
PENTLAND HOMES (HOLDINGS) LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2021



PENTLAND HOMES (HOLDINGS) LIMITED

COMPANY INFORMATION

Directors	P N Tory J N Tory S R Coates
Company secretary	S R Coates
Registered number	06362844
Registered office	The Estate Office Canterbury Road, Etchinghill Folkestone Kent CT18 8FA
Independent auditors	Pure Audit Limited Chartered Certified Accountants & Statutory Auditors 76 Canterbury Innovation Centre University Road Canterbury Kent CT2 7FG
Bankers	Lloyds Bank Plc 43 Sandgate Road Folkestone Kent CT20 1RZ
Solicitors	Cripps LLP 12 Mount Ephraim Road Tunbridge Wells Kent TN24 8AS

PENTLAND HOMES (HOLDINGS) LIMITED

CONTENTS

	Page
Group Strategic Report	1 - 5
Directors' Report	6 - 8
Independent Auditors' Report	9 - 13
Consolidated Statement of Comprehensive Income	14
Consolidated Balance Sheet	15 - 16
Company Balance Sheet	17
Consolidated Statement of Changes in Equity	18 - 19
Company Statement of Changes in Equity	20 - 21
Consolidated Statement of Cash Flows	22 - 23
Analysis of Net Debt	23
Notes to the Financial Statements	24 - 47

PENTLAND HOMES (HOLDINGS) LIMITED

GROUP STRATEGIC REPORT FOR THE YEAR ENDED 31 JANUARY 2021

Introduction

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

Business review

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 that the Group operated successfully during the very difficult year. The business was closed during the early months of the pandemic but reopened cautiously as the health and safety procedures for avoiding Covid infection were developed. The flexibility and commitment of staff were appreciated and helped the Group achieve good results during the second half of the year.

Turnover for the whole year was just 6% below the previous year, with similar impact on gross and pre-tax profits. The strength of the market and the Group's reputation allowed growth in unit prices that partly offset the increases in materials and labour that has affected the industry in the recovery period.

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

Financial key performance indicators:

	2021 £'000	2020 £'000	Change %
Turnover	43,057	45,942	(6)
Cost of Sales	(36,054)	(38,189)	(6)
Gross Profit	7,003	7,753	(10)
Operating Profit	4,026	4,131	(3)
Pre-Tax Profit	3,490	3,613	(3)

The average margin on sales of open market homes fell slightly from 30% to 27% due to a changed sales mix and to sales from a joint venture agreement.

The Group continued to build a high proportion of homes for housing associations and for other third parties at lower margins which reduced overall gross profits to 16% of total turnover.

The Group continued to invest in staff for higher business activity in the future, with numbers increasing from 50 to 57 in the year; however, the interruption to normal activities in the year resulted in a reduction in overheads costs, by 11% overall.

The balance sheet was strengthened during the year as net current assets increased by £3.35m (11%).

PENTLAND HOMES (HOLDINGS) LIMITED

GROUP STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 JANUARY 2021

	2021 £'000	2020 £'000
Shareholders' Funds	34,167	32,168
Net Current Assets	33,818	30,509
Cash	6,867	3,235
Land	14,677	11,464
Build WIP	28,403	30,183
Speculative WIP	1,939	1,052
Land and WIP	45,019	42,699

Build WIP was maintained at an optimum level as the group's internal controls matched the pace of development with sales activity.

Other KPIs

The number of homes sold in 2021 was 116 (2020: 117).

Two pieces of land were purchased in the year to maintain continuity of operations.

Land owned by the Group or by associated companies with either outline or detailed planning permission now amounts to 1416 plots. The Group continues to follow a policy of bringing existing land forward for development and adding new sites when required. The holding at the end of the year represented nine years' supply at the current rate of build, but this rate is expected to increase in the coming years and the Group's preparations have been made accordingly.

The total number of employees increased in the year from 50 to 57 in response to the increased level of activity and larger number of active sites, and the Group's business plan of maintaining a strong development team and skilled building managers continues to be successful.

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

PENTLAND HOMES (HOLDINGS) LIMITED

GROUP STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 JANUARY 2021

Principal risks and uncertainties

These accounts report on a difficult year with the impact of the coronavirus affecting all aspects of life in the country and the world. The housing market began its recovery in mid-2020 and by the end of the year the market

was very strong assisted by customers' desire to relocate away from town centres and by the government's incentives of the Help-to-Buy scheme and a Stamp Duty holiday. The geographical position of the Group's sites mean that it benefits from customers moving out of the more expensive parts of the southeast and London, encouraged by more widespread working from home.

The recovery brought about its own problems, however, with global demand for materials adding to continuing disruption from Brexit and the virus.

The housing market seems to remain strong at the time of writing, and house prices continue to rise with the undersupply of stock for the apparent demand.

Market threats

The directors believe that underlying market conditions in the south east of England remain very good, as demand for homes continues to outstrip supply. The first reactions of the housing market after the lockdown was eased indicate an increased willingness of customers from London and the more built-up parts of the south-east to move out to the rest of Kent, and especially to rural and coastal areas that are well-served by transport links like the high-speed train. The Group is selling homes in areas that are attractive to this kind of buyer and should benefit from this movement.

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. The Stamp Duty holiday was appreciated by house-buyers and the Group worked closely with its customers to achieve completions before the deadline.

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

More large sites are being developed in the region, however, and these will increase competition to the Group's products; at present, however, these new developments are behind the development stages of the Group's sites.

Availability of mortgages is not generally a problem for a large proportion of our buyers and the continuing low rates of interest have given considerable assistance to many. It is likely that interest rates will increase in future but the received view from the Bank of England is that any increase should be small and would not materially affect house sale volumes. There is, however, an increased length of time in processing mortgages which is a frustration to both buyers and sellers.

