

Rectory Homes Limited

Report and Financial Statements

Year Ended

31 May 2017

Company Number 02575047



Rectory Homes Limited

Report and financial statements for the year ended 31 May 2017

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Directors

Simon Vickers
Sarah Vickers
David Ullathorne
David Tye (resigned 31/5/17)
Dermot Mathias (resigned 31/5/17)
Robert Davidson
Amer Alkhalil

Secretary and registered office

Jayne Blake, Rectory House, Thame Road, Haddenham, Aylesbury, Buckinghamshire, HP17 8DA

Company number

02575047

Auditors

BDO LLP, 55 Baker Street, London, W1U 7EU

Rectory Homes Limited

Strategic report for the year ended 31 May 2017

The directors present their strategic report together with the audited financial statements for the year ended 31 May 2017.

UK housing market

In 2016/17 the company continued to grow in our core market of high quality residential properties in the Home Counties. We also further strengthened our pipeline of option sites to ensure we continue to build premium, high quality residential homes in the Home Counties.

Activity in the year ended May 2017 was broadly in line with 2015/16. The gross margin achieved on sales was slightly higher than 2015/16 at 24.5% (23.7% 2015/16).

In the year to May 2017 the UK housing market has remained buoyant, with house prices in the south-east of England showing an annual increase of 3.8%, continuing growth of 12.8% in the preceding 12 months (Source: ONS).

In 2016/17 we completed developments at The Orchard, Stone (11 units), Stoney Furlong, Chearsley (10 units), Connaught Place, Weybridge (3 units) and Northfield Farm, Witney (11 units).

Development and performance of the business

In the 2016/17 financial year Rectory Homes continued to show sales in line with 2015/16. In total we completed on the sales of 37 open market units in the financial year, compared to 41 open market units in the prior year.

The historical financial performance and KPIs set out below have been adjusted to reflect the performance from development sites only.

The KPIs below reflect this growth.

	2014/15 £000	2015/16 £000	2016/17 £000	2015/16 Annual growth	2016/17 Annual growth
Turnover	18,484	25,480	24,141		
Land sale	-	(250)	-		
Development turnover	18,484	25,230	24,141	+36.5%	-4.3%
Gross profit	5,636	6,072	5,914		
Land sale	-	(98)	-		
Development gross profit	5,636	5,974	5,914	+6.0%	-1.0%
<i>Gross margin %</i>	<i>30.5</i>	<i>23.7</i>	<i>24.5</i>		
Operating profit	3,167	2,765	2,667		
Land sale	-	(98)	-		
Development operating profit	3,167	2,667	2,667	-15.8 %	-0.0%
<i>Operating margin %</i>	<i>17.1</i>	<i>10.6</i>	<i>11.0</i>		

The gross margin achieved on sales was marginally above that achieved in 2015/16 at 24.5%, although less than the unusually high level achieved in 2014/15 of 30.5%.

In 2016/17 Rectory Homes Bonds plc paid the second interest payment to bondholders of the £1m 5 year bonds at 6.25%.

Rectory Homes Limited

Strategic report for the year ended 31 May 2017 (*continued*)

Land options/pipeline

We have continued to strengthen the pipeline of land for development. During 2016/17 Rectory Homes secured planning permission for four developments, which between them totalled 111 units with a gross development value of over £57m. Since the year end we have received resolutions to grant planning permission on four further sites for up to 105 units. Live applications, for sites we hold under option or conditional contract, and are in the planning system will provide up to 205 additional units, with applications being prepared for further units on sites held under option. We believe this is a strong pipeline that will support the future growth of the business.

We are continuing to explore avenues to ensure we maximise the benefit of these significant land opportunities. Rectory Homes has growing expertise in sourcing and converting options and conditional contracts into development sites. This capitalises on an in-depth local knowledge and a strong reputation in the market. We continue to strengthen our activity and resources in this part of the business to both augment our current market strength and expand our geographic reach. We believe the current planning framework, with a diminution of direct competitors in our mid-market space, will provide a favourable environment for us to continue to capitalise on the market opportunities we are currently seeing and expect to see for the foreseeable future.

Principal risks and uncertainties

General economic conditions in the UK are somewhat uncertain as a result of the vote to leave the EU. This has created both general economic uncertainty and related labour supply issues amongst key subcontractors, on whom the business is dependent.

Whilst early indications from the market suggest new house sales continue apace, we remain cautious about sustained growth in the medium term. We closely monitor the housing market, to provide assurance over projects in the course of development and new projects in the planning stage. We also continue to operate a leveraged business model, which relies on high quality subcontractors to meet our projected growth, this provides a higher degree of flexibility in responding to market conditions. We also believe that our niche position in the market means we should be able to continue to expand our business over the medium term, even if there is a decline in activity in the wider market.

Supplier and subcontractor pressures are being experienced throughout the house-building sector as activity levels continue to increase. We closely monitor cost pressures so site appraisals can reflect realistic expectations about costs at the outset. This helps us to ensure we continue to deliver above industry average margins.

