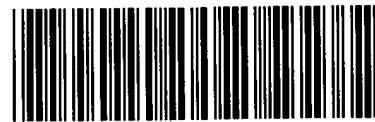


**REGISTERED NUMBER: 06362844 (England and Wales)**

**Group Strategic Report, Report of the Directors and  
Consolidated Financial Statements for the Year Ended 31 January 2015  
for  
Pentland Homes (Holdings) Limited**

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**Contents of the Consolidated Financial Statements  
for the Year Ended 31 January 2015**

	<b>Page</b>
<b>Company Information</b>	<b>1</b>
<b>Group Strategic Report</b>	<b>2</b>
<b>Report of the Directors</b>	<b>5</b>
<b>Report of the Independent Auditors</b>	<b>7</b>
<b>Consolidated Profit and Loss</b>	<b>9</b>
<b>Consolidated Other Comprehensive Income</b>	<b>10</b>
<b>Consolidated Balance Sheet</b>	<b>11</b>
<b>Company Balance Sheet</b>	<b>12</b>
<b>Consolidated Statement of Changes in Equity</b>	<b>13</b>
<b>Company Statement of Changes in Equity</b>	<b>0</b>
<b>Consolidated Cash Flow Statement</b>	<b>14</b>
<b>Notes to the Consolidated Cash Flow Statement</b>	<b>15</b>
<b>Notes to the Consolidated Financial Statements</b>	<b>16</b>

**Pentland Homes (Holdings) Limited**

**Company Information  
for the Year Ended 31 January 2015**

**DIRECTORS:**

J N Tory  
P N Tory

**SECRETARY:**

S Coates

**REGISTERED OFFICE:**

The Estate Office  
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 2015**

The directors present their strategic report of the company and the group for the year ended 31 January 2015.

**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 a very successful year, in which turnover increased by 95% to £29m and pre-tax profits increased by 281% to £3.3m.

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

	<b>2015</b>	<b>2014</b>	<b>Change</b>
	<b>£'000</b>	<b>£'000</b>	<b>%</b>
Turnover	29,025	14,851	95%
Cost of sales	22,953	12,341	86%
Operating profit	3,723	1,385	169%
<b>Pre-tax profit</b>	<b>3,330</b>	<b>873</b>	<b>281%</b>

Turnover increased as house sales were completed from newly-started sites, as well as from sites already under construction. Costs of sales grew by 81% mostly because land costs were proportionally higher on sites purchased recently, compared with the historical cost of land held for a number of years. Building material and labour costs have also increased in the year, at a lower rate.

The group invested in staff and administrative facilities in response to the higher business activity, and overheads were 45% higher in the year.

As a consequence of these changes, both operating profits and pre-tax profits grew strongly.

The balance sheet was strengthened during the year as cash reserves nearly doubled to £6.3m and Stocks and Work in Progress grew from £9.5m to £11.5m.

	<b>2015</b>	<b>2014</b>	<b>Change</b>
	<b>£,000</b>	<b>£,000</b>	<b>%</b>
Shareholders funds	15,073	12,966	16%
Net current assets	14,212	12,665	12%
Cash	6,319	3,330	90%

Land stocks increased with the purchase of one major piece of land at Folkestone, Kent, while Work-in-Progress fell as sales were achieved from existing sites.

	<b>2015</b>	<b>2014</b>	<b>Change</b>
	<b>£'000</b>	<b>£'000</b>	<b>%</b>
Land	8,150	3,846	112%
Build WIP	3,380	4,545	-26%
Speculative WIP	672	1,158	-42%
<b>Land and WIP</b>	<b>12,202</b>	<b>9,549</b>	<b>28%</b>

**Other KPIs**

The total number of employees increased in the year from 16 to 31 (+94%) in response to the increased level of activity and larger number of sites. The directors believe that the group's business plan of maintaining a strong development team and skilled building managers continues to be successful.

House sales increased from 33 in 2014 to 72 in 2015 (+118%).

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 company in a very strong position to continue to increase turnover and profits in forthcoming years.

**Group Strategic Report  
for the Year Ended 31 January 2015**

**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 is constrained by available land and slow progress towards planning permissions. Recent shortages of funding, labour and materials seem to be easing, but the significant increases in house building rates promoted by the government are likely to be prevented by each of these factors.

