

**Group Strategic Report, Report of the Directors and
Consolidated Financial Statements for the Year Ended 31 January 2016**
for
Pentland Homes (Holdings) Limited

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**Contents of the Consolidated Financial Statements
for the Year Ended 31 January 2016**

	Page
Company Information	1
Group Strategic Report	2
Report of the Directors	6
Report of the Independent Auditors	8
Consolidated Profit and Loss	10
Consolidated Other Comprehensive Income	11
Consolidated Balance Sheet	12
Company Balance Sheet	13
Consolidated Statement of Changes in Equity	14
Company Statement of Changes in Equity	15
Consolidated Cash Flow Statement	16
Notes to the Consolidated Cash Flow Statement	17
Notes to the Consolidated Financial Statements	18

Pentland Homes (Holdings) Limited

**Company Information
for the Year Ended 31 January 2016**

DIRECTORS:

J N Tory
P N Tory

SECRETARY:

S Coates

REGISTERED OFFICE:

The Estate Office
Canterbury Road
Etchinghill
Folkestone
Kent
CT18 8FA

REGISTERED NUMBER:

06362844 (England and Wales)

AUDITORS:

Pure Audit Limited
Chartered Certified Accountants
and Statutory Auditors
20 Canterbury Innovation Centre
University Road
Canterbury
Kent
CT2 7FG

Pentland Homes (Holdings) Limited (Registered number: 06362844)

**Group Strategic Report
for the Year Ended 31 January 2016**

The directors present their strategic report of the company and the group for the year ended 31 January 2016.

REVIEW OF BUSINESS

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

The directors are pleased to report on another successful year, building upon the increase in operations of the previous year and preparing for further expansion in future. The year's turnover fell slightly to £23.89m from last year's exceptional figure but gross margins improved so that pre-tax profit was close to the previous level.

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

	2016	2015	Change
	£'000	£'000	%
Turnover	23,889	29,025	(18%)
Cost of sales	17,584	22,953	(23%)
Operating profit	3,133	3,723	(16%)
Pre-tax profit	2,867	3,330	(14%)

The number of plots increased slightly in the year, but overall turnover fell because a large care home was completed for which the majority of the income was received last year. Build WIP at the end of the year increased by 51% and this allowed the group to make good volumes of sales in the months after the year-end.

The average margin on sales of homes increased from 21% to 26%. Building material and labour costs have also increased in the year, at a lower rate but rises have been absorbed in the gross margin.

The group continued to invest in staff and administrative facilities in response to the higher business activity, and overheads were 19% higher in the year.

	2016	2015	Change
	£,000	£,000	%
Shareholders funds	16,649	15,071	10%
Net current assets	16,078	14,757	9%
Cash	1,801	6,315	(71%)

The purchase of two major pieces of land added to the stock value, and Work-in-Progress increased as these and existing sites were developed.

	2016	2015	Change
	£'000	£'000	%
Land	8,507	7,175	19%
Build WIP	6,453	3,907	65%
Speculative WIP	4,349	1,667	161%
Land and WIP	19,309	12,749	51%

**Group Strategic Report
for the Year Ended 31 January 2016**

Other KPIs

House sales numbers increased from 72 in 2015 to 75 in 2016 (+4%) in addition to the completion of a care home of 67 flats.

Land owned by the group with either outline or detailed planning permission increased from 242 to 403 plots in the year, benefiting from both purchasing new sites and bringing existing land forward for development.

The total number of employees increased in the year from 31 to 33 (+6%) in response to the increased level of activity and larger number of sites and the company's business plan of maintaining a strong development team and skilled building managers continues to be successful.

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

**Group Strategic Report
for the Year Ended 31 January 2016**

PRINCIPAL RISKS AND UNCERTAINTIES

Market conditions in the south east of England remain very good as demand for homes outstrips supply. The rate of build of new homes has been constrained by available land and slow progress towards planning permissions. The planning situation has improved as more local authorities are getting their plans in place.

Recent shortages of funding, labour and materials seem to be easing.

Market threats

The current shortage of available housing to meet demand is reflected in significant price inflation seen in the past year. The directors believe that this will continue but at a much slower rate.

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

In the past year the group has started to develop a retirement village of bungalows and flats in Hawkinge in partnership with Pentland Properties. This will provide a broader offer to the housing market, and reduce exposure to the mainstream housing market.

Operational threats

The industry has experienced shortages of resources as the construction activity has recovered since 2010. Cost inflation has been especially noticeable from the brickwork and carpentry suppliers and sub-contractors which the company has mitigated by obtaining early quotes and by placing bulk orders. More recently, while imported material prices continue to increase, labour costs seem to have stabilised despite the continued shortage of skilled staff.

