

Rectory Homes Limited

Report and Financial Statements

Year Ended

31 May 2018

Company Number 02575047

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Rectory Homes Limited

Report and financial statements for the year ended 31 May 2018

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Directors

Simon Vickers
Sarah Vickers
David Ullathorne
Robert Davidson

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 2018

The directors present their strategic report together with the audited financial statements for the year ended 31 May 2018.

UK housing market

In 2017/18 the company continued with its strategy of sourcing land through options and conditional contracts. This was particularly fruitful in terms of receiving planning consents for four development sites with a total of 108 units, which built on the success of 2016/17 when four sites received consent for a total of 111 units. Unfortunately the timing of these consents were significantly delayed from our original expectations and so contributed little to the current year performance, although they lay solid foundations for the future.

The 2017/18 financial performance therefore reflects the final contributions from sites that were completed and very limited contribution from new sites, which were just completing the construction and sales of their first units. As a result we reported an operating loss of £742k (profit £2.7m 2016/17). However we maintained healthy gross margins of 24.9% (24.5% 2016/17).

We are pleased with the planning permissions we have recently obtained, which have been augmented by five additional sites since the year end that will contribute a further 89 units in the future. This reflects our commitment to grow in our core market of high quality residential properties in the Home Counties.

In the year to May 2018 the UK housing market has remained buoyant, with house prices in the south-east of England showing an annual increase of 2.2%, continuing growth of 3.8% in the preceding 12 months (Source: ONS).

Development and performance of the business

In the 2017/18 financial year Rectory Homes sales were significantly below those in prior years, due to delays in planning and therefore delays in starting on new sites, as noted above. In total we completed on the sales of 15 open market units in the financial year, compared to 37 open market units in the prior year. However, we were pleased with sales activity being maintained, and although turnover was below historical levels, demand for Rectory homes remained strong with no completed units held in stock at the year end and a number of future sales agreed for when the homes have been built.

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:

	2015/16 £000	2016/17 £000	2017/18 £000
Turnover	25,480	24,141	14,727
Land sale	(250)	-	(1,597)
Development turnover	25,230	24,141	13,130
Gross profit	6,072	5,914	3,536
Land sale	(98)	-	(292)
Development gross profit	5,974	5,914	3,244
<i>Gross margin %</i>	<i>23.7</i>	<i>24.5</i>	<i>24.9</i>
Operating profit/(loss)	2,765	2,667	(742)
Land sale	(98)	-	(292)
Development operating profit/(loss)	2,667	2,667	(1,034)
<i>Operating margin %</i>	<i>10.6</i>	<i>11.0</i>	<i>-7.9</i>

The gross margin achieved on sales was 24.9%, which is higher than that achieved in 2016/17 (24.5%).

Rectory Homes Limited

Strategic report for the year ended 31 May 2018 (*continued*)

In 2017/18 Rectory Homes Bonds plc paid the third interest payment to bondholders of the £1m 5 year bonds at 6.25%.

Land options/pipeline

We have continued to strengthen the pipeline of land for development. During 2017/18 Rectory Homes secured planning permission for five developments, which between them totalled 108 units with a gross development value of over £51m. Since the year end we have received planning consents on five further sites for a total of 89 units. Live applications, for sites we hold under option or conditional contract, and are in the planning system will provide up to 203 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.

Rectory Homes Limited

Strategic report for the year ended 31 May 2018 (*continued*)

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.

Since the autumn, we have experienced a very slow market, where it is taking longer to achieve sales and sales prices are under increased pressure. Whilst the market fundamentals remain strong, we do not foresee any alleviation of the current market conditions until such time as there is some degree of political clarity. We remain confident that the market will pick up once key Brexit decisions have been made and remain optimistic about future growth. Despite the current market challenges, we are continuing to achieve sales as a result of our superior product.

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 2018 (*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 remain supportive. 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, Haddenham Library and local school activities.

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 institutions. At 31 May 2018 cash deposits totalling £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 £5.9m.

Approval

This strategic report was approved on behalf of the Board on 12/2/19


Simon Vickers

Director

Rectory Homes Limited

Directors' report for the year ended 31 May 2018

The directors present their report together with the audited financial statements for the year ended 31 May 2018.