The continued shortage of available housing to meet demand was reflected in the significant price inflation seen in the past few years. The directors believe that this will continue albeit at a slower rate, as the recent economic downturn and world-wide uncertainty continues to threaten turbulence in the housing sector.

To meet these threats, the Group is committed to maintaining a mix of sites and house-types to offer to a range of customers. It continues to develop a retirement village of bungalows and flats in Hawkinge in partnership with Pentland Properties. This provides a broader offer and reduces exposure to the mainstream housing market.

Operational threats

The construction industry has experienced severe shortages of resources in the past year, with an increased worldwide demand for materials posing some difficult problems for the building team. The effects include longer

PENTLAND HOMES (HOLDINGS) LIMITED

GROUP STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 JANUARY 2021

lead-times, cancelled deliveries and higher prices, and have led to a policy of early quotes, bulk ordering and stockpiling.

Labour shortages caused by Brexit have been exacerbated by the disruption of the virus, and the Group's excellent long-term relationships with a range of sub-contractors has stood it in good stead to provide alternative sources of skilled craftsmen. The directors are committed to ensuring that these strengths are maintained in the future.

It is to their credit that the team have minimised the effects of these shortages to ensure that the completion of customers' homes has not been seriously delayed.

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 reduces the need to purchase sites with planning permission already granted. The Group will start work on four new sites this year that will provide a wide range of house-types to meet different market segments.

The proposed UK safety and quality mark was set to pose serious problems for the construction industry with the need to retest all components, but this has been deferred until 2023.

Financial threats

The directors believe that the Group remains in a strong position despite the impacts of coronavirus and economic turbulence as a robust financial structure has been put in place to review and react to such perceived threats.

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.

The Group has maintained lines of finance that supports the current level of business while further funding is being prepared to assist the development of larger sites in future.

At the year end the Group had borrowed £14m (2020: £14m) from Lloyds Bank at a percentage above base rate. The directors have reviewed the risk of interest rate changes on this loan and although there seems to be little risk of significant increases, the Group has invested in a mechanism to protect against the effects of an increase to protect the group's profits.

Strategic threats

Constraints to housing developments in the east Kent area have been imposed by the need to provide solutions to pollution of the River Stour catchment. A number of competitors' sites have been delayed by this problem but this Group is fortunate in already holding permissions for its sites; it is, however, working on innovative solutions that will satisfy the demands of Natural England in future. The Group consequently believes that it has a sufficiency of land for the medium-term.

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

PENTLAND HOMES (HOLDINGS) LIMITED

GROUP STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 JANUARY 2021

Directors' statement of compliance with duty to promote the success of the Group

Directors have acted and continue to act in the way they consider, in good faith, would be most likely to promote the success of the group for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to

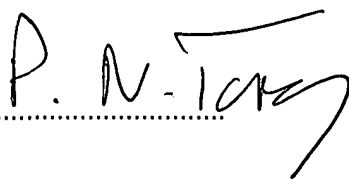
- a) the likely consequences of any decision in the long term,
- b) the interests of the Group's employees,
- c) the need to foster the Group's business relationships with suppliers, customers and others,
- d) the impact of the Group's operations on the community and the environment,
- e) the desirability of the Group maintaining a reputation for high standards of business conduct, and
- f) the need to act fairly as between members of the Group.

In doing so, the directors have encouraged good relationships with all of its stakeholders, and in particular:

- with local communities during the planning stages of new developments, holding meetings to encourage contributions from local authorities, parish councils and the public;
- with local charities both directly and through the associated charitable foundation, to contribute to their valuable work – the Group will be building a hospice and will continue its close relationship with it in future;
- with contractors on sites to ensure that the works have as little impact on local residents as practicable, with favourable responses both from the residents and the Considerate Contractors Scheme inspectors. Quarterly newsletters and information boards are provided for the larger sites;
- with the local environment, maintaining "exceptional environmental policies, procedures and ecology measures" during pre-commencement, development and after the sites have been occupied, through the various site management companies;
- with customers, as the Group strives for excellence during the purchase process, at the time of occupation and afterwards through its customer care relationships.

The Group is very aware of the valued contribution made by all of its staff and its contractors, and the directors ensure the highest levels of management commitment to encourage health, safety, skill and enthusiasm throughout the workforce.

This report was approved by the board and signed on its behalf.


.....
P N Tory
Director

Date:

21/10/2021

PENTLAND HOMES (HOLDINGS) LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 JANUARY 2021

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

Directors' responsibilities statement

The directors are responsible for preparing the Group Strategic Report, the Directors' Report and the consolidated 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 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'. 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 for the Group's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and to 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.

Principal activity

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

Results and dividends

The profit for the year, after taxation, amounted to £2,754,170 (2020 - £2,925,321).

The directors recommended a final dividend of £47.88 per share amounting to £750,000, making a total of £750,000 for the year (2020: £100,000).

Directors

The directors who served during the year were:

P N Tory
J N Tory
S R Coates

Political contributions

The Group made no political donations in the period.

PENTLAND HOMES (HOLDINGS) LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 JANUARY 2021

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.

Financial instruments

The Group has the benefit of an interest rate hedge contract to protect against significant interest rate increases.

Research and development activities

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

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 market conditions in the house building industry, which, despite Brexit and the coronavirus, seem to remain strong in the medium term. Consequently they continue to adopt the going concern basis in preparing the annual report and accounts.

The directors have reviewed the Group's business and consider that there are no liabilities that have not been shown in the balance sheet.

Engagement with suppliers, customers and others

Engagement with suppliers, customers and other stakeholders is explained in the strategic report.

Matters covered in the strategic report

Items required under Sch. 7 to be disclosed in the directors' report are set out in the strategic report in accordance with s.414C(11) CA 2006.

Disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company and the Group's auditors are unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company and the Group's auditors are aware of that information.