**Market threats**

The current shortage of available housing to meet demand is reflected in continuing price inflation. The directors believe that this will continue for the foreseeable future, and that this will assist the group's strategy to increase turnover.

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.

**Operational threats**

The industry has experienced shortages of many types 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.

The availability and cost of site labour and managerial staff have also increased, especially due to the demands of larger developers. These issues have been relieved in part by the group'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.

**Financial threats**

The directors believe that the economic situation is reasonably stable and that this should restrict uncertainty which may affect the group's operations. A robust financial structure has been put in place to review and react to any perceived threats.

Customers are able to obtain mortgages at historically low interest rates. Financial commentators are generally agreed that any rate rises would be small in the foreseeable future, so the impact on house sale numbers and prices should be minimal.

Availability of mortgages is not generally a problem for buyers, and has benefited from the government-backed Help-to-Buy scheme. However, the planned end in December 2016 of the mortgage part of the scheme may disturb the market at least in the short term.

The removal of mortgage interest tax relief on Buy-to-Let mortgages between 2017 and 2020 may have an effect on demand and prices but it is considered that this will not have a significant effect on the group's business.

At the year-end the group had borrowed £3.6m from Lloyds Bank at a percentage above base rate, and £3.4m from another source at a fixed percentage. The directors have reviewed the risk of interest rate changes on these loans and do not consider that there is a need to hedge against such risks.

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

**Group Strategic Report  
for the Year Ended 31 January 2015**

**Strategic threats**

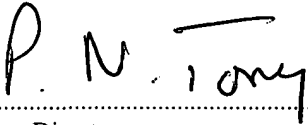
The directors consider that the greatest threat to the development of the group's business is the availability of funding which remains constrained from high street banks, and expensive from other sources. The group has a line of finance that supports the current level of business, and further contacts have been established to assist the development of larger sites in future.

The planned growth of the business has also been restricted by the continuing difficulty of obtaining planning consent on new sites, and delays involved in achieving agreement to detailed plans on existing sites.

The group is striving to ensure that it has an adequate supply of plots with developable planning permission for the near future and at the date of this report has 242 plots with detailed permission and 1,443 plots for which permission is being actively sought.

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

**ON BEHALF OF THE BOARD:**



P N Tory - Director

Date: 22 October 2015

**Report of the Directors  
for the Year Ended 31 January 2015**

The directors present their report with the financial statements of the company and the group for the year ended 31 January 2015.

**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 2015 will be £499,302.

**RESEARCH AND DEVELOPMENT**

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

**FUTURE DEVELOPMENTS**

The directors intend to maintain a land bank that will provide an increasing number of house sales in the future. To this end, there is a balanced process of obtaining planning permission for existing owned sites and purchasing new parcels of land for quicker development.

**DIRECTORS**

The directors shown below have held office during the whole of the period from 1 February 2014 to the date of this report.

J N Tory

P N Tory

**FINANCIAL INSTRUMENTS**

Details of financial instruments are provided in the Strategic Report.

**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 219 available plots at the time of this report. Considerable progress has been made in obtaining planning permission on owned sites and on those with options to purchase, with a total of 1,500 plots.

	<b>Sept 2015</b>	<b>Jan 2015</b>	<b>Change</b>
	<b>£,000</b>	<b>£'000</b>	<b>%</b>
Land	9,852	8,150	21%
Build WIP	6,547	3,380	94%
Speculative WIP	1,374	672	104%
<b>WIP</b>	<b>17,773</b>	<b>12,202</b>	<b>46%</b>

Land stocks have increased with the purchase of the two sites. Build WIP has increased by £3.2m (94%) as the group accelerated construction rates to meet forecast demand while investment in bringing group-owned and optioned sites to planning permission has cost £0.5m.

**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.

**DIRECTORS' LIABILITIES**

The group has granted an indemnity to four of the directors against liability in respect of claims by HMRC, subsequent to an interpretation that an Employment Benefit Trust operated by the group may not be in accordance with recent legislation. The group made a settlement payment after the balance sheet date which concludes that liability.