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

The availability of developable land and achieving planning permissions are two of the biggest difficulties for house-builders but the group has built up a portfolio of strategic sites that will provide for the future and limits the need to purchase sites with planning permission already granted.

Financial threats

The directors believe that the group is in a strong position as a robust financial structure has been put in place to review and react to any perceived threats. The uncertainty that the referendum result brought to the economic situation seems to have had little effect on house prices or demand, and the geographical position of the group's sites could mean that it benefits from customers moving out of the more expensive parts of the south-east and London.

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

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

Availability of mortgages is not generally a problem for our buyers, and some have benefited from the government-backed Help-to-Buy scheme. The details of future initiatives are awaited but it is likely that the Starter Homes programme will provide a further stimulus to the market.

The removal of mortgage interest tax relief on Buy-to-Let mortgages between 2017 and 2020 may have an effect on demand, but it is considered that this will not have a significant effect on the group's business, and none has been seen since the change was first introduced.

At the year-end the group had borrowed £6.1m from Lloyds Bank at a percentage above base rate. The directors have reviewed the risk of interest rate changes on this loan and do not consider that there is a need to hedge against such risks.

**Group Strategic Report
for the Year Ended 31 January 2016**

The group is not exposed to derivatives or similar financial instruments.

A larger loan is being discussed at the time of writing to provide for the future needs of the group and, although the likelihood of interest rate rises seems small, the group will invest in a mechanism to protect against the effects of an increase to protect the group's profits.

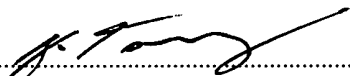
Strategic threats

The directors previously considered that the greatest threat to the development of the group's business was the availability of funding, but this has eased in the past year and the group has a line of finance that supports the current level of business while further funding is being prepared to assist the development of larger sites in future.

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

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

ON BEHALF OF THE BOARD:


.....
J N Tory - Director

Date: 21-10-16
.....

Pentland Homes (Holdings) Limited (Registered number: 06362844)

**Report of the Directors
for the Year Ended 31 January 2016**

The directors present their report with the financial statements of the company and the group for the year ended 31 January 2016.

PRINCIPAL ACTIVITY

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

DIVIDENDS

The total distribution of dividends for the year ended 31 January 2016 will be £549,219.

RESEARCH AND DEVELOPMENT

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

FUTURE DEVELOPMENTS

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

DIRECTORS

The directors shown below have held office during the whole of the period from 1 February 2015 to the date of this report.

J N Tory

P N Tory

POLITICAL DONATIONS AND EXPENDITURE

The group made no political donations in the period.

EVENTS SINCE THE BALANCE SHEET DATE

Two additional sites have been purchased since the balance sheet date, bringing the number of sites with construction and sales operations to seven, comprising 400 available plots at the time of this report. Planning permission has also been achieved on a site owned by an associated company, Pentland Properties, which will provide a further 750 plots to build in the next few years.

	July 2016	Jan 2016	Change
	£,000	£'000	%
Land	14,005	8,507	65%
Build WIP	4,285	6,453	(34%)
Speculative WIP	1,486	4,349	(66%)
WIP	19,776	19,309	2%

The overall value of Land has increased since the year-end with the purchase of new sites, and the value of Built WIP has fallen with the sale of plots in the half-year.

GOING CONCERN

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

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

**Report of the Directors
for the Year Ended 31 January 2016**

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Report of the Directors 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 company and the group and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements 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 and the group's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group 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 the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the group's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the group's auditors are aware of that information.

AUDITORS

The auditors, Pure Audit Limited, will be proposed for re-appointment at the forthcoming Annual General Meeting.

ON BEHALF OF THE BOARD:


.....
J N Tory - Director

Date: 21-10-16
.....

**Report of the Independent Auditors to the Members of
Pentland Homes (Holdings) Limited**

We have audited the financial statements of Pentland Homes (Holdings) Limited for the year ended 31 January 2016 on pages ten to thirty. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

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 a Report of the Auditors 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.

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page seven, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Group Strategic Report and the Report of the Directors to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 January 2016 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.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Group Strategic Report and the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

**Report of the Independent Auditors to the Members of
Pentland Homes (Holdings) Limited**

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where 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.