Planning permission has continued to be a challenge, and despite stated government policy we continue to experience inconsistent and slow handling of our applications. The risks arising from this are mitigated in a number of ways. We have a dedicated planning team, led by a newly appointed associate director, who lead the planning process and ensures regulatory compliance. We also focus our activity in areas where we have developed good working relationships with the planning officials and where demand for our developments remains strong.

Maintaining a timely **land supply** for developments is a risk faced by all developers. We manage this risk by ensuring we have options over sites that will provide a supply of land necessary for our developments. Our dedicated land team focus on acquiring options over land that we can guide through the planning process to ensure land purchases can complete, with planning permission to meet our development schedules. Our pipeline now includes a number of medium-term strategic sites that will ensure larger sites are available for development in the future.

Mortgage lending continues to be a risk, and uncertainty in the lending markets stemming from the referendum decision to leave the EU may lead to further mortgage lending volatility for the immediate future. Rectory Homes is also registered for Help to Buy, which will help to support first time buyers at a number of our qualifying developments.

Rectory Homes Limited

Strategic report for the year ended 31 May 2017 (*continued*)

Funding availability and costs of financing still remain under pressure although we have a strong relationship with our principal bankers at Allied Irish Bank, who in June 2016 renewed our existing facilities for the next three years. We are also broadening our banking relationships to other established lenders in the market and continue to look at innovative ways to fund our forthcoming developments.

Rectory Homes' **reputation** is pivotal to our business. To maintain our brand we focus on the quality of our developments both in terms of design and build. We only use high quality and reliable subcontractors for construction and finish and always use our own experienced staff to manage developments on the ground.

Rectory Homes' activities are based in the Home Counties, radiating out of our head office in Haddenham. We support a number of local community activities through various sponsorship channels. These include the Heart of Bucks Foundation, Chinnor Rugby Club, Thame Players, Haddenham Library and local school activities, including the refurbishment of a laboratory at Aylesbury Grammar School.

Financial instruments

Credit risk

The group is not exposed to credit based sales. Credit risk does arise from cash deposits held with financial institutions. The board mitigates this risk by ensuring cash deposits are made with financial institutions with a minimum of an 'A' rating and that deposits are split between at least two financial intuitions. At 31 May 2017 cash deposits totalling £4.3m were made with Allied Irish Bank and Coutts.

Liquidity risk

Liquidity risk arises from the Group's management of working capital and the finance charges and principal payments on its debt instruments. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due.

The board regularly reviews cash flows over both the short term (13 weeks) and medium term (52 weeks and more) to ensure the business has sufficient liquidity for its foreseeable requirements. At the year end the business had committed but undrawn credit facilities of £13.8m.

Approval

This strategic report was approved on behalf of the Board on 22/11/17

Simon Vickers

Director



Rectory Homes Limited

Directors' report for the year ended 31 May 2017

The directors present their report together with the audited financial statements for the year ended 31 May 2017.

Results

The consolidated statement of comprehensive income is set out on page 8 and shows the profit for the year.

Directors

The directors of the company during the year were:

Simon Vickers
Sarah Vickers
David Ullathorne
Robert Davidson
David Tye (resigned 31/5/17)
Dermot Mathias (resigned 31/5/17)
Amer Alkhalil

Directors' responsibilities

The directors are responsible for preparing the strategic report, 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 the directors have elected to prepare the group and company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company and of the profit or loss of the group and company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- 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 company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Rectory Homes Limited

Directors' report for the year ended 31 May 2017 (*continued*)

Auditors

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

BDO LLP have expressed their willingness to continue in office and a resolution to re-appoint them as auditors will be proposed at the next annual general meeting.

On behalf of the Board

Simon Vickers



Director

Date

22/11/17

Rectory Homes Limited

Independent auditor's report

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF RECTORY HOMES LIMITED

We have audited the financial statements of Rectory Homes Limited for the year ended 31 May 2017 which comprise the consolidated statement of comprehensive income, the consolidated and company balance sheets, the consolidated and company statements of changes in equity, the consolidated cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 auditors

As explained more fully in the statement of directors' responsibilities, 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 Financial Reporting Council's (FRC'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 FRC'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 group's and the parent company's affairs as at 31 May 2017 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.

Rectory Homes Limited

Independent auditor's report (*continued*)

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 strategic report and directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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

BDO LLP

*Christopher Young (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
London
United Kingdom*

Date **22/11/2017**

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Rectory Homes Limited

Consolidated statement of comprehensive income for the year ended 31 May 2017

	Note	2017 £	2016 (restated) £
Turnover		24,141,343	25,480,013
Cost of sales		(18,227,616)	(19,408,391)
Gross profit		5,913,727	6,071,622
Administrative expenses		(3,981,993)	(3,548,749)
		1,931,734	2,522,873
Profit on disposal of fixed assets		118	12,500
Other operating income		211,945	229,413
Revaluation on investment property	8	523,227	-
Share of losses of joint venture		(153)	-
Operating profit	3	2,666,871	2,764,786
Other interest receivable and similar income		6,582	7,464
Interest payable and similar charges	6	(671,718)	(759,130)
Profit on ordinary activities before taxation		2,001,735	2,013,125
Taxation on profit from ordinary activities	7	(369,152)	(421,484)
Profit for the financial year attributable to members of the parent company and total comprehensive income		1,632,583	1,591,641

All amounts relate to continuing activities.