**Report of the Directors  
for the Year Ended 31 January 2015**

**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.

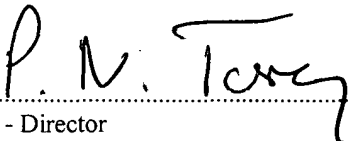
**STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS**

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:**



P N Tory - Director

Date: 22 October 2015

## **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 2015 on pages nine to twenty eight. 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 six, 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 2015 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**

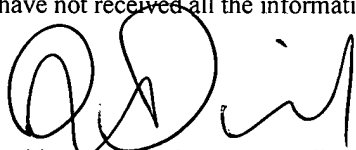
In our opinion the information given in the Group Strategic Report and the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

**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: 22 October 2015

**Pentland Homes (Holdings) Limited**  
**Consolidated Profit and Loss**  
**for the Year Ended 31 January 2015**

	Notes	31.1.15 £	£	31.1.14 £	£
<b>TURNOVER</b>			29,025,091		14,851,010
Cost of sales			<u>22,952,783</u>		<u>12,341,192</u>
<b>GROSS PROFIT</b>			6,072,308		2,509,818
Distribution costs		598,878		514,288	
Administrative expenses		<u>2,164,867</u>		<u>1,392,647</u>	
			<u>2,763,745</u>		<u>1,906,935</u>
			3,308,563		602,883
Other operating income			<u>414,108</u>		<u>781,747</u>
<b>OPERATING PROFIT</b>	3		3,722,671		1,384,630
Provision for taxes on employees benefits			<u>145,702</u>		<u>460,000</u>
			3,576,969		924,630
Interest receivable and similar income			<u>145</u>		<u>23,239</u>
			3,577,114		947,869
Interest payable and similar charges	4		<u>247,037</u>		<u>75,249</u>
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>			3,330,077		872,620
Tax on profit on ordinary activities	5		<u>723,801</u>		<u>293,748</u>
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</b>			2,606,276		578,872
Minority interest - equity			<u>(160)</u>		<u>-</u>
<b>RETAINED PROFIT FOR THE GROUP CARRIED FORWARD</b>			<u>2,606,436</u>		<u>578,872</u>
Profit attributable to:					
Owners of the parent			2,606,596		578,872
Minority interest			<u>(160)</u>		<u>-</u>
			<u>2,606,436</u>		<u>578,872</u>

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 2015**

	Notes	31.1.15 £	31.1.14 £
<b>PROFIT FOR THE YEAR</b>		2,606,276	578,872
<b>OTHER COMPREHENSIVE INCOME</b>			
Minority interest		(159)	-
Income tax relating to other comprehensive income		-	-
		<hr/>	<hr/>
<b>OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF INCOME TAX</b>		(159)	-
		<hr/>	<hr/>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		2,606,117	578,872
		<hr/> <hr/>	<hr/> <hr/>

The notes form part of these financial statements

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

**Consolidated Balance Sheet  
31 January 2015**

	Notes	31.1.15 £	£	31.1.14 £	£
<b>FIXED ASSETS</b>					
Tangible assets	8		382,688		253,552
Investments	9		-		-
Investment property	9		772,920		783,874
			<u>1,155,608</u>		<u>1,037,426</u>
<b>CURRENT ASSETS</b>					
Stocks	10	12,202,154		9,548,968	
Debtors	11	3,624,456		2,082,463	
Cash at bank		6,318,640		3,330,010	
		<u>22,145,250</u>		<u>14,961,441</u>	
<b>CREDITORS</b>					
Amounts falling due within one year	12	7,933,247		2,296,566	
			<u>14,212,003</u>		<u>12,664,875</u>
<b>NET CURRENT ASSETS</b>					
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>					
			15,367,611		13,702,301
<b>PROVISIONS FOR LIABILITIES</b>					
	15		(294,678)		(736,343)
<b>MINORITY INTERESTS</b>					
	16		159		-
<b>NET ASSETS</b>					
			<u>15,073,092</u>		<u>12,965,958</u>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	17		15,664		15,664
Share premium	18		3,309,814		3,309,814
Retained earnings	18		11,747,614		9,640,480
<b>SHAREHOLDERS' FUNDS</b>					
	21		<u>15,073,092</u>		<u>12,965,958</u>

The financial statements were approved by the Board of Directors on 22 October 2015 and were signed on its behalf by:

P. N. Tory  
P N Tory - Director

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

Company Balance Sheet  
31 January 2015

	Notes	31.1.15 £	£	31.1.14 £	£
<b>FIXED ASSETS</b>					
Tangible assets	8		-		-
Investments	9		15,673		15,664
Investment property	10		-		-
			<u>15,673</u>		<u>15,664</u>
<b>CURRENT ASSETS</b>					
Cash at bank		<u>3,217</u>		<u>2,552</u>	
<b>NET CURRENT ASSETS</b>			<u>3,217</u>		<u>2,552</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<u>18,890</u>		<u>18,216</u>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	18		15,664		15,664
Retained earnings	19		<u>3,226</u>		<u>2,552</u>
<b>SHAREHOLDERS' FUNDS</b>	22		<u>18,890</u>		<u>18,216</u>

The financial statements have been prepared in accordance with the special provisions of Part 15 of the Companies Act 2006 relating to small companies and with the Financial Reporting Standard for Smaller Entities (effective January 2015).

The financial statements were approved by the Board of Directors on 22 October 2015 and were signed on its behalf by:

P. N. Tory  
P N Tory - Director

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

**Consolidated Statement of Changes in Equity  
for the Year Ended 31 January 2015**

	Called up share capital £	Retained earnings £	Share premium £	Total equity £
<b>Balance at 1 February 2013</b>	15,664	9,660,799	3,309,814	12,986,277
<b>Changes in equity</b>				
Dividends	-	(599,191)	-	(599,191)
Total comprehensive income	-	578,872	-	578,872
<b>Balance at 31 January 2014</b>	<u>15,664</u>	<u>9,640,480</u>	<u>3,309,814</u>	<u>12,965,958</u>
<b>Changes in equity</b>				
Dividends	-	(499,302)	-	(499,302)
Total comprehensive income	-	2,606,436	-	2,606,436
<b>Balance at 31 January 2015</b>	<u>15,664</u>	<u>11,747,614</u>	<u>3,309,814</u>	<u>15,073,092</u>

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 2015**

	Notes	31.1.15 £	31.1.14 £
<b>Cash flows from operating activities</b>			
Cash generated from operations	1	686,575	2,709,421
Interest paid		(247,037)	(75,249)
Tax paid		(346,678)	(55,823)
Net cash from operating activities		<u>92,860</u>	<u>2,578,349</u>
<b>Cash flows from investing activities</b>			
Purchase of tangible fixed assets		(244,316)	(209,562)
Sale of tangible fixed assets		7,442	8,050
Interest received		145	23,239
Net cash from investing activities		<u>(236,729)</u>	<u>(178,273)</u>
<b>Cash flows from financing activities</b>			
New loans in year		3,631,801	-
Loan repayments in year		-	(1,300,000)
Equity dividends paid		(499,302)	(599,191)
Net cash from financing activities		<u>3,132,499</u>	<u>(1,899,191)</u>
<b>Increase in cash and cash equivalents</b>		<u>2,988,630</u>	<u>500,885</u>
<b>Cash and cash equivalents at beginning of year</b>	2	<u>3,330,010</u>	<u>2,829,125</u>
<b>Cash and cash equivalents at end of year</b>	2	<u><u>6,318,640</u></u>	<u><u>3,330,010</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 2015**

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

	31.1.15	31.1.14
	£	£
Profit before taxation	3,330,077	872,620
Depreciation charges	111,021	51,039
Profit on disposal of fixed assets	(3,283)	(436)
(Decrease)/Increase in provision	(446,313)	326,213
Movement in fair value of investment	10,954	39,461
Finance costs	247,037	75,249
Finance income	(145)	(23,239)
	<u>3,249,348</u>	<u>1,340,907</u>
(Increase)/decrease in stocks	(2,653,186)	180,560
(Increase)/decrease in trade and other debtors	(1,541,993)	197,161
Increase in trade and other creditors	<u>1,632,406</u>	<u>990,793</u>
<b>Cash generated from operations</b>	<u><u>686,575</u></u>	<u><u>2,709,421</u></u>