Alan Davidson (Senior Statutory Auditor)
for and on behalf of Pure Audit Limited
Chartered Certified Accountants
and Statutory Auditors
20 Canterbury Innovation Centre
University Road
Canterbury
Kent
CT2 7FG

Date: 21 October 2016

Pentland Homes (Holdings) Limited (Registered number: 06362844)

**Consolidated Profit and Loss
for the Year Ended 31 January 2016**

	Notes	31.1.16 £	£	31.1.15 £	£
TURNOVER			23,889,435		29,025,091
Cost of sales			17,584,232		22,952,783
GROSS PROFIT			6,305,203		6,072,308
Distribution costs		1,026,663		598,878	
Administrative expenses		2,255,503		2,164,867	
			3,282,166		2,763,745
			3,023,037		3,308,563
Other operating income			109,532		414,108
OPERATING PROFIT	3		3,132,569		3,722,671
Provision for taxes on employee benefits			-		145,702
			3,132,569		3,576,969
Interest receivable and similar income			72		145
			3,132,641		3,577,114
Interest payable and similar charges	4		265,432		247,037
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION			2,867,209		3,330,077
Tax on profit on ordinary activities	5		569,063		723,801
PROFIT FOR THE FINANCIAL YEAR			2,298,146		2,606,276
Profit attributable to:					
Owners of the parent			2,281,100		2,606,436
Minority interests			17,046		(160)
			2,298,146		2,606,276

The notes form part of these financial statements

Pentland Homes (Holdings) Limited (Registered number: 06362844)

**Consolidated Other Comprehensive Income
for the Year Ended 31 January 2016**

	Notes	31.1.16 £	31.1.15 £
PROFIT FOR THE YEAR		2,298,146	2,606,276
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>2,298,146</u>	<u>2,606,276</u>
Total comprehensive income attributable to:			
Owners of the parent		2,281,099	2,606,435
Non-controlling interests		<u>17,047</u>	<u>(159)</u>
		<u>2,298,146</u>	<u>2,606,276</u>

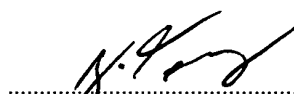
The notes form part of these financial statements

Pentland Homes (Holdings) Limited (Registered number: 06362844)

Consolidated Balance Sheet
31 January 2016

	Notes	31.1.16 £	£	31.1.15 £	£
FIXED ASSETS					
Tangible assets	8		354,300		382,688
Investments	9		-		-
Investment property	10		827,060		772,920
			<u>1,181,360</u>		<u>1,155,608</u>
CURRENT ASSETS					
Stocks	11	19,309,082		12,748,616	
Debtors	12	4,101,350		3,624,456	
Cash at bank		1,812,468		6,318,640	
		<u>25,222,900</u>		<u>22,691,712</u>	
CREDITORS					
Amounts falling due within one year	13	8,971,799		7,933,247	
			<u>16,251,101</u>		<u>14,758,465</u>
NET CURRENT ASSETS					
TOTAL ASSETS LESS CURRENT LIABILITIES					
			17,432,461		15,914,073
PROVISIONS FOR LIABILITIES					
	16		(610,600)		(841,140)
MINORITY INTERESTS					
	17		(16,888)		159
NET ASSETS					
			<u>16,804,973</u>		<u>15,073,092</u>
CAPITAL AND RESERVES					
Called up share capital	18		15,664		15,664
Share premium	19		3,309,814		3,309,814
Retained earnings	19		13,479,495		11,747,614
SHAREHOLDERS' FUNDS					
			<u>16,804,973</u>		<u>15,073,092</u>

The financial statements were approved by the Board of Directors on 21st October 2016 and were signed on its behalf by:


.....
J N Tory - Director

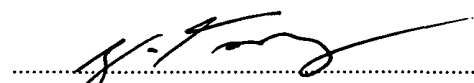
The notes form part of these financial statements

Pentland Homes (Holdings) Limited (Registered number: 06362844)

**Company Balance Sheet
31 January 2016**

	Notes	31.1.16 £	£	31.1.15 £	£
FIXED ASSETS					
Tangible assets	8		-		-
Investments	9		15,673		15,673
Investment property	10		-		-
			<u>15,673</u>		<u>15,673</u>
CURRENT ASSETS					
Cash at bank		<u>3,952</u>		<u>3,217</u>	
NET CURRENT ASSETS			<u>3,952</u>		<u>3,217</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>19,625</u>		<u>18,890</u>
CAPITAL AND RESERVES					
Called up share capital	18		15,664		15,664
Retained earnings	19		<u>3,961</u>		<u>3,226</u>
SHAREHOLDERS' FUNDS			<u>19,625</u>		<u>18,890</u>

The financial statements were approved by the Board of Directors on 21st October 2016 and were signed on its behalf by:


.....
J N Tory - Director

The notes form part of these financial statements

Pentland Homes (Holdings) Limited (Registered number: 06362844)

Consolidated Statement of Changes in Equity
for the Year Ended 31 January 2016

	Called up share capital £	Retained earnings £	Share premium £
Balance at 1 February 2014	15,664	9,640,480	3,309,814
Changes in equity			
Dividends	-	(499,302)	-
Total comprehensive income	-	2,606,436	-
Balance at 31 January 2015	15,664	11,747,614	3,309,814
Changes in equity			
Dividends	-	(549,219)	-
Total comprehensive income	-	2,281,100	-
Balance at 31 January 2016	15,664	13,479,495	3,309,814
	Total £	Non-controlling interests £	Total equity £
Balance at 1 February 2014	12,965,958	-	12,965,958
Changes in equity			
Dividends	(499,302)	-	(499,302)
Total comprehensive income	2,606,436	(159)	2,606,277
Balance at 31 January 2015	15,073,092	(159)	15,072,933
Changes in equity			
Dividends	(549,219)	-	(549,219)
Total comprehensive income	2,281,100	17,047	2,298,147
Balance at 31 January 2016	16,804,973	16,888	16,821,861