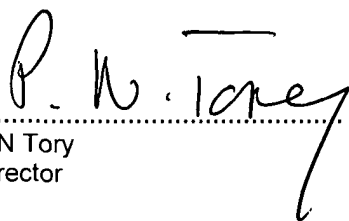
Auditors

The auditors, Pure Audit Limited, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

PENTLAND HOMES (HOLDINGS) LIMITED

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 JANUARY 2021

This report was approved by the board and signed on its behalf.


.....
P N Tory
Director

Date:

21/10/2021

PENTLAND HOMES (HOLDINGS) LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PENTLAND HOMES (HOLDINGS) LIMITED

Opinion

We have audited the financial statements of Pentland Homes (Holdings) Limited (the 'parent Company') and its subsidiaries (the 'Group') for the year ended 31 January 2021, which comprise the Group Statement of Comprehensive Income, the Group and Company Balance Sheets, the Group Statement of Cash Flows, the Group and Company Statement of Changes in Equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

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

Basis for opinion

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's or the parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

PENTLAND HOMES (HOLDINGS) LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PENTLAND HOMES (HOLDINGS) LIMITED (CONTINUED)

Other information

The other information comprises the information included in the Annual Report other than the financial statements and our Auditors' Report thereon. The directors are responsible for the other information contained within the Annual Report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

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

- the information given in the Group Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Group Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Group Strategic Report or the Directors' Report.

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

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

PENTLAND HOMES (HOLDINGS) LIMITED

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PENTLAND HOMES (HOLDINGS) LIMITED
(CONTINUED)**

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

PENTLAND HOMES (HOLDINGS) LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PENTLAND HOMES (HOLDINGS) LIMITED (CONTINUED)

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditors' Report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Group financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Extent to which the audit was considered capable of detecting irregularities, including fraud:

We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and then design and perform audit procedures responsive to those risks, including obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion.

Identifying and assessing potential risks related to irregularities:

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

The nature of the industry and sector, control environment and business performance including the design of the Group's remuneration policies, key drivers for directors' remuneration, results of our enquiries of management about their own identification and assessment of the risks of irregularities and any matters we identified having reviewed the Group's policies and procedures; the matters discussed among the audit engagement team regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in relation to revenue recognition. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory frameworks that the Group operates in and focused on those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the Companies Act 2006 and local tax legislation.

Audit response to risks identified

As a result of performing the above, we identified revenue recognition as key audit matter related to the potential risk of fraud. Our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;

PENTLAND HOMES (HOLDINGS) LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PENTLAND HOMES (HOLDINGS) LIMITED
(CONTINUED)

- obtaining an understanding of provisions and discussing with management to understand the basis of recognition or non-recognition of tax provisions; and in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or noncompliance with laws and regulations throughout the audit.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

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

Use of our report

This report is made solely to the Group'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 Group's members those matters we are required to state to them in an Auditors' Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Group and the Group's members, as a body, for our audit work, for this report, or for the opinions we have formed.



Alan Davidson (Senior Statutory Auditor)

for and on behalf of
Pure Audit Limited

Chartered Certified Accountants & Statutory Auditors

76 Canterbury Innovation Centre
University Road
Canterbury
Kent
CT2 7FG

Date: 21 October 2021

PENTLAND HOMES (HOLDINGS) LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 JANUARY 2021

	Note	2021 £	2020 £
Turnover	4	43,057,130	45,941,722
Cost of sales		(36,053,767)	(38,188,904)
Gross profit		7,003,363	7,752,818
Administrative expenses		(3,251,518)	(3,664,665)
Other operating income	5	273,799	20,028
Fair value movements		-	22,388
Operating profit	6	4,025,644	4,130,569
Interest receivable and similar income	10	336	2,442
Interest payable and similar expenses	11	(525,027)	(533,198)
Other finance income		(11,275)	13,508
Profit before taxation		3,489,678	3,613,321
Tax on profit	12	(735,508)	(688,000)
Profit for the financial year		2,754,170	2,925,321
Total comprehensive income for the year		2,754,170	2,925,321
Profit for the year attributable to:			
Owners of the parent Company		2,754,170	2,925,321
		2,754,170	2,925,321
Total comprehensive income for the year attributable to:			
Owners of the parent Company		2,754,170	2,925,321
		2,754,170	2,925,321

The notes on pages 24 to 47 form part of these financial statements.

PENTLAND HOMES (HOLDINGS) LIMITED
REGISTERED NUMBER: 06362844

CONSOLIDATED BALANCE SHEET
AS AT 31 JANUARY 2021

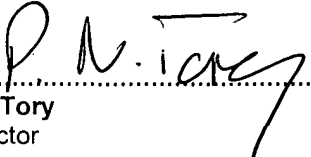
	Note	2021 £	2020 £
Fixed assets			
Tangible assets	14	716,677	936,792
Investment property	16	-	1,296,361
		<u>716,677</u>	<u>2,233,153</u>
Current assets			
Stocks	17	45,018,845	42,698,676
Debtors: amounts falling due within one year	18	3,003,073	4,724,581
Cash at bank and in hand	19	6,866,793	3,235,088
		<u>54,888,711</u>	<u>50,658,345</u>
Creditors: amounts falling due within one year	20	(21,070,970)	(20,149,620)
Net current assets		<u>33,817,741</u>	<u>30,508,725</u>
Total assets less current liabilities		<u>34,534,418</u>	<u>32,741,878</u>
Provisions for liabilities			
Deferred taxation	22	(48,572)	-
Other provisions	23	(318,593)	(573,436)
		<u>(367,165)</u>	<u>(573,436)</u>
Net assets excluding pension asset		<u>34,167,253</u>	<u>32,168,442</u>
Net assets		<u>34,167,253</u>	<u>32,168,442</u>
Capital and reserves			
Called up share capital	24	15,664	15,664
Share premium account		3,309,814	3,309,814
Profit and loss account		30,841,775	28,837,605
Equity attributable to owners of the parent Company		<u>34,167,253</u>	<u>32,163,083</u>
Non-controlling interests		-	5,359
		<u>34,167,253</u>	<u>32,168,442</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on

21/10/2021

PENTLAND HOMES (HOLDINGS) LIMITED
REGISTERED NUMBER: 06362844

CONSOLIDATED BALANCE SHEET (CONTINUED)
AS AT 31 JANUARY 2021


.....
P N Tory
Director

The notes on pages 24 to 47 form part of these financial statements.