The notes on pages 14 to 28 form part of these financial statements.

Rectory Homes Limited

Consolidated balance sheet at 31 May 2017

<i>Company number 02575047</i>	<i>Note</i>	2017	2017	2016	2016
		£	£	(restated) £	(restated) £
Fixed assets					
Tangible fixed assets	8		2,363,914		2,052,664
Investments			-		-
Current assets					
Stocks	10	28,323,471		30,853,407	
Debtors	11	963,522		358,008	
Cash at bank and in hand		4,252,414		6,058,740	
		33,539,407		37,270,155	
Creditors: amounts falling due within one year	12	(17,417,327)		(21,768,498)	
Net current assets			16,122,080		15,501,657
Total assets less current liabilities			18,485,994		17,554,321
Creditors: amounts falling due after more than one year	13		(5,802,109)		(6,555,289)
Deferred tax liability			(80,165)		(27,895)
Net assets			12,603,720		10,971,137
Capital and reserves					
Called up share capital	15		430		430
Profit and loss account			12,603,290		10,970,707
Shareholders' funds			12,603,720		10,971,137

The financial statements were approved by the Board of Directors and authorised for issue on 22/11/17

Simon Vickers
Director



The notes on pages 14 to 28 form part of these financial statements.

Rectory Homes Limited

Consolidated statement of changes in equity for the year ended 31 May 2017

	Share capital £	Profit and loss account £	Total equity £
1 June 2016	430	10,970,707	10,971,137
Comprehensive income for the year			
Profit for the year and total comprehensive income	-	1,632,583	1,632,583
	<hr/>	<hr/>	<hr/>
31 May 2017	430	12,603,290	12,603,720
	<hr/>	<hr/>	<hr/>
	Share capital £	Profit and loss Account (restated) £	Total equity £
1 June 2015	430	9,379,066	9,379,496
Comprehensive income for the year			
Profit for the year and total comprehensive income for the year	-	1,591,641	1,591,641
	<hr/>	<hr/>	<hr/>
31 May 2016	430	10,970,707	10,971,137
	<hr/>	<hr/>	<hr/>

The notes on pages 14 to 28 form part of these financial statements.

Rectory Homes Limited

Company balance sheet at 31 May 2017

Company number 02575047	Note	2017 £	2017 £	2016 £	2016 £
Fixed assets					
Tangible fixed assets	8		226,386		378,007
Investments	9		155,553		117,904
			<u>381,939</u>		<u>495,911</u>
Current assets					
Stocks	10	25,136,467		28,792,477	
Debtors	11	2,997,743		3,300,710	
Cash at bank and in hand		4,242,781		6,052,974	
		<u>31,376,991</u>		<u>38,146,161</u>	
Creditors: amounts falling due within one year	12	(18,144,674)		(22,232,679)	
Net current assets			<u>14,232,317</u>		<u>15,913,482</u>
Total assets less current liabilities			<u>14,614,256</u>		<u>16,409,393</u>
Creditors: amounts falling due after more than one year	13		(2,469,819)		(5,467,320)
Net assets			<u>12,144,437</u>		<u>10,942,073</u>
Capital and reserves					
Called up share capital	15		430		430
Profit and loss account			12,144,007		10,941,643
Shareholders' funds			<u>12,144,437</u>		<u>10,942,073</u>

The profit for the company for the financial year was £1,202,364 (2016 - £1,574,237).

The financial statements were approved by the Board of Directors and authorised for issue on **22/11/17**

Simon Vickers
Director



The notes on pages 14 to 28 form part of these financial statements.

Rectory Homes Limited

Company statement of changes in equity for the year ended 31 May 2017

	Share capital £	Profit and loss account £	Total equity £
1 June 2016	430	10,941,643	10,942,073
Comprehensive income for the year			
Profit for the year and total comprehensive income for the year	-	1,202,364	1,202,364
31 May 2017	430	12,144,007	12,144,437
	Share capital £	Profit and loss account (restated) £	Total equity (restated) £
1 June 2015	430	9,367,406	9,367,836
Comprehensive income for the year			
Profit for the year and total comprehensive income for the year	-	1,574,237	1,574,237
31 May 2016	430	10,941,643	10,942,073

The notes on pages 14 to 28 form part of these financial statements.

