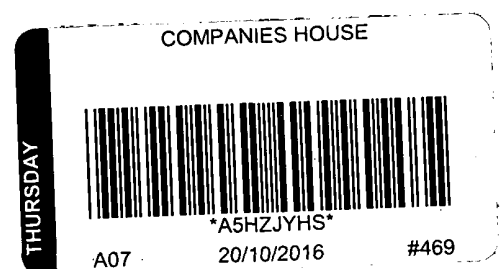


Edenstone Homes Limited

**Directors' report and financial
statements**

30 April 2016

Registered number 06397071



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Directors' report

The directors present their report and the audited financial statements for the year ended 30 April 2016. The directors consider that the company meets all of the criteria to qualify for the exemption from preparing a strategic report.

Principal activities and business review

The company's principal activity is the construction and sale of residential properties.

The company made turnover in the year of £7.5m, an increase of 63% from £4.6m in the prior year. The company retained profits of £849,000 (2015: £550,000). Net assets have increased to £2.5m from £1.6m.

The company continues to successfully identify new development opportunities and is well-positioned to continue with its profitable growth trend.

The results for the year are set out on page 5.

Proposed dividend

The directors do not recommend the payment of a dividend for the year (2015: £Nil).

Directors

The directors who held office during the year were as follows:

SJ Rodden
MJ Taylor
JS Taylor
MJH Holden (appointed 28 April 2016)

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish the company's auditor is aware of such information.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board



SJ Rodden
Director

Priory House
Prior Street
Usk
Monmouthshire
NP15 1BJ

12 October 2016

Statement of directors' responsibilities in respect of the Directors' Report and the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS102 "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 of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



KPMG LLP

3 Assembly Square
Britannia Quay
Cardiff
CF10 4AX
United Kingdom

Independent auditor's report to the members of Edenstone Homes Limited

We have audited the financial statements of Edenstone Homes Limited for the year ended 30 April 2016 set out on pages 5 to 15. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS102 "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 an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 2, 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

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 April 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Independent auditor's report to the members of Edenstone Homes Limited (continued)

Opinion on other matter prescribed by the Companies Act 2006

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

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, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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; or
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.



Emma Holiday (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
3 Assembly Square
Britannia Quay
Cardiff
CF10 4AX

19th October 2016

Profit and loss account
for the year ended 30 April 2016

	<i>Note</i>	Year ended 30 April 2016 £000	Year ended 30 April 2015 £000
Turnover	2	7,523	4,562
Cost of sales		(6,669)	(3,668)
Gross profit		854	894
Administrative expenses		(543)	(632)
Other operating income		2	6
Operating profit	3-5	313	268
Interest receivable and similar income	6	3	1
Interest payable and similar charges	7	10	(22)
Profit on ordinary activities before taxation		326	247
Taxation on profit on ordinary activities	8	523	303
Profit for the financial year		849	550

No other gains and losses have been recognised in these financial statements other than the results for the financial years shown above. Accordingly, a separate statement of other comprehensive income has not been presented.

The results above relate wholly to continuing activities.

The notes on pages 8 to 15 form part of the financial statements.

Balance sheet
at 30 April 2016

	<i>Note</i>	2016 £000	2015 £000
Tangible fixed assets	9	1	5
Current assets			
Stock	10	2,353	860
Debtors (including £859,000 (2015: £554,000) due in more than one year)	11	3,301	2,058
Cash at bank		972	907
		<hr/>	<hr/>
		6,626	3,825
Creditors: amounts falling due within one year	12	(3,931)	(1,966)
		<hr/>	<hr/>
Net current assets		2,695	1,859
		<hr/>	<hr/>
Total assets less current liabilities		2,696	1,864
Creditors: amounts falling due after more than one year	13	(211)	(228)
		<hr/>	<hr/>
Net assets		2,485	1,636
		<hr/>	<hr/>
Capital and reserves			
Share capital	15	33,524	33,524
Profit and loss account		(31,039)	(31,888)
		<hr/>	<hr/>
Shareholders' funds		2,485	1,636
		<hr/>	<hr/>

The notes on pages 8 to 15 form part of the financial statements.

These financial statements were approved by the board of directors on 12 October 2016 and were signed on its behalf by:



SJ Rodden
Director

Registered number: 06397071

Statement of changes in equity
for the year ended 30 April 2016

	Called up Share Capital £000	Profit and Loss Account £000	Total Equity £000
Balance at 1 May 2014	33,524	(32,438)	1,086
Profit for the financial year	-	550	550
Balance at 30 April 2015 and 1 May 2015	33,524	(31,888)	1,636
Profit for the financial year	-	849	849
Balance at 30 April 2016	33,524	(31,039)	2,485

Notes

(forming part of the financial statements)

1 Accounting policies

Edenstone Homes Ltd (the "Company") is a company limited by shares and incorporated and domiciled in the UK.