PENTLAND HOMES (HOLDINGS) LIMITED
REGISTERED NUMBER: 06362844

COMPANY BALANCE SHEET
AS AT 31 JANUARY 2021

	Note	2021 £	2020 £
Fixed assets			
Investments	15	15,674	15,674
		<u>15,674</u>	<u>15,674</u>
Current assets			
Debtors: amounts falling due after more than one year	18	5,370,000	6,120,000
Debtors: amounts falling due within one year	18	375	-
Cash at bank and in hand	19	263,411	49,068
		<u>5,633,786</u>	<u>6,169,068</u>
Creditors: amounts falling due within one year	20	(40,796)	-
Net current assets		<u>5,592,990</u>	<u>6,169,068</u>
Total assets less current liabilities		<u>5,608,664</u>	<u>6,184,742</u>
Net assets excluding pension asset		<u>5,608,664</u>	<u>6,184,742</u>
Net assets		<u><u>5,608,664</u></u>	<u><u>6,184,742</u></u>
Capital and reserves			
Called up share capital	24	15,664	15,664
Profit and loss account brought forward		6,169,078	6,434
Profit for the year		173,922	6,262,644
Other changes in the profit and loss account		(750,000)	(100,000)
		<u>5,593,000</u>	<u>6,169,078</u>
Profit and loss account carried forward		<u><u>5,608,664</u></u>	<u><u>6,184,742</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on

P. N. Tory 21/10/2021
P N Tory
Director

The notes on pages 24 to 47 form part of these financial statements.

PENTLAND HOMES (HOLDINGS) LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 JANUARY 2021

	Called up share capital	Share premium account	Profit and loss account	Equity attributable to owners of parent Company	Non- controlling interests	Total equity
	£	£	£	£	£	£
At 1 February 2020	15,664	3,309,814	28,837,605	32,163,083	5,359	32,168,442
Comprehensive income for the year						
Profit for the year	-	-	2,754,170	2,754,170	-	2,754,170
Other comprehensive income for the year						
	-	-	-	-	-	-
Total comprehensive income for the year	-	-	2,754,170	2,754,170	-	2,754,170
Dividends: Equity capital	-	-	(750,000)	(750,000)	-	(750,000)
Distributions to non controlling interest	-	-	-	-	(5,359)	(5,359)
Total transactions with owners	-	-	(750,000)	(750,000)	(5,359)	(755,359)
At 31 January 2021	15,664	3,309,814	30,841,775	34,167,253	-	34,167,253

The notes on pages 24 to 47 form part of these financial statements.

PENTLAND HOMES (HOLDINGS) LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 JANUARY 2020

	Called up share capital	Share premium account	Profit and loss account	Equity attributable to owners of parent Company	Non- controlling interests	Total equity
	£	£	£	£	£	£
At 1 February 2019	15,664	3,309,814	26,012,284	29,337,762	685,359	30,023,121
Comprehensive income for the year						
Profit for the year	-	-	2,925,321	2,925,321	-	2,925,321
Other comprehensive income for the year						
	-	-	-	-	-	-
Total comprehensive income for the year	-	-	2,925,321	2,925,321	-	2,925,321
Dividends: Equity capital	-	-	(100,000)	(100,000)	-	(100,000)
Other movement type 1	-	-	-	-	(680,000)	(680,000)
Total transactions with owners	-	-	(100,000)	(100,000)	(680,000)	(780,000)
At 31 January 2020	15,664	3,309,814	28,837,605	32,163,083	5,359	32,168,442

The notes on pages 24 to 47 form part of these financial statements.

PENTLAND HOMES (HOLDINGS) LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 JANUARY 2021

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 February 2020	15,664	6,169,078	6,184,742
Comprehensive income for the year			
Profit for the year	-	173,922	173,922
Other comprehensive income for the year			
	-	-	-
Total comprehensive income for the year	-	173,922	173,922
Contributions by and distributions to owners			
Dividends: Equity capital	-	(750,000)	(750,000)
Total transactions with owners	-	(750,000)	(750,000)
At 31 January 2021	15,664	5,593,000	5,608,664

The notes on pages 24 to 47 form part of these financial statements.

PENTLAND HOMES (HOLDINGS) LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 JANUARY 2020

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 February 2019	15,664	6,434	22,098
Comprehensive income for the year			
Profit for the year	-	6,262,644	6,262,644
Other comprehensive income for the year			
	-	-	-
Total comprehensive income for the year	-	6,262,644	6,262,644
Contributions by and distributions to owners			
Dividends: Equity capital	-	(100,000)	(100,000)
Total transactions with owners	-	(100,000)	(100,000)
At 31 January 2020	15,664	6,169,078	6,184,742

The notes on pages 24 to 47 form part of these financial statements.