Rectory Homes Limited

Consolidated cash flow statement for the year ended 31 May 2017

	Note	2017 £	2016 (restated) £
Cash flows from operating activities			
Profit for the financial year		1,632,584	1,591,641
Adjustments for:			
Depreciation of fixed assets	8	240,024	223,156
Revaluation of investment property		(523,227)	-
Net interest payable		665,136	751,666
Taxation expense	7	369,152	421,484
(Increase)/decrease in trade and other debtors		(605,515)	1,085,040
(Increase)/decrease in stocks		2,529,936	(13,226,154)
(Decrease)/increase in trade and other creditors		(1,753,481)	12,380,759
Profit on disposal of fixed assets		(118)	(12,500)
Cash from operations		2,554,491	3,215,092
Interest paid		(682,227)	(751,297)
Taxation paid		(578,999)	(1,014,960)
Net cash generated from operating activities		1,293,265	1,448,835
Cash flows from investing activities			
Proceeds from sale of tangible fixed assets		28,823	12,500
Purchases of tangible fixed assets		(23,056)	(87,732)
Interest received		6,582	7,464
Net cash from investing activities		12,349	(67,768)
Cash flows from financing activities			
Capital element of lease repaid		(86,547)	(55,786)
New bank loans		6,638,484	7,484,812
Bank loans repaid		(9,663,877)	(8,817,518)
Net cash used in financing activities		(3,111,940)	(1,388,492)
Net decrease in cash and cash equivalents		(1,806,326)	(7,425)
Cash and cash equivalents at beginning of year		6,058,740	6,066,165
Cash and cash equivalents at end of year		4,252,414	6,058,740
Cash and cash equivalents comprise:			
Cash at bank and in hand		4,252,414	6,058,740
Bank overdrafts		-	-
		4,252,414	6,058,740

The notes on pages 14 to 28 form part of these financial statements.

Rectory Homes Limited

Notes forming part of the financial statements for the year ended 31 May 2017

1 Accounting policies

Rectory Homes Limited is a company incorporated in England & Wales under the Companies Act. The address of the registered office is given on the contents page and the nature of the company's operations and its principal activities are set out in the strategic report. The financial statements have been prepared in accordance with FRS 102 the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland.

Basis of measurement

The financial statements have been prepared on a historical cost basis, except for the revaluation of investment property.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the accounting policies.

Parent company disclosure exemptions

In preparing the separate financial statements of the parent company, advantage has been taken of the following disclosure exemptions available in FRS 102:

- Only one reconciliation of the number of shares outstanding at the beginning and end of the period has been presented as the reconciliations for the group and the parent company would be identical;
- No cash flow statement has been presented for the parent company;
- Disclosures in respect of the parent company's financial instruments and share-based payment arrangements have not been presented as equivalent disclosures have been provided in respect of the group as a whole; and
- No disclosure has been given for the aggregate remuneration of the key management personnel of the parent company as their remuneration is included in the totals for the group as a whole.

The following principal accounting policies have been applied:

Basis of consolidation

The group financial statements consolidate the financial statements of the company and its subsidiary undertakings drawn up to 31 May 2017.

Subsidiary undertakings are included using the acquisitions method of accounting. Under this method the group profit and loss account and statement of cash flows include the results and cash flows of subsidiaries from the date of acquisition and to the date of sale outside the group in the case of disposals of subsidiaries. The purchase consideration has been allocated to the assets and liabilities on the basis of fair value at the date of acquisition.

No profit and loss account is presented for the company as permitted by Section 408 of the Companies Act 2006.

Associates and joint ventures

An entity is treated as an associated undertaking where the group exercises significant influence in that it has the power to participate in the operating and financial policy decisions.

An entity is treated as a joint venture where the group is party to a contractual agreement with one or more parties from outside the group to undertake an economic activity that is subject to joint control.

In the consolidated accounts, interests in associated undertakings and joint ventures are accounted for using the equity method of accounting. Under this method an equity investment is initially recognised at the transaction price (including transaction costs) and is subsequently adjusted to reflect the investor's share of the profit or loss, other comprehensive income and equity of the associate, or joint venture. The

Rectory Homes Limited

Notes forming part of the financial statements for the year ended 31 May 2017 (*continued*)

1 Accounting policies (*continued*)

consolidated statement of comprehensive income includes the group's share of the operating results, interest, pre-tax results and attributable taxation of such undertakings applying accounting policies consistent with those of the group. In the consolidated balance sheet, the interests in associated undertakings and joint ventures are shown as the group's share of the identifiable net assets, including any unamortised premium paid on acquisition.

Any premium on acquisition is dealt with in accordance with the goodwill policy.

Turnover

Turnover comprises the proceeds from the sale of new houses and land legally completed in the year.

The purchase of a part exchange house is regarded as an incentive for the sale of a new house. Accordingly, the subsequent sale of a part exchange house is excluded from turnover and the profit or loss arising is included within cost of sales.

Depreciation

Depreciation is provided on tangible fixed assets so as to write off the cost or valuation, less any estimated residual value, over their expected useful economic life as follows:

Freehold land and buildings	-	50 years on a straight line basis
Plant and machinery	-	10 years on a straight line basis
Fixtures, fittings and computer equipment	-	4, 10, 12 or 25 years on a straight line basis
Motor vehicles	-	3 years on a straight line basis

Fixed asset investments

Fixed asset investments are stated at cost less provision for diminution in value.

Stock, work in progress and long term contracts

Stock and work in progress is valued at the lower of cost and net realisable value. Net realisable value is based on selling price less anticipated costs to completion and selling costs.