**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 2015**

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

**Year ended 31 January 2014**

	31.1.14	1.2.13
	£	£
Cash and cash equivalents	<u>3,330,010</u>	<u>2,829,125</u>

The notes form part of these financial statements

**Notes to the Consolidated Financial Statements  
for the Year Ended 31 January 2015**

**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.

**Turnover**

**Notes to the Consolidated Financial Statements - continued  
for the Year Ended 31 January 2015**

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

**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

**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 company.

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 company. 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 2015**

**1. ACCOUNTING POLICIES - continued**

**Foreign currencies**

**Functional and presentation currency**

The company'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 company 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 company 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 company 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 company 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 2015

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

	31.1.15	31.1.14
	£	£
Wages and salaries	2,079,194	1,132,632
Social security costs	236,675	131,377
	<u>2,315,869</u>	<u>1,264,009</u>

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

	31.1.15	31.1.14
Production staff	19	7
Administrative staff	7	4
Management staff	5	5
	<u>31</u>	<u>16</u>

3. OPERATING PROFIT

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

	31.1.15	31.1.14
	£	£
Depreciation - owned assets	111,021	51,039
Profit on disposal of fixed assets	(3,283)	(436)
Auditors' remuneration	7,050	4,200
	<u>898,616</u>	<u>430,552</u>

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

	2	1
Money purchase schemes	<u>2</u>	<u>1</u>

Information regarding the highest paid director is as follows:

	31.1.15	31.1.14
	£	£
Emoluments etc	<u>75,000</u>	<u>95,079</u>

Notes to the Consolidated Financial Statements - continued  
for the Year Ended 31 January 2015

4. INTEREST PAYABLE AND SIMILAR CHARGES

	31.1.15	31.1.14
	£	£
Bank loan interest	224,698	51,579
Other interest	22,339	23,670
	<u>247,037</u>	<u>75,249</u>

5. TAXATION

Analysis of the tax charge

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

	31.1.15	31.1.14
	£	£
Current tax:		
UK corporation tax	719,153	268,069
Deferred tax	4,648	25,679
Tax on profit on ordinary activities	<u>723,801</u>	<u>293,748</u>

Reconciliation of total tax charge included in profit and loss

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

	31.1.15	31.1.14
	£	£
Profit on ordinary activities before tax	<u>3,330,077</u>	<u>872,620</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 21.323% (2014 - 23.161%)	710,072	202,108
Effects of:		
Expenses not deductible for tax purposes	36,381	127,595
Capital allowances in excess of depreciation	(8,377)	(18,196)
Adjustments to tax charge in respect of previous periods	-	(49,169)
Land remediation relief	(79)	-
Previous year pension paid in current year	(19,191)	-
FRS 102 transition adjustment	-	5,724
Taxable temporary timing differences	4,648	25,679
Group companies tax losses carried forward	347	7
Total tax charge	<u>723,801</u>	<u>293,748</u>

Tax effects relating to effects of other comprehensive income

	31.1.15	
	Gross	Net
	£	£
Minority interest	(159)	(159)
	<u>(159)</u>	<u>(159)</u>

Notes to the Consolidated Financial Statements - continued  
for the Year Ended 31 January 2015

6. **PROFIT OF PARENT COMPANY**

As permitted by Section 408 of the Companies Act 2006, the Profit and Loss Account of the parent company is not presented as part of these financial statements. The parent company's profit for the financial year was £499,976 (2014 - £399,965).

7. **DIVIDENDS**

	31.1.15	31.1.14
	£	£
Final	299,572	199,730
Interim	199,730	399,461
	<u>499,302</u>	<u>599,191</u>

The total distribution of dividends for the year ended 31 January 2015 was £499,302 (2014: £599,191).

8. **TANGIBLE FIXED ASSETS**

**Group**

	Plant and machinery £	Fixtures and fittings £	Motor vehicles £	Totals £
<b>COST</b>				
At 1 February 2014	333,264	71,281	162,546	567,091
Additions	93,994	50,125	100,197	244,316
Disposals	-	(35,506)	(21,294)	(56,800)
At 31 January 2015	<u>427,258</u>	<u>85,900</u>	<u>241,449</u>	<u>754,607</u>
<b>DEPRECIATION</b>				
At 1 February 2014	200,001	51,020	62,518	313,539
Charge for year	53,095	9,977	47,949	111,021
Eliminated on disposal	-	(35,506)	(17,135)	(52,641)
At 31 January 2015	<u>253,096</u>	<u>25,491</u>	<u>93,332</u>	<u>371,919</u>
<b>NET BOOK VALUE</b>				
At 31 January 2015	<u>174,162</u>	<u>60,409</u>	<u>148,117</u>	<u>382,688</u>
At 31 January 2014	<u>133,263</u>	<u>20,261</u>	<u>100,028</u>	<u>253,552</u>