PENTLAND HOMES (HOLDINGS) LIMITED

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 JANUARY 2021**

	2021 £	2020 £
Cash flows from operating activities		
Profit for the financial year	3,489,678	3,613,321
Adjustments for:		
Depreciation of tangible assets	274,064	338,348
Impairments of fixed assets	-	(22,388)
Loss on disposal of tangible assets	(17,502)	(11,500)
Interest paid	524,043	533,198
Interest received	(336)	(15,950)
(Increase)/decrease in stocks	(2,320,169)	2,386,700
Decrease/(increase) in debtors	1,730,479	(3,192,902)
Increase in creditors	796,959	1,757,313
(Decrease) in provisions	(254,843)	(848,067)
Corporation tax (paid)	(577,156)	(2,069,056)
Net cash generated from operating activities	3,645,217	2,469,017
Cash flows from investing activities		
Purchase of tangible fixed assets	(85,362)	(289,705)
Sale of tangible fixed assets	-	11,750
Purchase of investment properties	48,915	(15,080)
Sale of investment properties	1,296,361	-
Interest received	336	15,950
Net cash from investing activities	1,260,250	(277,085)
Cash flows from financing activities		
New secured loans	-	14,000,000
Repayment of loans	-	(11,500,000)
Repayment of/new finance leases	-	(56,794)
Loans due from/(repaid to) directors	1,265	-
Loans from other participating interests repaid	-	(1,106,574)
Dividends paid	(750,000)	(100,000)
Non controlling interest dividends paid	-	(680,000)
Interest paid	(525,027)	(533,198)
Net cash used in financing activities	(1,273,762)	23,434
Net increase in cash and cash equivalents	3,631,705	2,215,366
Cash and cash equivalents at beginning of year	3,235,088	1,019,722

PENTLAND HOMES (HOLDINGS) LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 31 JANUARY 2021

	2021 £	2020 £
Cash and cash equivalents at the end of year	6,866,793	3,235,088
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	6,866,793	3,235,088
	6,866,793	3,235,088

CONSOLIDATED ANALYSIS OF NET DEBT
FOR THE YEAR ENDED 31 JANUARY 2021

	At 1 February 2020 £	Cash flows £	At 31 January 2021 £
Cash at bank and in hand	3,235,088	3,631,705	6,866,793
Debt due within 1 year	(14,000,000)	(3,336)	(14,003,336)
	(10,764,912)	3,628,369	(7,136,543)

The notes on pages 24 to 47 form part of these financial statements.

PENTLAND HOMES (HOLDINGS) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2021**

1. General information

The entity is a private company limited by share, incorporated in England and Wales. The address of its registered office is:

The Estate Office
Canterbury Road
Etchinghill
Folkestone
Kent
CT18 8FA

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgment in applying the Group's accounting policies (see note 3).

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

The following principal accounting policies have been applied:

2.2 Basis of consolidation

The consolidated financial statements present the results of the Company and its own subsidiaries ("the Group") as if they form a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the Balance Sheet, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated Statement of Comprehensive Income from the date on which control is obtained. They are deconsolidated from the date control ceases.

In accordance with the transitional exemption available in FRS 102, the group has chosen not to retrospectively apply the standard to business combinations that occurred before the date of transition to FRS 102, being 01 February 2015.

PENTLAND HOMES (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 2021

2. Accounting policies (continued)

2.3 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 continuing favourable market conditions in the house-building industry, which, despite Brexit and the coronavirus, seem to remain strong in the medium term. Consequently, they continue to adopt the going concern basis in preparing the annual report and accounts.

The directors have reviewed the group's business and consider that there are no liabilities or significant events that have not been included and disclosed in the accounts.

2.4 Foreign currency translation

Functional and presentation currency

The group's functional and presentational currency is GBP.

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 profit or loss 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 Consolidated Statement of Comprehensive Income within 'finance income or costs'. All other foreign exchange gains and losses are presented in profit or loss within 'other operating income'.

On consolidation, the results of overseas operations are translated into Sterling at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations are translated at the rate ruling at the reporting date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in other comprehensive income.

PENTLAND HOMES (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 2021

2. Accounting policies (continued)

2.5 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the group and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the group has transferred the significant risks and rewards of ownership to the buyer;
- the group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the group will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Sale of residential units

In respect of sales of residential units, a contract is established through a formal purchase process that involves the exchange of contracts via solicitors. Revenue from the sale of residential units is recognised at a point in time on legal completion where the group has transferred to the buyer the control of the units.

Contract revenue

The group acts as a main contractor on certain building projects, primarily on behalf of the housing associations where the group must provide social housing units as part of its obligations under the planning consent or has sold the land to the housing association and entered into a construction contract to provide the completed units.

Revenue on construction contracts is recognised over time as the performance obligations are satisfied. The output method is used to measure the progress of the group's performance over the duration of the contract. This is done through valuation surveys conducted by the group and by the customer respectively who then agree the value of work completed. The agreed valuation is used to determine the revenue to be recognised for the period. Where the outcome of a contract on which revenue is recognised over time cannot be estimated reliably, revenue is recognised to the extent of contract costs incurred.

2.6 Operating leases: the Group as lessee

Rentals paid under operating leases are charged to profit or loss on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

PENTLAND HOMES (HOLDINGS) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2021**

2. Accounting policies (continued)

2.7 Leased assets: the Group as lessee

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets. Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives. Assets acquired by hire purchase are depreciated over their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the company. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to profit or loss so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

2.8 Government grants

Grants are accounted under the accruals model as permitted by FRS 102. Grants relating to expenditure on tangible fixed assets are credited to profit or loss at the same rate as the depreciation on the assets to which the grant relates. The deferred element of grants is included in creditors as deferred income.

Grants of a revenue nature are recognised in the Consolidated Statement of Comprehensive Income in the same period as the related expenditure.

2.9 Interest income

Interest income is recognised in profit or loss using the effective interest method.

2.10 Finance costs

Finance costs are charged to profit or loss over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.11 Borrowing costs

All borrowing costs are recognised in profit or loss in the year in which they are incurred.

2.12 Pensions

Defined contribution pension plan

The Group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Group 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 in profit or loss when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the Group in independently administered funds.

PENTLAND HOMES (HOLDINGS) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2021**

2. Accounting policies (continued)

2.13 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company and the Group operate and generate income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance Sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the Group can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

2.14 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

PENTLAND HOMES (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 2021

2. Accounting policies (continued)

2.14 Tangible fixed assets (continued)

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Long-term leasehold property	-	2%
Plant and machinery	-	25%
Motor vehicles	-	25%
Office equipment	-	25%

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

2.15 Investment property

Investment property is carried at fair value determined annually by management and derived from the current market rents and investment property yields for comparable real estate, adjusted if necessary for any difference in the nature, location or condition of the specific asset. No depreciation is provided. Changes in fair value are recognised in profit or loss.