Investment properties

Investment property is carried at fair value determined annually 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.

Financial liabilities and equity

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, including bonds issued, are initially measured at transaction price (including transaction costs) and subsequently held at amortised cost.

Finance costs

Finance costs are charged to profit or loss over the term of the debt using the effective interest rate 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.

Current and deferred taxation

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

Rectory Homes Limited

Notes forming part of the financial statements for the year ended 31 May 2017 (*continued*)

1 Accounting policies (*continued*)

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 reporting date in the countries where the company's subsidiaries operate and generate taxable income.

Deferred balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date.

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 income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

Reserves

The company's reserves are as follows:

- Called up share capital reserve represents the nominal value of the shares issued.
- Profit and loss account represents cumulative profits or losses, net of dividends paid and other adjustments.

Hire purchase and leasing

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term.

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the group, are capitalised in the balance sheet as tangible fixed assets and are depreciated over the shorter of the lease term and their useful lives. The capital elements of future obligations under the leases are included as liabilities in the balance sheet. The interest element of the rental obligation is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding. Assets held under hire purchase agreements are capitalised as tangible fixed assets and are depreciated over the shorter of the lease term and their useful lives. The capital element of future finance payments is included within creditors. Finance charges are allocated to accounting periods over the length of the contract and represent a constant proportion of the balance of capital repayments outstanding.

Pensions

The group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company. Contributions are recognised in the profit and loss account in the period in which they become payable in accordance with the rules of the scheme.

Judgements in applying accounting policies and key sources of estimation uncertainty

In assessing the carrying value of work in progress the directors are required to assess the expected selling price and costs to sell each of the units that constitute the Group 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 the selling price is subject to significant inherent uncertainties, in particular the prediction of future trends in the market value of property. Whilst the directors

Rectory Homes Limited

Notes forming part of the financial statements for the year ended 31 May 2017 (*continued*)

1 Accounting policies (*continued*)

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 the actual selling price achieved in future periods and these differences may, in certain circumstances, be significant.

Investment properties are valued annually at fair value. Fair value is ascertained through review of factors and information flows, including market knowledge, recent market movements, recent sales of similar properties, historical experience, and rent levels and flows of cash for the investment property. There is an inevitable degree of judgement involved and value can be only reliably tested ultimately in the market itself. Given the property market knowledge and expertise of the directors and within the group, no third party valuation has been considered necessary.

2 Prior year adjustment

In the prior year financial statements the company incorrectly offset certain professional costs against the proceeds received on the issue of new bonds.

The incorrect offsetting of these costs resulted in the interest payable and similar charges and the loss for the year ended 31 May 2016 being understated by £43,536, and creditors falling due after more than one year and net assets being overstated by £43,536 at 31 May 2016.

3 Operating profit

	2017 £	2016 £
This is arrived at after charging/(crediting):		
Operating leases - other assets	107,500	107,500
Profit on sale of tangible fixed assets	(118)	(12,500)
Depreciation:		
- of leased assets	92,143	86,373
- of owned assets	147,069	136,781
Fees payable to the company's auditor for:		
- audit of the company and subsidiary undertakings	24,665	34,660
- audit of joint ventures	3,000	-
- taxation compliance and advisory	11,050	14,500
- Other fees to auditors	-	2,800
Rent receivable	(183,990)	(220,084)
	<hr/>	<hr/>

Rectory Homes Limited

Notes forming part of the financial statements
for the year ended 31 May 2017 (*continued*)

4 Employees

	2017 £	2016 £
Staff costs (including directors) consist of:		
Wages and salaries	2,385,396	2,089,720
Social security costs	310,719	265,845
Staff pensions	79,314	50,533
	<u>2,775,429</u>	<u>2,406,098</u>
The average number of employees (including directors) during the year was as follows:	Number	Number
Administration and support	<u>48</u>	<u>45</u>

5 Directors

	2017 £	2016 £
Directors' remuneration consist of:		
Remuneration (including benefits in kind)	817,294	496,440
Company contributions paid to money purchase schemes	42,130	25,020
	<u>859,424</u>	<u>521,460</u>

During the year the number of directors who were receiving benefits and share incentives was as follows:

	2017 Number	2016 Number
Accruing benefits under money purchase scheme	<u>4</u>	<u>2</u>
In respect of the highest paid director:	£	£
Remuneration	341,502	167,500
Company contributions to money purchase pension schemes	<u>35,750</u>	<u>18,770</u>

6 Interest payable and similar charges

	2017 £	2016 (Restated) £
Interest on bank and other borrowings	593,314	687,049
Finance charges	78,404	72,081
	<u>671,718</u>	<u>759,130</u>

Rectory Homes Limited

Notes forming part of the financial statements
for the year ended 31 May 2017 (*continued*)

7 Taxation on profit from ordinary activities

	2017 £	2016 £
<i>Current tax</i>		
UK corporation tax on profits of the year	280,277	422,340
Adjustment in respect of previous periods	8,710	(862)
	<u>288,987</u>	<u>421,478</u>
Current tax on of profit on ordinary activities	288,987	421,478
<i>Deferred tax</i>		
Fair value on investment property	80,165	-
	<u>369,152</u>	<u>421,484</u>
Taxation of profit on ordinary activities	369,152	421,484