The notes form part of these financial statements

Pentland Homes (Holdings) Limited (Registered number: 06362844)

**Company Statement of Changes in Equity
for the Year Ended 31 January 2016**

	Called up share capital £	Retained earnings £	Total equity £
Balance at 1 February 2014	15,664	2,552	18,216
Changes in equity			
Dividends	-	(499,302)	(499,302)
Total comprehensive income	-	499,976	499,976
Balance at 31 January 2015	15,664	3,226	18,890
Changes in equity			
Dividends	-	(549,219)	(549,219)
Total comprehensive income	-	549,954	549,954
Balance at 31 January 2016	15,664	3,961	19,625

The notes form part of these financial statements

Pentland Homes (Holdings) Limited (Registered number: 06362844)

**Consolidated Cash Flow Statement
for the Year Ended 31 January 2016**

	Notes	31.1.16 £	31.1.15 £
Cash flows from operating activities			
Cash generated from operations	1	(4,499,477)	686,575
Interest paid		(265,432)	(247,037)
Tax paid		(645,154)	(346,678)
Net cash from operating activities		<u>(5,410,063)</u>	<u>92,860</u>
Cash flows from investing activities			
Purchase of tangible fixed assets		(142,280)	(244,316)
Sale of tangible fixed assets		-	7,442
Loan to associated company		(564,682)	-
Interest received		72	145
Net cash from investing activities		<u>(706,890)</u>	<u>(236,729)</u>
Cash flows from financing activities			
New loans in year		6,091,800	3,631,801
Loan repayments in year		(3,631,800)	-
Amount withdrawn by directors		(300,000)	-
Equity dividends paid		(549,219)	(499,302)
Net cash from financing activities		<u>1,610,781</u>	<u>3,132,499</u>
(Decrease)/increase in cash and cash equivalents		<u>(4,506,172)</u>	<u>2,988,630</u>
Cash and cash equivalents at beginning of year	2	6,318,640	3,330,010
Cash and cash equivalents at end of year	2	<u><u>1,812,468</u></u>	<u><u>6,318,640</u></u>

The notes form part of these financial statements

Pentland Homes (Holdings) Limited (Registered number: 06362844)

**Notes to the Consolidated Cash Flow Statement
for the Year Ended 31 January 2016**

1. RECONCILIATION OF PROFIT BEFORE TAXATION TO CASH GENERATED FROM OPERATIONS

	31.1.16	31.1.15
	£	£
Profit before taxation	2,867,209	3,330,077
Depreciation charges	168,545	111,021
Loss/(profit) on disposal of fixed assets	2,124	(3,283)
(Decrease)/Increase in provision	(218,487)	100,149
Movement in fair value of investment	(54,140)	10,954
Finance costs	265,432	247,037
Finance income	(72)	(145)
	<hr/>	<hr/>
	3,030,611	3,795,810
Increase in stocks	(6,560,466)	(3,199,648)
Decrease/(increase) in trade and other debtors	387,787	(1,541,993)
(Decrease)/increase in trade and other creditors	(1,357,409)	1,632,406
	<hr/>	<hr/>
Cash generated from operations	(4,499,477)	686,575
	<hr/>	<hr/>

2. CASH AND CASH EQUIVALENTS

The amounts disclosed on the Consolidated Cash Flow Statement in respect of cash and cash equivalents are in respect of these Balance Sheet amounts:

Year ended 31 January 2016

	31.1.16	1.2.15
	£	£
Cash and cash equivalents	1,812,468	6,318,640
	<hr/>	<hr/>

Year ended 31 January 2015

	31.1.15	1.2.14
	£	£
Cash and cash equivalents	6,318,640	3,330,010
	<hr/>	<hr/>

The notes form part of these financial statements

**Notes to the Consolidated Financial Statements
for the Year Ended 31 January 2016**

1. ACCOUNTING POLICIES

Basis of preparing the financial statements

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

a) Basis of preparation

These consolidated and separate financial statements are prepared on a going concern basis, under the historical cost convention, as modified by the recognition of certain financial assets and liabilities measured at fair value.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group and company accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in the notes.

b) Going concern

The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the level of its current facilities. After making enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing its financial statements.

Basis of consolidation

The Group consolidated financial statements include the financial statements of the Company and all of its subsidiary undertakings together with the Group's share of the results of associates made up to the year end.

