard rate of corporation tax in the UK of 19% (2017: 19%).

	Year to 31 Dec 18 £	Period from 20 Jun 17 to 31 Dec 17 £
Loss on ordinary activities before taxation	(3,945,456)	(284,407)
Loss on ordinary activities by rate of tax	(749,637)	(54,037)
Adjustment to tax charge in respect of prior periods	(14,132)	–
Effect of expenses not deductible for tax purposes	3,558	4,172
Effect of capital allowances and depreciation	(25,739)	(8,488)
Unused tax losses	807,092	233,090
Deferred tax	(14,039)	9,431
Other taxation	–	(146,749)
Tax on profit	<u>7,103</u>	<u>37,419</u>

Duchy Homes (Holdings) Limited

Notes to the Financial Statements (continued)

Year ended 31 December 2018

11. Tangible assets

Group	Plant and machinery £	Fixtures and fittings £	Motor vehicles £	Equipment £	Total £
Cost					
At 1 January 2018	27,374	3,246	9,988	43,845	84,453
Additions	19,018	298,221	–	111,590	428,829
Disposals	–	(5,521)	–	(22,991)	(28,512)
At 31 December 2018	46,392	295,946	9,988	132,444	484,770
Depreciation					
At 1 January 2018	2,827	872	2,497	5,373	11,569
Charge for the year	10,937	44,810	4,994	29,439	90,180
Disposals	–	(5,214)	–	(18,528)	(23,742)
At 31 December 2018	13,764	40,468	7,491	16,284	78,007
Carrying amount					
At 31 December 2018	32,628	255,478	2,497	116,160	406,763
At 31 December 2017	24,547	2,374	7,491	38,472	72,884

The company has no tangible assets.

12. Investments

The group has no investments.

Company	Shares in group undertakings £
Cost	
At 1 January 2018 and 31 December 2018	1,174,593
Impairment	
At 1 January 2018 and 31 December 2018	–
Carrying amount	
At 1 January 2018 and 31 December 2018	1,174,593
At 31 December 2017	1,174,593

Subsidiaries

Details of the investments in which the parent company has an interest of 20% or more are as follows:

Subsidiary undertakings	Class of share	Percentage of shares held
Duchy Homes Limited	Ordinary	100

Duchy Homes (Holdings) Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2018

12. Investments *(continued)*

	Class of share	Percentage of shares held
Duchy Homes (Chesterfield) Limited	Ordinary	100
Duchy Homes (Humshaugh) Limited	Ordinary	100
Duchy Homes (Old Malton) Limited	Ordinary	100
Duchy Homes (Grimsargh) Limited	Ordinary	100
Duchy Homes (Penistone) Limited	Ordinary B	57
Duchy Homes (Scawthorpe) Limited	Ordinary B	57

Duchy Homes Limited is a direct subsidiary of Duchy Homes (Holdings) Limited with all other subsidiary companies sitting below Duchy Homes Limited.

13. Stocks

	Group		Company	
	2018	2017	2018	2017
	£	£	£	£
Work in progress	<u>32,963,882</u>	<u>12,754,577</u>	<u>—</u>	<u>—</u>

14. Debtors

	Group		Company	
	2018	2017	2018	2017
	£	£	£	£
Trade debtors	2,132	—	—	—
Amounts owed by undertakings in which the company has a participating interest	1,692	1,692	1,692	1,692
Prepayments and accrued income	53,015	41,266	—	—
Corporation tax repayable	186,131	—	—	—
Other debtors	<u>2,613,342</u>	<u>93,697</u>	<u>—</u>	<u>—</u>
	<u>2,856,312</u>	<u>136,655</u>	<u>1,692</u>	<u>1,692</u>

Duchy Homes (Holdings) Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2018

15. Creditors: amounts falling due within one year

	Group		Company	
	2018	2017	2018	2017
	£	£	£	£
Trade creditors	2,856,618	1,567,669	—	—
Amounts owed to undertakings in which the company has a participating interest	—	1,977,720	—	—
Accruals and deferred income	1,098,574	785,410	—	—
Corporation tax	—	27,644	—	—
Social security and other taxes	335,152	140,836	—	—
Other creditors	782,399	1,021,558	—	—
	<u>5,072,743</u>	<u>5,520,837</u>	<u>—</u>	<u>—</u>

16. Creditors: amounts falling due after more than one year

	Group		Company	
	2018	2017	2018	2017
	£	£	£	£
Other creditors	<u>36,950,000</u>	<u>9,750,000</u>	<u>—</u>	<u>—</u>

The group has granted security of a fixed and floating charge on the assets of the group in favour of other creditors stated above.

17. Provisions

Group	Deferred tax (note 18) £
At 1 January 2018	14,039
Unused amounts reversed	<u>(14,039)</u>
At 31 December 2018	<u>—</u>

The company does not have any provisions.

18. Deferred tax

The deferred tax included in the statement of financial position is as follows:

	Group		Company	
	2018	2017	2018	2017
	£	£	£	£
Included in provisions (note 17)	<u>—</u>	<u>14,039</u>	<u>—</u>	<u>—</u>

The deferred tax account consists of the tax effect of timing differences in respect of:

	Group		Company	
	2018	2017	2018	2017
	£	£	£	£
Accelerated capital allowances	<u>40,645</u>	<u>14,039</u>	<u>—</u>	<u>—</u>

Duchy Homes (Holdings) Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2018

19. Employee benefits

Defined contribution plans

The amount recognised in profit or loss as an expense in relation to defined contribution plans was £108,870 (2017: £21,861).

20. Called up share capital

Issued, called up and fully paid

	2018		2017	
	No.	£	No.	£
A Ordinary shares of £1 each	1,692	1,692.00	1,692	1,692.00
B Ordinary shares of £1 each	1,692	1,692.00	1,692	1,692.00
	<u>3,384</u>	<u>3,384.00</u>	<u>3,384</u>	<u>3,384.00</u>

The A ordinary shares and B ordinary shares rank pari passu in all respects.

21. Reserves

Profit and loss account

This reserve records retained earnings, accumulated losses and the fair value adjustment on the acquisition of the Duchy Homes Limited group of companies.

22. Operating leases

The total future minimum lease payments under non-cancellable operating leases are as follows:

	Group		Company	
	2018	2017	2018	2017
	£	£	£	£
Not later than 1 year	195,255	188,330	—	—
Later than 1 year and not later than 5 years	486,320	46,915	—	—
Later than 5 years	175,525	—	—	—
	<u>857,100</u>	<u>235,245</u>	<u>—</u>	<u>—</u>

Duchy Homes (Holdings) Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2018

23. Related party transactions

Group

During the year the group entered into the following transactions with related parties:

	Transaction value		Balance owed by/(owed to)	
	2018	2017	2018	2017
	£	£	£	£
Interest and loans from connected company	<u>1,427,275</u>	<u>211,447</u>	<u>(36,950,000)</u>	<u>(9,750,000)</u>

Key management personnel include all persons that have authority and responsibility for planning, directing and controlling the activities of the company. The total compensation paid to key management personnel for services provided to the group was £847,426 (2017: £406,053).

24. Controlling party

By virtue of the shareholdings there is no one, single, controlling party.