The tax assessed for the year is lower (2016 - higher) than the standard rate of corporation tax in the UK. The differences are explained below:

	2017 £	2016 (restated) £
Profit on ordinary activities before tax	2,001,735	2,013,125
	<u>2,001,735</u>	<u>2,013,125</u>
Profit on ordinary activities at the standard rate of corporation tax in the UK of 19.83% (2016 - 20%)	396,944	411,404
Effects of:		
Depreciation in excess of capital allowances	-	1,156
Fixed asset differences	40	-
Adjustment in respect of previous periods (current tax)	8,710	(862)
Adjustment in respect of previous periods (deferred tax)	(18,943)	-
Expenses not deductible for tax purposes	10,191	9,786
Other reconciling items	(27,790)	-
	<u>369,152</u>	<u>421,484</u>
Taxation on profit on ordinary activities	369,152	421,484

Rectory Homes Limited
Notes forming part of the financial statements
for the year ended 31 May 2017 (*continued*)

8 Tangible assets

Group	Investment property £	Freehold land and buildings £	Plant and machinery £	Fixtures, fittings and computer equipment £	Motor vehicles £	Total £
<i>Cost or valuation</i>						
At 1 June 2016	814,000	899,050	283,128	1,129,725	344,521	3,470,424
Additions	-	-	21,191	1,865	33,696	56,752
Disposals	-	-	-	(59,457)	(49,285)	(108,742)
Revaluation	523,227	-	-	-	-	523,227
At 31 May 2017	<u>1,337,227</u>	<u>899,050</u>	<u>304,319</u>	<u>1,072,133</u>	<u>328,932</u>	<u>3,941,661</u>
<i>Depreciation</i>						
At 1 June 2016	-	86,925	256,660	959,846	114,329	1,417,760
Charge for the year	-	11,957	13,369	107,685	107,013	240,024
Eliminated on disposals	-	-	-	(59,457)	(20,580)	(80,037)
At 31 May 2017	<u>-</u>	<u>98,882</u>	<u>270,029</u>	<u>1,008,074</u>	<u>200,762</u>	<u>1,577,747</u>
<i>Net book value</i>						
At 31 May 2017	<u>1,337,227</u>	<u>800,168</u>	<u>34,290</u>	<u>64,059</u>	<u>128,170</u>	<u>2,363,914</u>
At 31 May 2016	<u>814,000</u>	<u>812,125</u>	<u>26,468</u>	<u>169,879</u>	<u>230,192</u>	<u>2,052,664</u>

The investment property has been valued by the directors at the year end based on a valuation by an external valuer. The historical cost of the investment property and freehold land and buildings is £1,728,250 (2016 - £1,728,250).

Leased assets

Included within the net book value of tangible fixed assets is £118,151 (2016 - £215,141) in respect of assets held under finance leases and similar hire purchase contracts. Depreciation for the year on these assets was £87,832 (2016 - £86,373).

Rectory Homes Limited

Notes forming part of the financial statements
for the year ended 31 May 2017 (*continued*)

8 Tangible assets (*continued*)

Company	Plant and machinery £	Fixtures, fittings and computer equipment £	Motor vehicles £	Total £
<i>Cost</i>				
At 1 June 2016	283,128	645,740	344,521	1,273,389
Additions	21,191	1,865	33,696	56,752
Disposals	-	(59,457)	(49,285)	(108,742)
At 31 May 2017	304,319	588,148	328,932	1,221,399
<i>Depreciation</i>				
At 1 June 2016	256,661	524,392	114,329	895,382
Charge for the year	13,369	59,286	107,013	179,668
Eliminated on disposals	-	(59,457)	(20,580)	(80,037)
At 31 May 2017	270,030	524,221	200,762	995,013
<i>Net book value</i>				
At 31 May 2017	34,289	63,927	128,170	226,386
At 31 May 2016	26,467	121,348	230,192	378,007

Leased assets

Included within the net book value of tangible fixed assets is £118,151 (2016 - £215,141) in respect of assets held under finance leases and similar hire purchase contracts. Depreciation for the year on these assets was £87,832 (2016 - £86,373).