2.16 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

Investments in unlisted Group shares, whose market value can be reliably determined, are remeasured to market value at each balance sheet date. Gains and losses on remeasurement are recognised in the Consolidated Statement of Comprehensive Income for the period. Where market value cannot be reliably determined, such investments are stated at historic cost less impairment.

Investments in listed company shares are remeasured to market value at each Balance Sheet date. Gains and losses on remeasurement are recognised in profit or loss for the period.

2.17 Stocks

Cost includes the purchase of sites, the cost of infrastructure and construction works, and legal and professional fees incurred during development prior to sale. Net realisable value is estimated based upon the future expected selling price, less estimated costs of completion and estimated costs to sell.

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a weighted average basis. Work in progress and finished goods include labour and attributable overheads.

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

PENTLAND HOMES (HOLDINGS) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2021**

2. Accounting policies (continued)

2.18 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.19 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Consolidated Statement of Cash Flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.

2.20 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.21 Holiday pay accrual

A liability is recognised to the extent of any unused holiday pay entitlement which is accrued at the Balance Sheet date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the Balance Sheet date.

2.22 Provisions for liabilities

Provisions are made where an event has taken place that gives the Group a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to profit or loss in the year that the Group becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet.

2.23 Financial instruments

The Group only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected

PENTLAND HOMES (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 2021

2. Accounting policies (continued)

2.23 Financial instruments (continued)

to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or in case of an out-right short-term loan that is not at market rate, the financial asset or liability is measured, initially at the present value of future cash flows discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost, unless it qualifies as a loan from a director in the case of a small company, or a public benefit entity concessionary loan.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Consolidated Statement of Comprehensive Income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Group would receive for the asset if it were to be sold at the balance sheet date.

Financial assets and liabilities are offset and the net amount reported in the Balance Sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or income as appropriate. The company does not currently apply hedge accounting for interest rate and foreign exchange derivatives.

PENTLAND HOMES (HOLDINGS) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2021**

2. Accounting policies (continued)

2.24 Financial liabilities

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form.

Financial liabilities within the scope of IAS 39 are initially classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

The Group determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

Subsequently, the measurement of financial liabilities depends on their classification as follows:

Interest bearing loans and borrowings

Obligations for loans and borrowings are recognised when the Group becomes party to the related contracts and are measured initially at the fair value of consideration received less directly attributable transaction costs.

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses arising on the repurchase, settlement or otherwise cancellation of liabilities are recognised respectively in finance revenue and finance cost.

Derecognition of financial liabilities

A liability is derecognised when the contract that gives rise to it is settled, sold, cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such as an exchange or modification, this is treated as a derecognition of the original liability, such that the difference in the respective carrying amounts together with any costs or fees incurred are recognised in profit or loss.

2.25 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

PENTLAND HOMES (HOLDINGS) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2021**

3. Judgments in applying accounting policies and key sources of estimation uncertainty

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.

Key sources of estimation uncertainty

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 fixed 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.

PENTLAND HOMES (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2021

4. Turnover

An analysis of turnover by class of business is as follows:

	2021 £	2020 £
Class 1	41,825,895	41,589,353
Class 2	1,231,235	4,352,369
	<u>43,057,130</u>	<u>45,941,722</u>
	2021 £	2020 £
United Kingdom	43,057,130	45,941,722
	<u>43,057,130</u>	<u>45,941,722</u>

All turnover arose within the United Kingdom.

5. Other operating income

	2021 £	2020 £
Government grants receivable	266,212	-
Sundry income	7,587	20,028
	<u>273,799</u>	<u>20,028</u>

6. Operating profit

The operating profit is stated after charging:

	2021 £	2020 £
Other operating lease rentals	<u>34,509</u>	<u>16,009</u>

PENTLAND HOMES (HOLDINGS) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2021**

7. Auditors' remuneration

	2021	2020
	£	£
Fees payable to the Group's auditor and its associates for the audit of the Group's annual financial statements	8,200	8,000

8. Employees

Staff costs, including directors' remuneration, were as follows:

	Group	Group	Company	Company
	2021	2020	2021	2020
	£	£	£	£
Staff salaries	3,477,121	3,373,699	-	-
Social security costs	497,523	501,763	-	-
Cost of defined contribution scheme	41,943	80,291	-	-
	4,016,587	3,955,753	-	-

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

	2021	2020
	No.	No.
Production	27	24
Administration and support	29	26
	56	50

The parent company has no employees other than the directors, who did not receive any remuneration (2020 - £NIL)

PENTLAND HOMES (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2021

9. Directors' remuneration

During the year retirement benefits were accruing to no directors (2020 - NIL) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £NIL (2020 - £NIL).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £NIL (2020 - £NIL).

The value of the company's contributions paid to a defined benefit pension scheme in respect of the highest paid director amounted to £NIL (2020 - £NIL).

The total accrued pension provision of the highest paid director at 31 January 2021 amounted to £NIL (2020 - £NIL).

The amount of the accrued lump sum in respect of the highest paid director at 31 January 2021 amounted to £NIL (2020 - £NIL).

Remuneration paid to subsidiaries directors:

Directors' emoluments	£1,286,514	(2020: £1,513,414)
Pension	£3,940	(2020: £4,022).

The highest paid director of subsidiaries received remuneration of £418,273 (2020: £412,393).

During the year retirement benefits were accruing to 3 directors (2020 - 4) in respect of subsidiaries' defined contribution pension schemes.