Results

The consolidated statement of comprehensive income is set out on page 10 and shows the loss for the year.

Directors

The directors of the company during the year were:

Simon Vickers
Sarah Vickers
David Ullathorne
Robert Davidson
Amer Alkhalil – resigned 30/11/18

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

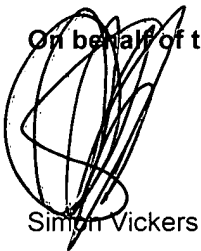
Directors' report for the year ended 31 May 2018 (*continued*)

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

A handwritten signature in black ink, appearing to be 'Simon Vickers', written over the printed name.

Simon Vickers

Director

Date 12/2/19

Rectory Homes Limited

Independent auditor's report

TO THE MEMBERS OF RECTORY HOMES LIMITED

Opinion

We have audited the financial statements of Rectory Homes Limited ("the Parent Company") and its subsidiaries ("the Group") for the year ended 31 May 2018 which comprise the consolidated statement of comprehensive income, the consolidated and company balance sheets, the consolidated and company statement of changes in equity, the consolidated statement of cash flows and notes to the financial statements, 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 May 2018 and of the Group's loss 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 Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC'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

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group or the Parent Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Rectory Homes Limited

Independent auditor's report (*continued*)

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. 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.

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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.

Opinions 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 and Director's 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.

Rectory Homes Limited

Independent auditor's report (continued)

Responsibilities of Directors

As explained more fully in the directors' report, 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.

Auditor's 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 auditor's 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 financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

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.

BDO LLP

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

Date *12/2/19*

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 2018

	Note	2018 £	2017 £
Turnover		14,727,041	24,141,343
Cost of sales		(11,170,875)	(18,227,616)
Gross profit		3,556,166	5,913,727
Administrative expenses		(4,564,112)	(3,981,993)
		(1,007,946)	1,931,734
Profit on disposal of fixed assets		38,101	118
Other operating income		14,675	211,945
Revaluation on investment property	7	212,835	523,227
Share of losses of joint venture		-	(153)
Operating (loss)/profit	2	(742,335)	2,666,871
Other interest receivable and similar income		5,798	6,582
Interest payable and similar charges	5	(563,558)	(671,718)
(Loss)/profit on ordinary activities before taxation		(1,300,095)	2,001,735
Taxation on (loss)/profit from ordinary activities	6	265,398	(369,152)
(Loss)/profit for the financial year attributable to members of the parent company and total comprehensive income		(1,034,697)	1,632,583

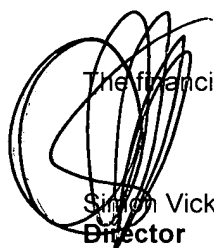
All amounts relate to continuing activities.

The notes on pages 16 to 28 form part of these financial statements.

Rectory Homes Limited

Consolidated balance sheet at 31 May 2018

<i>Company number 02575047</i>	Note	2018 £	2018 £	2017 £	2017 £
Fixed assets					
Tangible fixed assets	7		4,455,710		2,363,914
Investments			-		-
Current assets					
Stocks	9	36,210,522		28,323,471	
Debtors	10	1,695,602		963,522	
Cash at bank and in hand		3,058,408		4,252,414	
		40,964,532		33,539,407	
Creditors: amounts falling due within one year	11	(22,430,817)		(17,417,327)	
Net current assets			18,533,715		16,122,080
Total assets less current liabilities			22,989,425		18,485,994
Creditors: amounts falling due after more than one year	12		(11,307,042)		(5,802,109)
Deferred tax liability			(113,360)		(80,165)
Net assets			11,569,023		12,603,720
Capital and reserves					
Called up share capital	14		430		430
Profit and loss account			11,568,593		12,603,290
Shareholders' funds			11,569,023		12,603,720



The financial statements were approved by the Board of Directors and authorised for issue on 12/2/19

Simon Vickers
Director

The notes on pages 16 to 28 form part of these financial statements.