Rectory Homes Limited

Notes forming part of the financial statements
for the year ended 31 May 2017 (*continued*)

9 Fixed asset investments

Company

Shares in group undertakings and participating interests	Joint ventures £	Subsidiary undertakings £	Total £
<i>Cost</i>			
At 1 June 2016	-	117,904	117,904
Reclassification	-	37,496	37,496
Additions	153	-	153
	<hr/>	<hr/>	<hr/>
At 31 May 2017	153	155,400	155,553
	<hr/>	<hr/>	<hr/>
<i>Net book value</i>			
At 31 May 2017	153	155,400	155,553
	<hr/>	<hr/>	<hr/>
At 31 May 2016	-	117,904	117,904
	<hr/>	<hr/>	<hr/>

Details of undertakings

Details of the investments in companies, incorporated in England and Wales, in which the group holds 20% or more of the nominal value of any class of share capital are as follows:

Subsidiary undertaking	Holdings	Rights and shares held Proportion of voting	Principal activity
Cardinal Homes Limited	Ordinary	100%	Property investment
Rectory Homes (South) Limited	Ordinary	100%	Property development
Rectory Homes Bonds plc	Ordinary	100%	Finance provision
Rectory Living Limited	Ordinary	100%	Dormant
Blenheim Place (Witney) Management Company Ltd	Ordinary	100%	Property management
Rectory Park Management Company (Tring) Ltd	Ordinary	100%	Property management
Latimer Place Management Company Ltd	Ordinary	100%	Property management
Stoney Furlong Management Company Ltd	Ordinary	100%	Property management
The Orchard (Stone) Management Company Ltd	Ordinary	100%	Property management
Fairwood Developments Ltd	Ordinary	100%	Dormant
Rectory (Haddenham 1) Ltd	Ordinary	100%	Dormant
Fairwood Planning Consultancy Ltd	Ordinary	100%	Dormant
Rectory (Aston Clinton) Ltd	Ordinary	76.5%	Property development
Fitzgerald Park (Binfield) management company limited	Ordinary	100%	Property management

Rectory Homes Limited

Notes forming part of the financial statements
for the year ended 31 May 2017 (*continued*)

10 Stocks

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Stocks	50,814	50,814	50,814	50,814
Work in progress	28,272,657	30,802,593	25,085,653	28,741,663
	<u>28,323,471</u>	<u>30,853,407</u>	<u>25,136,467</u>	<u>28,792,477</u>

In the group and company during the year to 31 May 2017, £18,499,825 was expensed from stocks to cost of sales (2016 - £18,749,242).

11 Debtors

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Trade debtors	8,540	30,617	8,540	30,617
Amounts owed by group undertakings	-	-	2,074,721	2,942,702
Other debtors	251,691	225,483	211,191	225,483
Directors' current accounts	336,556	65,000	336,556	65,000
Prepayments and accrued income	86,306	36,908	86,306	36,908
Amounts owed by joint venture	280,429	-	280,429	-
	<u>963,522</u>	<u>358,008</u>	<u>2,997,743</u>	<u>3,300,710</u>

All amounts fall due for payment within one year.

12 Creditors: amounts falling due within one year

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Trade creditors	1,561,692	3,083,770	1,561,692	3,083,770
Bank loans and overdrafts (secured)	3,763,074	6,075,225	3,763,074	5,899,043
Obligations under finance lease and hire purchase contracts	53,307	66,220	53,307	66,220
Corporation tax	159,367	421,484	144,537	403,049
Other taxes and social security	83,469	93,890	83,469	93,890
Other creditors	10,880,577	11,565,060	10,908,472	11,592,775
Directors' current accounts	-	186,541	-	186,541
Accruals and deferred income	915,841	276,308	893,041	272,576
Amounts owed by group undertakings	-	-	737,082	634,815
	<u>17,417,327</u>	<u>21,768,498</u>	<u>18,144,674</u>	<u>22,232,679</u>

Rectory Homes Limited

Notes forming part of the financial statements for the year ended 31 May 2017 (continued)

13 Creditors: amounts falling due after more than one year

	Group 2017 £	Group 2016 (restated) £	Company 2017 £	Company 2016 £
Bank and other loans	5,745,290	6,458,532	2,413,000	5,370,563
Obligations under finance lease and hire purchase contracts	56,819	96,757	56,819	96,757
	<u>5,802,109</u>	<u>6,555,289</u>	<u>2,469,819</u>	<u>5,467,320</u>

The bank loans and overdrafts are secured by a fixed and floating charge over the assets of the company and specific charges on the properties held in stock and fixed assets. Bank and other loans includes a 5 year bond issued by the group in May 2015 with gross proceeds of £1,000,000.

Bank and other loans are shown net of unamortised arrangement fees of £200,019 (2016 - £304,478).

The maturity of sources of debt finance are as follows:

Group	Bank and other loans 2017 £	Finance leases 2017 £	Total 2017 £
In one year or less, or on demand	3,763,074	53,307	3,816,381
In more than one year but not more than two years	2,413,000	26,475	2,439,475
In more than two years but not more than five years	3,332,290	30,344	3,381,107
	<u>9,508,364</u>	<u>110,126</u>	<u>9,636,963</u>
	Bank and other loans 2016 (restated) £	Finance leases 2016 £	Total 2016 £
In one year or less, or on demand	6,075,225	66,220	6,141,445
In more than one year but not more than two years	5,590,281	53,474	5,600,219
In more than two years but not more than five years	867,904	43,283	911,187
	<u>12,533,410</u>	<u>162,977</u>	<u>12,652,851</u>

Rectory Homes Limited

Notes forming part of the financial statements
for the year ended 31 May 2017 *(continued)*