10. Interest receivable

	2021 £	2020 £
Other interest receivable	336	2,442
	<u>336</u>	<u>2,442</u>

11. Interest payable and similar expenses

	2021 £	2020 £
Bank interest payable	525,027	530,748
Finance leases and hire purchase contracts	-	2,450
	<u>525,027</u>	<u>533,198</u>

PENTLAND HOMES (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2021

12. Taxation

	2021 £	2020 £
Corporation tax		
Current tax on profits for the year	686,936	705,146
	<u>686,936</u>	<u>705,146</u>
Total current tax	<u>686,936</u>	<u>705,146</u>
Deferred tax		
Origination and reversal of timing differences	48,572	(17,146)
Total deferred tax	<u>48,572</u>	<u>(17,146)</u>
Taxation on profit on ordinary activities	<u>735,508</u>	<u>688,000</u>

Factors affecting tax charge for the year

The tax assessed for the year is the same as (2020 - the same as) the standard rate of corporation tax in the UK of 19% (2020 - 19%) as set out below:

	2021 £	2020 £
Profit on ordinary activities before tax	<u>3,489,678</u>	<u>3,613,321</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2020 - 19%)	663,039	686,531
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	-	984
Capital allowances for year in excess of depreciation	24,013	23,229
Utilisation of tax losses	-	841
Short term timing difference leading to an increase (decrease) in taxation	48,572	(17,146)
Non-taxable income	(116)	(6,439)
Total tax charge for the year	<u>735,508</u>	<u>688,000</u>

Factors that may affect future tax charges

PENTLAND HOMES (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2021

12. Taxation (continued)

There were no factors that may affect future tax charges.

13. Dividends

	2021 £	2020 £
Dividends analysis	750,000	100,000
	<u>750,000</u>	<u>100,000</u>

14. Tangible fixed assets

Group

	Long-term leasehold property £	Plant and machinery £	Motor vehicles £	Office equipment £	Total £
Cost or valuation					
At 1 February 2020	510,815	922,176	670,798	207,879	2,311,668
Additions	-	30,078	7,915	47,369	85,362
Disposals	-	(583,116)	(94,764)	(78,993)	(756,873)
At 31 January 2021	<u>510,815</u>	<u>369,138</u>	<u>583,949</u>	<u>176,255</u>	<u>1,640,157</u>
Depreciation					
At 1 February 2020	30,632	758,845	428,121	157,278	1,374,876
Charge for the year on owned assets	10,200	89,892	133,160	40,812	274,064
Disposals	-	(583,116)	(63,537)	(78,807)	(725,460)
At 31 January 2021	<u>40,832</u>	<u>265,621</u>	<u>497,744</u>	<u>119,283</u>	<u>923,480</u>
Net book value					
At 31 January 2021	<u>469,983</u>	<u>103,517</u>	<u>86,205</u>	<u>56,972</u>	<u>716,677</u>
At 31 January 2020	<u>480,183</u>	<u>163,331</u>	<u>242,677</u>	<u>50,601</u>	<u>936,792</u>

PENTLAND HOMES (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2021

14. Tangible fixed assets (continued)

The net book value of land and buildings may be further analysed as follows:

	2021 £	2020 £
Long leasehold	469,983	480,183
	<u>469,983</u>	<u>480,183</u>

The net book value of assets held under finance leases or hire purchase contracts, included above, are as follows:

15. Fixed asset investments

Company

	Investments in subsidiary companies £
Cost or valuation	
At 1 February 2020	15,674
At 31 January 2021	<u>15,674</u>

The following were subsidiary undertakings of the Company:

Name	Registered office	Class of shares	Holding
Pentland Homes Limited	The Estate Office Canterbury Road, Etchinghill, Folkestone, Kent, CT18 8FA	Ordinary	100%
Pentland Kent Limited	Montague Place Quayside, Chatham Maritime, Chatham, Kent, ME4 4QU	Ordinary	90 -%

PENTLAND HOMES (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2021

15. Fixed asset investments (continued)

(continued)

The aggregate of the share capital and reserves as at 31 January 2021 and the profit or loss for the year ended on that date for the subsidiary undertakings were as follows:

Name	Aggregate of share capital and reserves £	Profit/(Loss) £
Pentland Homes Limited	28,574,253	2,579,639
Pentland Kent Limited	-	-

16. Investment property

Group

	Freehold investment property £
At 1 February 2020	1,296,361
Disposals	(1,296,361)
At 31 January 2021	-

The 2020 valuations were made by directors, on an open market value for existing use basis.

The 2020 valuations were made by directors, on an open market value for existing use basis.

At 31 January 2021

17. Stocks

	Group 2021 £	Group 2020 £
Work in progress (goods to be sold)	41,107,674	35,567,290
Finished goods and goods for resale	3,911,171	7,131,386
	<u>45,018,845</u>	<u>42,698,676</u>

PENTLAND HOMES (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2021

18. Debtors

	Group 2021 £	Group 2020 £	Company 2021 £	Company 2020 £
Amounts owed by group undertakings	-	-	5,370,000	6,120,000
	-	-	5,370,000	6,120,000
	Group 2021 £	Group 2020 £	Company 2021 £	Company 2020 £
Trade debtors	1,762,808	3,930,424	-	-
Amounts owed by joint ventures and associated undertakings	325,375	-	375	-
Other debtors	761,494	592,580	-	-
Prepayments and accrued income	153,396	201,577	-	-
	3,003,073	4,724,581	375	-

Trade debtors balance includes £1.5m (2020: £3.4) owed by connected entities.