A subsidiary is an entity controlled by the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Where the Group owns less than 50% of the voting powers of an entity but controls the entity by virtue of an agreement with other investors which give it control of the financial and operating policies of the entity it accounts for that entity as a subsidiary.

Where a subsidiary has different accounting policies to the Group, adjustments are made to those subsidiary financial statements to apply the Group's accounting policies when preparing the consolidated financial statements.

An associate is an entity, being neither a subsidiary nor a joint venture, in which the Group holds a long-term interest and where the Group 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. The results of associates are accounted for using the equity method of accounting.

Any subsidiary undertakings or associates sold or acquired during the year are included up to, or from, the dates of change of control or change of significant influence respectively.

Where control of a subsidiary is lost, the gain or loss is recognised in the consolidated income statement. The cumulative amounts of any exchange differences on translation, recognised in equity, are not included in the gain or loss on disposal and are transferred to retained earnings. The gain or loss also includes amounts included in other comprehensive income that are required to be reclassified to profit or loss but excludes those amounts that are not required to be reclassified.

Where control of a subsidiary is achieved in stages, the initial acquisition that gave the Group control is accounted for as a business combination. Thereafter where the Group increases its controlling interest in the subsidiary the transaction is treated as a transaction between equity holders. Any difference between the fair value of the consideration paid and the carrying amount of the non-controlling interest acquired is recognised directly in equity. No changes are made to the carrying value of assets, liabilities or provisions for contingent liabilities.

All intra-Group transactions, balances, income and expenses are eliminated on consolidation. Adjustments are made to eliminate the profit or loss arising on transactions with associates to the extent of the Group's interest in the entity.

Critical accounting estimates and judgements

**Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 January 2016**

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

The group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below:

i) Valuation of inventories

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

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

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

ii) Useful economic lives of tangible assets

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

Turnover

Turnover is measured at the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes.

Revenue from sale of residential units is recognised on legal completion which is when title passes to the buyer.

Revenue from the sale of land is recognised on legal completion when all the following conditions have been satisfied:

- i) The company has transferred the significant risks and rewards of ownership which is when contracts have been completed;
- ii) The company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the land sold which is when the contract has been completed;
- iii) It is probable the economic benefits associated with the transaction will flow to the group;
- iv) The revenue can be measured reliably; and
- v) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Plant and machinery	- 25% on cost
Fixtures and fittings	- 25% on cost
Motor vehicles	- 25% on cost

**Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 January 2016**

1. ACCOUNTING POLICIES - continued

Investment property

Investment property is shown at most recent valuation. Any aggregate surplus or deficit arising from changes in fair value is recognised in profit or loss.

Investment properties are included in the Balance sheet at their value in accordance with FRS 102 and are not depreciated. This treatment is contrary to the Companies Act 2006 which states that fixed assets should be depreciated but is, in the opinion of the directors, necessary in order to give a true and fair view of the financial position of the group.

Any gains or losses on the fair value on investment property will be reported in the profit and loss account. Any gains or losses will not be distributable as a dividend. All retrospective revaluations concerning this will be transferred to the profit and loss at the date of transition.

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

Taxation

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the profit and loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively.

Current or deferred taxation assets and liabilities are not discounted.

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements.

Deferred tax is recognised on all timing differences at the reporting date except for certain exceptions. Unrelieved tax losses and other deferred tax assets are only recognised when 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 tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 January 2016

1. **ACCOUNTING POLICIES - continued**

Foreign currencies

Functional and presentation currency

The group's functional and presentation currency is the pound sterling.

Transactions and balances

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

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

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

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the profit and loss account within 'finance (expense)/income'. All other foreign exchange gains and losses are presented in the profit and loss account within 'Other operating / (losses)/gains'.

Pension costs and other post-retirement benefits

The group operates a defined contribution pension scheme. Contributions payable to the group's pension scheme are charged to profit or loss in the period to which they relate.

Employee benefits

The group provides a range of benefits to employees, including annual bonus arrangements, paid holiday arrangements and defined benefit and defined contribution pension plans.

(a) Short term benefits

(b) Short term benefits, including holiday pay and other similar non-monetary benefits are recognised as an expense in the period in which the service is received.

Defined contribution pension plans

The group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the group has no further payment obligations. The contributions are recognised as an expense when they are due. Amounts not paid are shown in accruals in the balance sheet. The assets of the plan are held separately from the company in independently administered funds.

Annual bonus

The group operates an annual bonus plan for employees. An expense is recognised in the profit and loss account when the company has a legal or constructive obligation to make payments under the plan as a result of past events and a reliable estimate of the obligation can be made.

Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 January 2016

1. ACCOUNTING POLICIES - continued

Work in progress

The attributable profit of developments is recognised on a plot by plot basis, with each plot being recognised when legal title passes to the buyer.