Rectory Homes Limited

Consolidated statement of changes in equity for the year ended 31 May 2018

	Share capital £	Profit and loss account £	Total equity £
1 June 2017	430	12,603,290	12,603,720
Comprehensive income for the year			
Loss for the year and total comprehensive income	-	(1,034,697)	(1,034,697)
	<hr/>	<hr/>	<hr/>
31 May 2018	430	11,568,593	11,569,023
	<hr/>	<hr/>	<hr/>

	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/>

The notes on pages 16 to 28 form part of these financial statements.

Rectory Homes Limited

Company balance sheet at 31 May 2018

Company number 02575047	Note	2018 £	2018 £	2017 £	2017 £
Fixed assets					
Tangible fixed assets	7		163,001		226,386
Investments	8		155,553		155,553
			<u>318,554</u>		<u>381,939</u>
Current assets					
Stocks	9	34,263,173		25,136,467	
Debtors	10	4,192,400		2,997,743	
Cash at bank and in hand		3,048,205		4,242,781	
		<u>41,503,778</u>		<u>31,376,991</u>	
Creditors: amounts falling due within one year	11	(22,576,636)		(18,144,674)	
Net current assets			<u>18,927,142</u>		<u>14,232,317</u>
Total assets less current liabilities			<u>19,245,696</u>		<u>14,614,256</u>
Creditors: amounts falling due after more than one year	12		(8,562,005)		(2,469,819)
Net assets			<u>10,683,691</u>		<u>12,144,437</u>
Capital and reserves					
Called up share capital	14		430		430
Profit and loss account			10,683,261		12,144,007
Shareholders' funds			<u>10,683,691</u>		<u>12,144,437</u>

The loss for the company for the financial year was £1,460,746 (2017 - £1,202,364, profit).

The financial statements were approved by the Board of Directors and authorised for issue on 12/2/19


Simon Vickers
Director

The notes on pages 16 to 28 form part of these financial statements.

Rectory Homes Limited

Company statement of changes in equity for the year ended 31 May 2018

	Share capital £	Profit and loss account £	Total equity £
1 June 2017	430	12,144,007	12,144,437
Comprehensive income for the year			
Loss for the year and total comprehensive income for the year	-	(1,460,746)	(1,460,746)
	<hr/>	<hr/>	<hr/>
31 May 2018	430	10,683,261	10,683,691
	<hr/>	<hr/>	<hr/>

	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
	<hr/>	<hr/>	<hr/>
31 May 2017	430	12,144,007	12,144,437
	<hr/>	<hr/>	<hr/>

The notes on pages 16 to 28 form part of these financial statements.

Rectory Homes Limited

Consolidated statement of cash flows for the year ended 31 May 2018

	Note	2018 £	2017 £
Cash flows from operating activities			
(Loss)/profit for the financial year		(1,034,697)	1,632,584
Adjustments for:			
Depreciation of fixed assets	7	135,644	240,024
Revaluation of investment property	7	(212,835)	(523,227)
Net interest payable		557,760	665,136
Taxation expense	6	(265,398)	369,152
Increase in trade and other debtors		(617,367)	(605,515)
Increase in stocks		(7,887,052)	2,529,936
Decrease in trade and other creditors		1,036,196	(1,753,481)
Profit on disposal of fixed assets		(38,116)	(118)
Cash from operations		(8,325,865)	2,554,491
Interest paid		(437,949)	(682,227)
Taxation paid		(225,240)	(578,999)
Net cash generated from operating activities		(8,989,054)	1,293,265
Cash flows from investing activities			
Proceeds from sale of tangible fixed assets		46,956	28,823
Purchases of tangible fixed assets		(1,997,152)	(23,056)
Interest received		5,798	6,582
Net cash from investing activities		(1,944,398)	12,349
Cash flows from financing activities			
Capital element of lease repaid		(69,376)	(86,547)
New bank loans		12,962,340	6,638,484
Bank loans repaid		(3,403,274)	(9,663,877)
Directors loans drawn		249,756	-
Net cash used in financing activities		9,739,446	(3,111,940)
Net decrease in cash and cash equivalents		(1,194,006)	(1,806,326)
Cash and cash equivalents at beginning of year		4,252,414	6,058,740
Cash and cash equivalents at end of year		3,058,408	4,252,414
Cash and cash equivalents comprise:			
Cash at bank and in hand		3,058,408	4,252,414
Bank overdrafts		-	-
		3,058,408	4,252,414

The notes on pages 16 to 28 form part of these financial statements.