19. Cash and cash equivalents

	Group 2021 £	Group 2020 £	Company 2021 £	Company 2020 £
Cash at bank and in hand	6,866,793	3,235,088	263,411	49,068
	6,866,793	3,235,088	263,411	49,068

PENTLAND HOMES (HOLDINGS) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2021**

20. Creditors: Amounts falling due within one year

	Group 2021 £	<i>Group 2020 £</i>	Company 2021 £	<i>Company 2020 £</i>
Bank loans	14,000,000	14,000,000	-	-
Trade creditors	2,200,803	3,518,233	-	-
Corporation tax	584,293	474,513	40,796	-
Other taxation and social security	-	140,835	-	-
Other creditors	3,474,803	1,227,371	-	-
Accruals and deferred income	811,071	788,668	-	-
	<u>21,070,970</u>	<u>20,149,620</u>	<u>40,796</u>	<u>-</u>

21. Loans

	Group 2021 £	<i>Group 2020 £</i>
Amounts falling due within one year		
Bank loans	14,000,000	14,000,000
	<u>14,000,000</u>	<u>14,000,000</u>
	<u>14,000,000</u>	<u>14,000,000</u>

PENTLAND HOMES (HOLDINGS) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2021**

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

- i) A fixed charge and negative pledge dated 25 July 2016 over properties of the group.
- ii) A fixed and floating charge covering all property or undertaking of Pentland Homes Limited dated 2 August 2016. The charge contains negative pledge.
- iii) A floating charge and negative pledge over land adjoining to New Street Farm, Great Chart, Ashford registered at the Land Registry under title number TT42532 was created on 23 August 2016.
- iv) A floating charge and negative pledge over land on the east side of Hollow Lane, Canterbury was created on 23 August 2016.
- v) A fixed and floating charge on land located on the South side of Cockreed Lane, New Romney. The charge was created on 26/11/2018. The charge contains negative pledge.
- vi) A fixed and floating charge on land lying to the North of Canterbury Road, Lydden, Dover. The charge was created on 26/11/2018. The charge contains negative pledge.
- vii) A fixed and floating charge on land located on West Side of Stone Street, Stelling Minnis. The charge was created on 24/05/2019. The charge contains negative pledge.

Other charges:

Westerley Investments Limited have registered a legal charge on 14 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.

PENTLAND HOMES (HOLDINGS) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2021**

22. Deferred taxation

Group

	2021 £
At beginning of year	-
Charged to profit or loss	(48,572)
At end of year	(48,572)
	Group 2021 £
Accelerated capital allowances	(48,572)
	(48,572)

23. Provisions

Group

	Customer care and cost to complete provisions £
At 1 February 2020	573,436
Charged to profit or loss	(254,843)
At 31 January 2021	318,593

24. Share capital

	2021 £	2020 £
Allotted, called up and fully paid		
15,664 (2020 - 15,664) Ordinary shares of £1.00 each	15,664	15,664

PENTLAND HOMES (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2021

25. Pension commitments

The group operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the group in an independently administered fund. The pension cost charge represents contributions payable by the group to the scheme and amounted to £41,943 (2020: £80,291). Contributions totaling £9,546 (2020: £9,124) were payable to the scheme at the balance sheet date.

26. Commitments under operating leases

At 31 January 2021 the Group and the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	Group 2021 £	<i>Group 2020 £</i>
Not later than 1 year	48,198	<i>44,882</i>
Later than 1 year and not later than 5 years	11,533	<i>56,415</i>
	59,731	<i>101,297</i>

27. Transactions with directors

Loans payable to directors totaled £1,265 (2020: £Nil). During the year the group paid interest of £Nil (2020: £Nil) on the loan.

During the year the group sold a property for £570k to one of its directors. All of the invoices have been paid in full and there was no balance outstanding at the year end.

PENTLAND HOMES (HOLDINGS) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2021**

28. Related party transactions

Transactions with group and associated companies:

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

1) Pentland Homes Ltd received a loan of £6.12m from its parent company, Pentland Homes (Holdings) Ltd. The loan bears interest at 4% per annum. At the year end, the company owes £5.37m to PHHL.

2) P N Tory is a director of Pentland Homes Ltd and also controls Etchinghill Golf. During the year, the following transactions occurred with the above business:

Sale of £4,188 (2020: £14,122) to Etchinghill Golf.

Etchinghill Golf charged costs of £70,405 (2020: £76,650) to Pentland Homes Ltd. At the year end, the company owed £Nil (2020: £3,081) to Etchinghill Golf.

3) J N Tory is a director of Pentland Homes Ltd and also controls Cave Hotels (UK) Ltd. During the year, the following transactions occurred with the above business:

Costs of £16,414 (2020: £222,993) recharged to Cave Hotels (UK) Ltd and costs of £12,353 (2020: £2,176) recharged by Cave Hotels (UK) Ltd.

At the year end, Cave Hotels (UK) Ltd owed £10,346 (2020: £254,239) to the company.

4) P N Tory and J N Tory are both directors and shareholders of Pentland Properties Ltd and also directors of Pentland Homes Ltd. During the year the company provided £11,671,941 (2020: £9,067,468) worth of goods and services and £325k (2020: £Nil) loan to Pentland Properties Ltd. At the year end, the company owed £1,801,773 (2020: £3,003,077) to Pentland Properties Ltd.

29. Interest rate hedge

The group has interest rate hedge with Lloyds Bank Plc for maximum loan of £15m with a cap rate of 2.5%. The hedge will expire on 30 June 2022. The fair value of the financial instruments designated as hedging instruments at 31 January 2021 is £Nil (2019 - £Nil). The amount of the change in fair value of the hedging instrument recognised in profit or loss for the period is £Nil (2020 - £Nil).

30. Post balance sheet events

Impact of COVID-19 pandemic:

Precautions against coronavirus continued to disrupt the group's operations and supply chains into 2021 but sales remained strong. The group reduced the scale of purchasing new sites and obtained two small pieces of land which will be developed from 2022.

The group has maintained lines of finance that supports the current level of business while further funding is being prepared to assist the development of larger sites in future.

PENTLAND HOMES (HOLDINGS) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2021**

31. Controlling party

Pentland Homes (Holdings) Limited is the ultimate parent company. P N Tory and J N Tory are the ultimate controlling parties by virtue of their majority shareholding in the parent company.