Costs associated with the developments are included in the work in progress to the extent that they cannot be matched with plot sales accounted for as turnover. Development balances included in work in progress are stated at cost, after provision for any foreseeable losses.

Full provision is made for losses on all developments in the year in which the loss is first foreseen.

2. STAFF COSTS

	31.1.16	31.1.15
	£	£
Wages and salaries	2,157,196	2,079,194
Social security costs	307,898	236,675
Other pension costs	4,500	-
	<u>2,469,594</u>	<u>2,315,869</u>

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

	31.1.16	31.1.15
Production staff	20	19
Administrative staff	8	7
Management staff	5	5
	<u>33</u>	<u>31</u>

3. OPERATING PROFIT

The operating profit is stated after charging/(crediting):

	31.1.16	31.1.15
	£	£
Depreciation - owned assets	168,544	111,021
Loss/(profit) on disposal of fixed assets	2,124	(3,283)
Auditors' remuneration	7,250	7,050
	<u>177,918</u>	<u>114,788</u>
Directors' remuneration	<u>690,537</u>	<u>898,616</u>

The number of directors to whom retirement benefits were accruing was as follows:

	2	2
Money purchase schemes	<u>2</u>	<u>2</u>

Information regarding the highest paid director is as follows:

	31.1.16	31.1.15
	£	£
Emoluments etc	<u>75,000</u>	<u>75,000</u>

Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 January 2016

4. **INTEREST PAYABLE AND SIMILAR CHARGES**

	31.1.16	31.1.15
	£	£
Bank loan interest	237,025	77,031
Other interest	28,407	170,006
	<u>265,432</u>	<u>247,037</u>

5. **TAXATION**

Analysis of the tax charge

The tax charge on the profit on ordinary activities for the year was as follows:

	31.1.16	31.1.15
	£	£
Current tax:		
UK corporation tax	581,115	719,153
Deferred tax	(12,052)	4,648
Tax on profit on ordinary activities	<u>569,063</u>	<u>723,801</u>

Reconciliation of total tax charge included in profit and loss

The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The difference is explained below:

	31.1.16	31.1.15
	£	£
Profit on ordinary activities before tax	<u>2,867,209</u>	<u>3,330,077</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 20.162% (2015 - 21.323%)	578,087	710,072
Effects of:		
Expenses not deductible for tax purposes	2,719	36,381
Income not taxable for tax purposes	(10,907)	-
Capital allowances in excess of depreciation	-	(8,377)
Depreciation in excess of capital allowances	11,216	-
Land remediation relief	-	(79)
Previous year pension paid in current year	-	(19,191)
Taxable temporary timing differences	(12,052)	4,648
Group companies tax losses carried forward	-	347
Total tax charge	<u>569,063</u>	<u>723,801</u>

6. **PROFIT OF PARENT COMPANY**

As permitted by Section 408 of the Companies Act 2006, the Income Statement of the parent company is not presented as part of these financial statements. The parent company's profit for the financial year was £549,954 (2015 - £499,976).

Pentland Homes (Holdings) Limited (Registered number: 06362844)

**Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 January 2016**

7. DIVIDENDS

	31.1.16	31.1.15
	£	£
Final	299,574	299,572
Interim	249,645	199,730
	<u>549,219</u>	<u>499,302</u>

8. TANGIBLE FIXED ASSETS

Group

	Plant and machinery £	Fixtures and fittings £	Motor vehicles £	Totals £
COST				
At 1 February 2015	427,258	85,900	241,449	754,607
Additions	76,632	13,828	51,820	142,280
Disposals	-	-	(16,995)	(16,995)
	<u>503,890</u>	<u>99,728</u>	<u>276,274</u>	<u>879,892</u>
At 31 January 2016	503,890	99,728	276,274	879,892
DEPRECIATION				
At 1 February 2015	253,096	25,491	93,332	371,919
Charge for year	80,074	22,241	66,229	168,544
Eliminated on disposal	-	-	(14,871)	(14,871)
	<u>333,170</u>	<u>47,732</u>	<u>144,690</u>	<u>525,592</u>
At 31 January 2016	333,170	47,732	144,690	525,592
NET BOOK VALUE				
At 31 January 2016	<u>170,720</u>	<u>51,996</u>	<u>131,584</u>	<u>354,300</u>
At 31 January 2015	<u>174,162</u>	<u>60,409</u>	<u>148,117</u>	<u>382,688</u>

9. FIXED ASSET INVESTMENTS

Company

	Shares in group undertakings £
COST	
At 1 February 2015 and 31 January 2016	<u>15,673</u>
NET BOOK VALUE	
At 31 January 2016	<u>15,673</u>
At 31 January 2015	<u>15,673</u>

Pentland Homes (Holdings) Limited (Registered number: 06362844)

**Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 January 2016**

9. FIXED ASSET INVESTMENTS - continued

The group or the company's investments at the Balance Sheet date in the share capital of companies include the following:

Subsidiaries

Pentland Homes Limited

Nature of business: Development and sale of residential properties.