These financial statements were prepared in accordance with Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102") as issued in August 2014. The amendments to FRS 102 issued in July 2015 and effective immediately have been applied. The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

An explanation of how the transition to FRS 102 has affected financial position and financial performance of the Company is provided in note 19.

The Company's ultimate parent undertaking, Edenstone Holdings Ltd, includes the Company in its consolidated financial statements. The consolidated financial statements of Edenstone Holdings Ltd are available to the public and may be obtained from Priory House, Priory Street, Usk, NP15 1BJ. In these financial statements, the company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to end of the period;
- Cash Flow Statement and related notes; and
- Key Management Personnel compensation.

As the consolidated financial statements of Edenstone Holdings Limited include the equivalent disclosures, the Company has also taken the exemptions under FRS 102 available in respect of the disclosures required by FRS 102.11 Basic Financial Instruments and FRS 102.12 Other Financial Instrument Issues in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

Judgements made by the directors in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 18.

The financial statements have been prepared on a going concern basis as the directors consider that the company has sufficient assets to settle its liabilities as they fall due.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Measurement convention

The financial statements have been prepared in accordance with the historical cost convention.

Trade and other creditors

Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of interest for a similar debt instrument.

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Notes (continued)

1 Accounting policies (continued)

Stocks

Stocks and work in progress are stated at the lower of cost and estimated selling price (less costs to complete and sell). Cost comprises land, site development and construction costs and finance costs.

Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

Turnover

Turnover comprises the fair value received and receivable in respect of the sale of residential properties and land and also comprises the fair value received and receivable in respect of work carried out on residential developments under building contracts.

Interest payable

Finance costs that are directly attributable to the development of residential housing are capitalised within work in progress and expensed within cost of sales on the sale of each property included in the residential development. Other finance costs are expensed as incurred.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Notes (continued)

2 Turnover

Turnover is derived solely from the development and sale of residential property within the UK.

3 Expenses and auditor's remuneration

	2016 £000	2015 £000
<i>Included within profit/ loss are the following</i>		
Audit fees	18	-
Other income	(2)	(6)
	<u>16</u>	<u>(6)</u>

Other income relates to amounts received in respect of rents.

4 Directors

Directors' emoluments were £36,000 (2015: £37,000). The company contributed £1,000 (2015: £10,000) to pension plans on behalf of the directors during the year.

5 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year, analysed by category, was as follows:

	2016	2015
Management	3	3
Administration	8	5
Operations	6	5
	<u>17</u>	<u>13</u>

The aggregate payroll costs of these persons were as follows:

	2016 £000	2015 £000
Wages and salaries	496	240
Social security costs	51	22
Other pension costs	18	22
	<u>565</u>	<u>284</u>

Notes (continued)

6 Interest receivable and similar income

Interest receivable and similar income is made up of bank interest receivable.

7 Interest payable and similar charges

	Year ended 30 April 2016 £000	Year ended 30 April 2015 £000
Net (gain)/ loss on financial liabilities measured at fair value through profit or loss	(17)	17
Interest on bank loans	7	5
	<u>(10)</u>	<u>22</u>

8 Taxation

Total tax expense/ (credit) recognised in the profit and loss account

	2016 £000	2015 £000
UK Corporation tax for the year	-	-
Deferred tax - origination and reversal of timing differences	(523)	(303)
	<u>(523)</u>	<u>(303)</u>

Reconciliation of effective tax rate

	2016 £000	2015 £000
Profit for the year	849	550
Total tax expense/ (credit)	(523)	(303)
Profit excluding taxation	<u>326</u>	<u>247</u>
Tax using the UK corporation tax rate of 20% (2015: 21%)	65	52
Non-deductible expenses	2	(2)
Recognition of previously unrecognised tax losses	(590)	(353)
Total tax expense/ (credit) included in profit and loss account	<u>(523)</u>	<u>(303)</u>

At 30 April 2016 the company had tax losses of £5,748,000 (2015: £2,905,000), in relation to which a deferred tax asset has been recognised; see note 11. At 30 April 2016 there were also further tax losses carried forward of £11,966,000 (2015: £15,143,000). No deferred tax asset has been recognised in respect of these further tax losses carried forward due to uncertainty regarding recoverability.

Notes (continued)

8 Taxation (continued)

Factors that may affect future tax charges

Reductions in the UK corporation tax rate from 23% to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015. The deferred tax balance at 30 April 2016 has been calculated based on these rates.

An additional reduction to 17% (effective from 1 April 2020) was announced in the Budget on 16 March 2016. This will reduce the company's future current tax charge and deferred tax balance accordingly.

9 Tangible fixed assets

	Office equipment £000	Total £000
<i>Cost</i>		
At beginning of year	13	13
Additions	-	-
	<hr/>	<hr/>
At end of year	13	13
	<hr/>	<hr/>
<i>Depreciation</i>		
At beginning of year	8	8
Charge for the year	4	4
	<hr/>	<hr/>
At end of year	12	12
	<hr/>	<hr/>
<i>Net book value</i>		
At 30 April 2016	1	1
	<hr/>	<hr/>
At 30 April 2015	5	5
	<hr/>	<hr/>

Notes (continued)

10 Stocks

Stocks consist of land, site development and construction costs.