Notes to the Consolidated Financial Statements - continued  
for the Year Ended 31 January 2015

9. **FIXED ASSET INVESTMENTS**

**Company**

	Shares in group undertakings £
<b>COST</b>	
At 1 February 2014	15,664
Additions	9
At 31 January 2015	<u>15,673</u>
<b>NET BOOK VALUE</b>	
At 31 January 2015	<u>15,673</u>
At 31 January 2014	<u>15,664</u>

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	31.1.15	31.1.14
Class of shares:		£	£
Ordinary shares	100.00	15,071,307	12,963,406
Aggregate capital and reserves		<u>2,607,901</u>	<u>578,906</u>
Profit for the year			

**Pentland Kent Limited**

Nature of business: Development and sale of residential properties.

	% holding	31.1.15
Class of shares:		£
Ordinary shares	90.00	(1,590)
Aggregate capital and reserves		<u>(1,600)</u>
Loss for the year		

Notes to the Consolidated Financial Statements - continued  
for the Year Ended 31 January 2015

10. INVESTMENT PROPERTY

Group

	Total £
<b>FAIR VALUE</b>	
At 1 February 2014	783,874
Impairments	(10,954)
	<hr/>
At 31 January 2015	772,920
	<hr/>
<b>NET BOOK VALUE</b>	
At 31 January 2015	772,920
	<hr/>
At 31 January 2014	783,874
	<hr/>

11. STOCKS

	Group	
	31.1.15	31.1.14
	£	£
Work-in-progress	11,493,813	9,439,272
Finished goods	708,341	109,696
	<hr/>	<hr/>
	12,202,154	9,548,968
	<hr/>	<hr/>

12. DEBTORS

	Group	
	31.1.15	31.1.14
	£	£
Amounts falling due within one year:		
Trade debtors	203,168	1,079,251
Amounts owed by participating interests	2,349,544	221,850
Amounts recoverable on contract	397,075	382,773
Other debtors	333,328	194,082
VAT	142,561	94,626
Prepayments and accrued income	55,117	49,332
	<hr/>	<hr/>
	3,480,793	2,021,914
	<hr/>	<hr/>
Amounts falling due after more than one year:		
Amounts recoverable on contract	143,663	60,549
	<hr/>	<hr/>
Aggregate amounts	3,624,456	2,082,463
	<hr/>	<hr/>

Notes to the Consolidated Financial Statements - continued  
for the Year Ended 31 January 2015

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group	
	31.1.15	31.1.14
	£	£
Bank loans and overdrafts (see note 14)	3,631,800	-
Trade creditors	1,225,134	1,139,040
Tax	600,543	228,068
Social security and other taxes	70,970	47,849
Other creditors	1,417,529	546,718
Accruals and deferred income	987,271	334,891
	<u>7,933,247</u>	<u>2,296,566</u>

14. LOANS

An analysis of the maturity of loans is given below:

	Group	
	31.1.15	31.1.14
	£	£
Amounts falling due within one year or on demand:		
Bank loans	<u>3,631,800</u>	<u>-</u>

15. SECURED DEBTS

The following secured debts are included within creditors:

	Group	
	31.1.15	31.1.14
	£	£
Bank loans	<u>3,631,800</u>	<u>-</u>

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.

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.

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.

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.

The group is liable to pay 25% of the excess above £8 million received by the group from the sales of the new dwellings that it is to build on the property and 25% of the excess above £1 million received from the sales of the new dwellings that it is to create by converting the Oast House on the property.

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

**Notes to the Consolidated Financial Statements - continued  
for the Year Ended 31 January 2015**

**16. PROVISIONS FOR LIABILITIES**

	<b>Group</b>	
	31.1.15	31.1.14
	£	£
Deferred tax	<u>30,327</u>	<u>25,679</u>
<b>Group</b>		
	Deferred tax	Other provisions
	£	£
Balance at 1 February 2014	25,679	710,664
Provided during year	4,648	13,687
EBT provision transferred to creditors	-	(460,000)
Balance at 31 January 2015	<u>30,327</u>	<u>264,351</u>

Other provisions include a specific provision of £129,326 (2014 - £182,962) set up by the company 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.