13 Creditors: amounts falling due after more than one year *(continued)*

Company	Bank and other loans 2017 £	Finance leases 2017 £	Total 2017 £
In one year or less, or on demand	3,763,064	53,307	3,816,371
In more than one year but not more than two years	2,413,000	26,475	2,439,475
In more than two years but not more than five years	-	30,344	30,344
	<u>6,176,064</u>	<u>110,126</u>	<u>6,286,190</u>
	Bank and other loans 2016 £	Finance leases 2016 £	Total 2016 £
In one year or less, or on demand	5,899,043	66,220	5,965,263
In more than one year but not more than two years	5,370,593	53,474	5,424,067
In more than two years but not more than five years	-	43,283	43,283
	<u>11,269,636</u>	<u>162,977</u>	<u>11,432,613</u>

14 Financial instruments

The Group's financial instruments may be analysed as follows:

	Group 2017 £	Group 2016 £
Financial assets		
Financial assets that are debt instruments measured at amortised cost	<u>4,849,201</u>	<u>6,379,839</u>
Financial liabilities		
Financial liabilities measured at amortised cost	<u>23,056,948</u>	<u>27,792,425</u>

Financial assets measured at amortised cost comprise cash, trade debtors, other debtors, and director's current accounts.

Financial liabilities measured at amortised cost comprise bonds issued, bank loans and overdrafts, trade creditors, other creditors, directors' current accounts and accruals.

Information regarding the group's exposure to and management of credit risk, liquidity risk, market risk, cash flow interest rate risk, and foreign exchange risk is included in the Directors' report.

Rectory Homes Limited

Notes forming part of the financial statements
for the year ended 31 May 2017 (*continued*)

15 Share capital

	2017 Number	Allotted, called up and fully paid 2016 Number	2017 £	2016 £
Ordinary 'A' shares of £0.01 each	39,000	39,000	390	390
Ordinary 'B' shares of £0.01 each	4,000	4,000	40	40
	<u>43,000</u>	<u>43,000</u>	<u>430</u>	<u>430</u>

'B' shares have a 1:4 dividend right in comparison to 'A' shares. Nominal value and voting rights of 'B' shares rank pari passu with 'A' shares.

16 Pension schemes

Defined contribution pension scheme

The group operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the group to the scheme and amounted to £79,314 (2016 - £50,533).

17 Commitments under operating leases

The group and company had minimum lease payments under non-cancellable operating leases as set out below:

	Group Land and buildings 2017 £	Group Land and buildings 2016 £	Company Land and buildings 2017 £	Company Land and buildings 2016 £
Land and buildings				
Within one year	107,500	107,500	279,267	297,267
Within one to two years	107,500	107,500	279,267	297,267
Within two to five years	322,500	322,500	714,035	837,801
Over five years	117,863	225,363	117,863	273,363
	<u>655,363</u>	<u>762,863</u>	<u>1,390,432</u>	<u>1,705,698</u>

Rectory Homes Limited

Notes forming part of the financial statements for the year ended 31 May 2017 (continued)

17 Commitments under operating leases (continued)

Lessor

The group and company leases out the investment properties under non-cancellable operating leases for the following future minimum lease payments. There are no contingent rents.

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Land and buildings				
Within one year	172,030	118,850	172,030	118,850
Within one to two years	76,780	94,350	76,780	94,350
Within two to five years	35,500	53,850	35,500	53,850
	<u>284,310</u>	<u>267,050</u>	<u>284,310</u>	<u>267,050</u>

18 Related party transactions

The company and group lease two buildings for £107,500 per annum from Vickers Family Suntrust Scheme. Simon Vickers, the ultimate controlling party, is the only member of the scheme. At the end of the current year and prior year there was no balance due from or to Vickers Family Suntrust Scheme.

During the prior year, Simon Vickers and Sarah Vickers purchased assets from Rectory Homes Limited for total consideration of £899,500 and exchanged on the sale of assets to Rectory Homes Limited for total consideration of £12,000,000, with £10,800,000 due on completion and included in other creditors at the end of the current year and prior year.

Simon Vickers and Sarah Vickers hold, as nominee, a property held in stock at a value of £2,046,344 (2016 - £2,042,255) which is under a legal mortgage in relation to a loan to them.

At the balance sheet date the amount due from Simon Vickers and Sarah Vickers, directors, was £336,555 (2016: due to - £186,541). The maximum loan amount in the year was £336,556 (2016 - £2,104,029) due from the directors.

During the current year, the company provided sponsorship to the Chinnor Rugby Football Club ("Chinnor") of £201,491 (2016 - £30,000). In addition, Rectory Homes Limited provide Chinnor with accountancy and payroll services free of charge. Chinnor also pays rent of £12,000 (2016 - £32,042) to Rectory Homes (South) Limited for use of a property owned by the company. At the balance sheet date the amount due from Chinnor was £19,000 (2016 - £19,000).

At the balance sheet date the amount due from David Ullathorne, a director, was £nil (2016 - £65,000). The maximum amount due from David Ullathorne during the year was £65,000 (2016 - £115,000).

19 Control

The company is controlled by Simon Vickers who is the majority shareholder.