The total carrying amount of stocks pledged as security for liabilities in the year amounted to £1,307,000 (2015: £90,000). Stocks include capitalised finance costs of £70,000 (2015: £nil). Total borrowing costs capitalised during the year was £143,000.

11 Debtors

	2016 £000	2015 £000
Trade debtors	357	-
Prepayments	46	12
Other debtors	111	74
Amounts due from group undertakings	1,683	1,391
Deferred tax asset	1,104	581
	<hr/> 3,301	<hr/> 2,058

Included within the deferred tax asset is £859,000 (2015: £554,000) due after more than one year.

12 Creditors: amounts falling due within one year

	2016 £000	2015 £000
Trade creditors	770	372
Other creditors and accruals	132	183
Amounts due to group undertakings	2,399	1,411
Development finance loans	630	-
	<hr/> 3,931	<hr/> 1,966

The development finance loans are secured against the assets of the projects to which they relate.

13 Creditors: amounts falling due after more than one year

	2016 £000	2015 £000
Bank loan	98	98
Other financial liabilities (see note 14)	113	130
	<hr/> 211	<hr/> 228

The bank loan is repayable in 2033, bears interest at the standard variable rate of the Monmouthshire Building Society and is secured on an individual property.

Notes (continued)

14 Other financial liabilities

	2016 £000	2015 £000
Amounts falling due after more than one year		
Financial liabilities designated as fair value through profit or loss	113	130

The other financial liabilities relate to a loan held by JS Taylor, a director of the company. The nominal value of the loan is £150,000 and the loan is non-interest bearing and due for repayment in 2018. The loan has been discounted to its fair value. The interest rate which has been used to discount the estimated cash flows is 15%, based on similar loans available in the open market.

15 Share capital

	2016 £000	2015 £000
Allotted, called up and fully paid		
33,524,258 ordinary shares of £1 each	33,524	33,524

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

16 Ultimate parent undertaking

The company is a wholly owned subsidiary of Edenstone Limited and the ultimate parent undertaking is Edenstone Holdings Limited. Both companies are registered in England and Wales and have their registered office at Priory House, Priory Street, Usk, NP15 1BJ. Consolidated accounts for Edenstone Holdings Limited (which heads the only group of undertakings for which group financial statements are drawn up and of which the company is a member) are available to the public and can be obtained from the registered office.

17 Related party disclosures

Rental payments of £38,000 (2015: £38,000) were made by the company to certain of its directors (Martin Taylor and Jeffrey Taylor), for use of office premises owned by them. No amounts were due in relation to these transactions at either year end.

A loan of £150,000 (2015: £150,000) is held by JS Taylor who is a director of the company at the year end.

A loan of £648,000 (2015: £nil) is held by Ultimate I Sarl, a company of which MJH Holden is a director and shareholder.

A loan of £300,000 was received in the year from Ultimate Capital Ltd, a company of which MJH Holden is a director and shareholder. The loan was repaid in the year.

Notes (continued)

18 Accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management considers the key sources of estimation uncertainty and critical accounting judgements relate to:

Recoverability of deferred tax assets

The recoverability of deferred tax assets in respect of tax losses (see note 8) is related to the ability of the Company to generate taxable profits in future periods. An asset is recognised to the extent that it is probable that the losses will be recovered against the reversal of deferred tax liabilities or other future taxable profits. It is routinely necessary for management to estimate future profitability of the Company based on development costs to complete and future sales incomes.

A full review of the costs to complete and expected sales incomes was undertaken by the Company as at 30 April 2016.

19 Explanation of transition to FRS 102 from old UK GAAP

As stated in note 1, these are the Company's first financial statements prepared in accordance with FRS 102.

The accounting policies set out in note 1 have been applied in preparing the financial statements for the year ended 30 April 2016 and the comparative information presented in these financial statements for the year ended 30 April 2015.

In preparing its FRS 102 balance sheet, the Company has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (UK GAAP). An explanation of how the transition from UK GAAP to FRS 102 has affected the Company's financial position and financial performance is set out in the following table and the notes that accompany the table.

Reconciliation of profit/loss and equity from old GAAP to FRS 102

	Note	Profit for the year ended 30 April 2015 £000	Equity as at 30 April 2015 £000	Equity as at 30 April 2014 £000
Amount under old GAAP		567	1,616	1,049
Restate other loans to fair value at 30 April 2014	a	-	37	37
Net loss on financial liabilities measured at fair value through profit or loss for the year ended 30 April 2015		(17)	(17)	-
Amount under FRS 102		550	1,636	1,086

Notes to the reconciliation of profit/loss

- a) The other long term loan of £150,000 has been restated to its fair value of £113,000 at 1 May 2014 (see note 14).