Rectory Homes Limited

Notes forming part of the financial statements for the year ended 31 May 2018

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 2018.

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.

Rectory Homes Limited

Notes forming part of the financial statements for the year ended 31 May 2018 (*continued*)

1 Accounting policies (*continued*)

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 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 primarily comprises amounts receivable from the sale of new houses and land legally completed in the year. Turnover is recognised as the fair value of consideration received or receivable on transfer of the significant risks and rewards of ownership to the buyer. This is usually at the point of legal completion of development units.

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.

Also included within turnover is rental income from operating leases, which is recognised in profit or loss on a straight-line basis over the lease term.

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.

Rectory Homes Limited

Notes forming part of the financial statements for the year ended 31 May 2018 (*continued*)

1 Accounting policies (*continued*)

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

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.

Rectory Homes Limited

Notes forming part of the financial statements for the year ended 31 May 2018 (continued)

1 Accounting policies (continued)

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 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 Operating profit

	2018 £	2017 £
This is arrived at after charging/(crediting):		
Operating leases - other assets	107,500	107,500
Profit on sale of tangible fixed assets	(38,101)	(118)
Depreciation:		
- of leased assets	58,336	92,143
- of owned assets	72,308	147,069
Fees payable to the company's auditor for:		
- audit of the company and subsidiary undertakings	29,000	24,665
- audit of joint ventures	3,000	3,000
- taxation compliance and advisory	12,000	11,050
Rent receivable	(209,262)	(183,990)
	<u> </u>	<u> </u>

Rectory Homes Limited

Notes forming part of the financial statements for the year ended 31 May 2018 (continued)

3 Employees

	2018 £	2017 £
Staff costs for the company and group (including directors) consist of:		
Wages and salaries	2,559,321	2,385,396
Social security costs	233,338	205,175
Staff pensions	67,453	79,314
	<u>2,860,112</u>	<u>2,669,884</u>
The average number of employees (including directors) during the year was as follows:	Number	Number
Administration and support	<u>49</u>	<u>48</u>

4 Directors

	2018 £	2017 £
Directors' remuneration consist of:		
Remuneration (including benefits in kind)	719,209	817,294
Social security costs	94,721	105,544
Company contributions paid to money purchase schemes	18,274	42,130
	<u>832,204</u>	<u>964,969</u>

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

	2018 Number	2017 Number
Accruing benefits under money purchase scheme	<u>4</u>	<u>4</u>
In respect of the highest paid director:	£	£
Remuneration	220,000	341,502
Company contributions to money purchase pension schemes	<u>461</u>	<u>35,750</u>

Rectory Homes Limited

Notes forming part of the financial statements for the year ended 31 May 2018 (continued)

5 Interest payable and similar charges

	2018 £	2017 £
Interest on bank and other borrowings	486,430	593,314
Finance charges	77,128	78,404
	<u>563,558</u>	<u>671,718</u>

6 Taxation on profit from ordinary activities

	2018 £	2017 £
<i>Current tax</i>		
UK corporation tax on (losses)/profits of the year	(366,296)	280,277
Adjustment in respect of previous periods	25,833	8,710
	<u>(340,463)</u>	<u>288,987</u>
Current tax on of (loss)/profit on ordinary activities		
	<u>(340,463)</u>	<u>288,987</u>
<i>Deferred taxation</i>		
Fair value on investment property	75,065	80,165
	<u>75,065</u>	<u>80,165</u>
Taxation (credit)/charge for the year	<u>(265,398)</u>	<u>369,152</u>

The tax assessed for the year is higher (2017 - lower) than the standard rate of corporation tax in the UK. The differences are explained below:

	2018 £	2017 £
(Loss)/profit on ordinary activities before tax	<u>(1,300,095)</u>	<u>2,001,735</u>
(Loss)/profit on ordinary activities at the standard rate of corporation tax in the UK of 19% (2017 – 19.83%)	(247,018)	396,944
Effects of:		
Deferred tax movement on investment properties	(14,119)	-
Fixed asset differences	316	40
Adjustment in respect of previous periods (current tax)	(14,579)	8,710
Adjustment in respect of previous periods (deferred tax)	(11,254)	(18,943)
Expenses not deductible for tax purposes	13,103	10,191
Group relief claimed	(12,751)	-
Other reconciling items	20,904	(27,790)
	<u>(265,398)</u>	<u>369,152</u>
Taxation (credit)/charge for the year	<u>(265,398)</u>	<u>369,152</u>

Rectory Homes Limited
Notes forming part of the financial statements
for the year ended 31 May 2018 (continued)

7 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 2017	1,337,227	899,050	304,319	1,072,133	328,932	3,941,661
Additions	1,960,458	-	31,577	5,133	26,292	2,023,460
Disposals	-	-	(79,135)	-	(103,045)	(182,180)
Revaluation	212,835	-	-	-	-	212,835
At 31 May 2018	3,510,520	899,050	256,761	1,077,266	252,179	5,995,776
<i>Depreciation</i>						
At 1 June 2017	-	98,882	270,029	1,008,074	200,762	1,577,747
Charge for the year	-	17,981	11,601	20,330	85,732	135,644
Eliminated on disposals	-	-	(79,135)	-	(94,190)	(173,325)
At 31 May 2018	-	116,863	202,495	1,028,404	192,304	1,540,066
<i>Net book value</i>						
At 31 May 2018	3,510,520	782,187	54,266	48,862	59,875	4,455,710
At 31 May 2017	1,337,227	800,168	34,290	64,059	128,170	2,363,914

The investment property has been valued by the directors at the year end. The historical cost of the investment property and freehold land and buildings is £3,569,514 (2017 - £1,728,250).

Rectory Homes Limited

Notes forming part of the financial statements for the year ended 31 May 2018 *(continued)*

7 Tangible assets *(continued)*

Company	Plant and machinery £	Fixtures, fittings and computer equipment £	Motor vehicles £	Total £
<i>Cost</i>				
At 1 June 2017	304,319	588,148	328,932	1,221,399
Additions	31,561	5,133	26,292	62,986
Disposals	(79,135)	-	(103,045)	(182,180)
	<u>256,745</u>	<u>593,281</u>	<u>252,179</u>	<u>1,102,205</u>
<i>Depreciation</i>				
At 1 June 2017	270,030	524,221	200,762	995,013
Charge for the year	11,601	20,183	85,732	117,516
Eliminated on disposals	(79,135)	-	(94,190)	(173,325)
	<u>202,496</u>	<u>544,404</u>	<u>192,304</u>	<u>939,204</u>
<i>Net book value</i>				
At 31 May 2018	<u>54,249</u>	<u>48,877</u>	<u>59,875</u>	<u>163,001</u>
At 31 May 2017	<u>34,289</u>	<u>63,927</u>	<u>128,170</u>	<u>226,386</u>

Leased assets

Included within the net book value of tangible fixed assets is £73,419 (2017 - £118,151) in respect of assets held under finance leases and similar hire purchase contracts. Depreciation for the year on these assets was £58,336 (2017 - £87,832).

Rectory Homes Limited

Notes forming part of the financial statements
for the year ended 31 May 2018 (*continued*)

8 Fixed asset investments

Company

Shares in group undertakings and participating interests

	Joint ventures £	Subsidiary undertakings £	Total £
<i>Cost</i>			
At 1 June 2017	153	155,400	155,553
Reclassifications	-	-	-
Additions	-	-	-
	<hr/>	<hr/>	<hr/>
At 31 May 2018	153	155,400	155,553
	<hr/>	<hr/>	<hr/>
<i>Net book value</i>			
At 31 May 2018	153	155,400	155,553
	<hr/>	<hr/>	<hr/>
At 31 May 2017	153	155,400	155,553
	<hr/>	<hr/>	<hr/>