	% holding		
Class of shares:			
Ordinary shares	100.00		
		31.1.16	31.1.15
		£	£
Aggregate capital and reserves		16,649,038	15,071,307
Profit for the year		<u>2,127,731</u>	<u>2,607,901</u>

Pentland Kent Limited

Nature of business: Development and sale of residential properties.

	% holding		
Class of shares:			
Ordinary shares	90.00		
		31.1.16	31.1.15
		£	£
Aggregate capital and reserves		168,871	(1,590)
Profit/(loss) for the year		<u>170,461</u>	<u>(1,600)</u>

10. INVESTMENT PROPERTY

Group

	Total £
FAIR VALUE	
At 1 February 2015	772,920
Reversal of impairments	<u>54,140</u>
At 31 January 2016	<u>827,060</u>
NET BOOK VALUE	
At 31 January 2016	<u>827,060</u>
At 31 January 2015	<u>772,920</u>

11. STOCKS

	Group	
	31.1.16	31.1.15
	£	£
Work-in-progress	17,337,148	12,040,275
Finished goods	<u>1,971,934</u>	<u>708,341</u>
	<u>19,309,082</u>	<u>12,748,616</u>

Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 January 2016

12. **DEBTORS**

	Group	
	31.1.16	31.1.15
	£	£
Amounts falling due within one year:		
Trade debtors	479,165	203,168
Amounts owed by participating interests	2,914,225	2,349,544
Amounts recoverable on contract	2,999	397,075
Other debtors	241,038	333,328
Directors' current accounts	300,000	-
VAT	114,719	142,561
Prepayments and accrued income	49,204	55,117
	<u>4,101,350</u>	<u>3,480,793</u>
Amounts falling due after more than one year:		
Amounts recoverable on contract	-	143,663
	<u>-</u>	<u>143,663</u>
Aggregate amounts	<u>4,101,350</u>	<u>3,624,456</u>

13. **CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	Group	
	31.1.16	31.1.15
	£	£
Bank loans and overdrafts (see note 14)	6,091,800	3,631,800
Trade creditors	1,092,371	1,225,134
Tax	536,504	600,543
Social security and other taxes	99,525	70,970
Other creditors	579,764	1,417,529
Accruals and deferred income	571,835	987,271
	<u>8,971,799</u>	<u>7,933,247</u>

14. **LOANS**

An analysis of the maturity of loans is given below:

	Group	
	31.1.16	31.1.15
	£	£
Amounts falling due within one year or on demand:		
Bank loans	<u>6,091,800</u>	<u>3,631,800</u>

Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 January 2016

15. SECURED DEBTS

The following secured debts are included within creditors:

	31.1.16	Group 31.1.15
	£	£
Bank loans	6,091,800	3,631,800

The group's bank, Lloyds Bank Plc, has legal charge over portions of land owned by the group as listed below:

- i) A 1st legal charge dated 30/04/2014 over commercial freehold business unit known as Land on the North East Side of Maidstone Road, Ashford, Kent. This charge was satisfied on 9th May 2016.
- ii) A 1st legal charge dated 30/04/2014 over commercial freehold land known as Land on the South Side of Eversley Way, Folkestone, Kent. This charge was satisfied on 9th June 2016.
- iii) A 2nd legal charge dated 15/01/2013 over commercial freehold land known as Land on the North East Side of Shalmsford Field, Chartham, Canterbury, Kent. This charge was satisfied on 9th June 2016.
- iv) A 1st legal charge dated 31/10/2014 over commercial freehold land known as Park Farm Road, Folkestone, Kent.

Additional Charges in the year created by Lloyds Bank Plc

- i) A 1st legal charge dated 08/09/2015 over commercial freehold land known as The Former Sissinghurst Primary School, The Street, Sissinghurst, Cranbrook, Kent. Park Farm Road, Folkestone, Kent.
- ii) A 1st legal charge dated 03/11/2015 over commercial freehold land known as The Former Potato Packing Plant, Cockreed Lane, New Romney, Kent.

Other charges:

A C Hulme & Sons and D A Phillips & Co Limited have registered a legal charge on 29th February 2012 on freehold property at Shalmsford Farm, Chartham, Kent for securing all monies due or to become due to A C Hulme & Sons and D A Phillips & Co Limited under the terms of the contract for the sale of land at Shalmsford Street.

Jacqueline Margaret Stocker and James Keefe have registered a legal charge 23rd March 2010 on that part of the land lying on the North-East of Maidstone Road, Ashford, Kent. The amount secured was £180,000 in accordance with the agreement relating to the sale of the property.