**17. MINORITY INTERESTS**

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

**18. CALLED UP SHARE CAPITAL**

Allotted, issued and fully paid:			31.1.15	31.1.14
Number:	Class:	Nominal value:	£	£
15,664	Ordinary shares	£1	<u>15,664</u>	<u>15,664</u>

**19. RESERVES**

<b>Group</b>	Retained earnings	Share premium	Totals
	£	£	£
At 1 February 2014	9,640,480	3,309,814	12,950,294
Profit for the year	2,606,436		2,606,436
Dividends	(499,302)		(499,302)
At 31 January 2015	<u>11,747,614</u>	<u>3,309,814</u>	<u>15,057,428</u>

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

**Notes to the Consolidated Financial Statements - continued  
for the Year Ended 31 January 2015**

**19. RESERVES - continued**

**Company**

	Retained earnings £
At 1 February 2014	2,552
Profit for the year	499,976
Dividends	(499,302)
	<hr/>
At 31 January 2015	3,226
	<hr/>

**20. RELATED PARTY DISCLOSURES**

During the year, total dividends of £443,296 (2014 - £531,986) were paid to the directors.

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. All were conducted in the normal course of business.

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 the company incurred costs of £14,288 (2014: £21,807) which were recharged to Pentland Golf.

At the year end Pentland Golf owed £11,212 (2014: £22,723) to the group.

2) P N Tory and J N Tory are both directors and shareholders of Pentland Properties Limited and also directors of Pentland Homes Limited. During the year Pentland Properties Limited was recharged costs of £2,133,259 (2014: £1,110,890). At the year end, Pentland Properties Ltd owed £2,349,545 (2014: £221,850) to the group.

3) S A Tory is daughter of P N Tory, the group owed £304,989 to her at the year end. The group has paid interest of £9,760 to S A Tory during the year.

4) 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.

**21. ULTIMATE CONTROLLING PARTY**

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

Notes to the Consolidated Financial Statements - continued  
for the Year Ended 31 January 2015

22. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

Group

	31.1.15	31.1.14
	£	£
Profit for the financial year	2,606,436	578,872
Dividends	(499,302)	(599,191)
	<hr/>	<hr/>
	2,107,134	(20,319)
Other comprehensive income relating to the year (net)	(159)	-
Minority interest	159	-
	<hr/>	<hr/>
Net addition/(reduction) to shareholders' funds	2,107,134	(20,319)
Opening shareholders' funds	12,965,958	12,986,277
	<hr/>	<hr/>
Closing shareholders' funds	<u>15,073,092</u>	<u>12,965,958</u>

Company

	31.1.15	31.1.14
	£	£
Profit for the financial year	499,976	399,965
Dividends	(499,302)	(599,191)
Issued share capital		
	<hr/>	<hr/>
Net addition/(reduction) to shareholders' funds	674	(199,226)
Opening shareholders' funds	18,216	217,442
	<hr/>	<hr/>
Closing shareholders' funds	<u>18,890</u>	<u>18,216</u>

23. CONTINGENCIES

At the balance sheet date, guarantees totalling £250,000 (2014: £364,737) 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 £129,326 (2014: £182,962) 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.

Notes to the Consolidated Financial Statements - continued  
for the Year Ended 31 January 2015

24. **FIRST YEAR ADOPTION**

**Transition to FRS 102:**

**i) Profit for the year ended 31 January 2014**

UK GAAP - As previously reported		603,584
FRS 102 amortised cost adjustment	(11,771)	
Holiday pay accrual	(12,941)	
Total adjustment to profit for the year		(24,712)
<b>Profit - FRS 102</b>		<b>578,872</b>

**ii) Total equity:**

UK GAAP - As previously reported		12,990,670
FRS 102 amortised cost adjustment	(11,771)	
Holiday pay accrual	(12,941)	
Total adjustment to profit for the year		(24,712)
<b>Total equity - FRS 102</b>		<b>12,965,958</b>