Jacqueline Margaret Stocker and James Keefe have registered a legal charge 23rd March 2010 on that part of the land lying on the North-East of Maidstone Road, Ashford, Kent. The amount secured was £270,000 in accordance with the agreement relating to the sale of the property.

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

Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 January 2016

16. PROVISIONS FOR LIABILITIES

	Group	
	31.1.16	31.1.15
	£	£
Deferred tax	<u>18,275</u>	<u>30,327</u>
Other provisions	<u>592,325</u>	<u>810,813</u>
Aggregate amounts	<u>610,600</u>	<u>841,140</u>
Group		
	Deferred tax	Other provisions
	£	£
Balance at 1 February 2015	30,327	810,814
Credit to Profit and Loss during year	<u>(12,052)</u>	<u>(218,489)</u>
Balance at 31 January 2016	<u>18,275</u>	<u>592,325</u>

Other provisions consist of following:

i) Specific provision of £117,493 (2015 - £129,326) set up by the group in previous years for potential compensation claims that may become payable. Detailed disclosure of this possible compensation claim is considered to be too prejudicial to the company to be included in the financial statements.

ii) Customer care provision of £265,908 (2015: £135,026).

iii) Cost to complete provision of £208,924 (2015: £546,462). This represents estimated cost yet to be incurred on sites where some of the properties have been sold. The cost to complete is calculated for a whole site and only a proportion calculated on the basis of area sold is provided in the financial statements.

Cost to complete provision was included in work in progress on the balance sheet in previous years but management believes that inclusion of this in other provision provides better information to the users of financial statements. Comparatives have been restated to reflect this.

17. MINORITY INTERESTS

This represents 10% share of minority shareholders in Pentland Kent Ltd.

18. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	31.1.16	31.1.15
		£1	£	£
15,664	Ordinary shares		<u>15,664</u>	<u>15,664</u>

Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 January 2016

19. RESERVES

Group

	Retained earnings £	Share premium £	Totals £
At 1 February 2015	11,747,614	3,309,814	15,057,428
Profit for the year	2,281,100		2,281,100
Dividends	(549,219)		(549,219)
At 31 January 2016	<u>13,479,495</u>	<u>3,309,814</u>	<u>16,789,309</u>

Company

	Retained earnings £
At 1 February 2015	3,226
Profit for the year	549,954
Dividends	(549,219)
At 31 January 2016	<u>3,961</u>

20. RELATED PARTY DISCLOSURES

During the year, total dividends of £487,614 (2015 - £443,296) were paid to the directors.

**Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 January 2016**

20. RELATED PARTY DISCLOSURES - continued

The Group discloses transactions with related parties which are not wholly owned within the same Group. Where appropriate, transactions of a similar nature are aggregated unless, in the opinion of the directors, separate disclosure is necessary to understand the effect of the transactions on the Group financial statements.

Pentland Homes (Holdings) Ltd, a parent company of Pentland Homes Ltd, is controlled by P N Tory and J N Tory. During the year following transactions occurred:

1) P N Tory and J N Tory are both directors of Pentland Homes Limited and also partners in an unincorporated business known as Pentland Golf. During the year Pentland Homes Limited incurred costs of £38,496 (2015: £14,288) which were recharged to Pentland Golf.

At the year end Pentland Golf owed £34 (2015: £11,212) to the group.

2) P N Tory and J N Tory are both directors and shareholders of Pentland Properties Limited. During the year Pentland Properties Limited was recharged costs of £3,173,004 net (2015: £2,133,259). At the year end, Pentland Properties Ltd owed £2,914,225 (2015: £2,349,545) to the group.

3) S A Tory is daughter of P N Tory, the company has paid interest of £2,440 (2015: £9,760) to S A Tory in respect of loan of £304,989 which was paid in full during the year.

4) During the year the group made a short term loan of £300,000 to P N Tory at an interest rate of 3% per annum. At the year end P N Tory owed £300,000 to the group.

5) During the year, Pentland Homes Limited, charged an amount of £247,035 to one of its directors in respect of construction of a property. At the year end, the director owed £29,593 to the company.

6) The group owns 43.4% share of the investment property in Canada, the remainder is owned by J N Tory. Investment property included in the balance sheet represents the group's share of the property.

21. ULTIMATE CONTROLLING PARTY

The group is under the control of its directors who own majority of the issued share capital.

22. CONTINGENCIES

At the balance sheet date, guarantees totalling £100,000 (2015: £250,000) in favour of Kent County Council and National Westminster Bank Plc in connection with infrastructure works were outstanding. The directors have included a provision of £117,493 (2015: £129,326) in the financial statements. No provision has been made in respect of the remaining guarantees as the directors are confident that the company can meet the requirements of the bond.