Details of undertakings

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
Rectory Bishopstone Limited	Ordinary	100%	Property development
Rectory Commercial Limited	Ordinary	100%	Property investment
Blenheim Place (Witney) Management Company Ltd	Ordinary	100%	Dormant
Rectory Park Management Company (Tring) Ltd	Ordinary	100%	Dormant
Latimer Place Management Company Ltd	Ordinary	100%	Dormant
Stoney Furlong Management Company Ltd	Ordinary	100%	Dormant
The Orchard (Stone) Management Company Ltd	Ordinary	100%	Dormant
Fairwood Developments 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%	Dormant

Rectory Homes Limited

Notes forming part of the financial statements for the year ended 31 May 2018 (continued)

9 Stocks

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Stocks	50,814	50,814	50,814	50,814
Work in progress	36,159,708	28,272,657	34,212,359	25,085,653
	<u>36,210,522</u>	<u>28,323,471</u>	<u>34,263,173</u>	<u>25,136,467</u>

In the group and company during the year to 31 May 2018 £10,293,308 was expensed from stocks to cost of sales (2017 - £18,499,825).

Stock is stated net of provisions totalling £632,343 (2017: £181,120).

10 Debtors

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Trade debtors	10,629	8,540	10,629	8,540
Amounts owed by group undertakings	-	-	2,669,443	2,074,721
Other debtors	355,730	251,691	206,627	211,191
Directors' current accounts	86,800	336,556	86,800	336,556
Prepayments and accrued income	72,078	86,306	72,079	86,306
Amounts owed by joint venture	805,899	280,429	805,899	280,429
Corporation tax	326,171	-	317,378	-
Deferred tax	38,295	-	23,545	-
	<u>1,695,602</u>	<u>963,522</u>	<u>4,192,400</u>	<u>2,997,743</u>

All amounts fall due for payment within one year.

11 Creditors: amounts falling due within one year

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Trade creditors	2,890,183	1,561,692	2,890,183	1,561,692
Bank loans and overdrafts (secured)	7,800,812	3,763,074	6,591,968	3,763,074
Obligations under finance lease and hire purchase contracts	26,369	53,307	26,369	53,307
Corporation tax	-	159,367	-	144,537
Other taxes and social security	169,003	83,469	163,853	83,469
Other creditors	10,272,135	10,880,577	10,272,134	10,908,472
Accruals and deferred income	1,272,315	915,841	1,180,758	893,041
Amounts owed by group undertakings	-	-	1,451,371	737,082
	<u>22,430,817</u>	<u>17,417,327</u>	<u>22,576,636</u>	<u>18,144,674</u>

Rectory Homes Limited

Notes forming part of the financial statements for the year ended 31 May 2018 (continued)

12 Creditors: amounts falling due after more than one year

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Bank and other loans	11,266,369	5,745,290	8,521,332	2,413,000
Obligations under finance lease and hire purchase contracts	40,673	56,819	40,673	56,819
	<u>11,307,042</u>	<u>5,802,109</u>	<u>8,562,005</u>	<u>2,469,819</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 £132,891 (2017 - £200,019).

The maturity of sources of debt finance are as follows:

Group	Bank and other loans 2018 £	Finance leases 2018 £	Total 2018 £
In one year or less, or on demand	7,801,061	26,369	7,827,430
In more than one year but not more than two years	8,521,332	26,475	8,547,807
In more than two years but not more than five years	2,745,037	14,198	2,759,235
	<u>19,067,430</u>	<u>67,042</u>	<u>19,134,472</u>
	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>

Rectory Homes Limited

Notes forming part of the financial statements for the year ended 31 May 2018 *(continued)*

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

Company	Bank and other loans 2018 £	Finance leases 2018 £	Total 2018 £
In one year or less, or on demand	6,591,968	26,369	6,618,337
In more than one year but not more than two years	8,521,332	26,475	8,547,807
In more than two years but not more than five years	-	14,198	14,198
	<u>15,113,300</u>	<u>67,042</u>	<u>15,180,342</u>
	<u>Bank and other loans 2017 £</u>	<u>Finance leases 2017 £</u>	<u>Total 2017 £</u>
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>

13 Financial instruments

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

	Group 2018 £	Group 2017 £
Financial assets		
Financial assets that are debt instruments measured at amortised cost	<u>4,317,464</u>	<u>4,849,201</u>
Financial liabilities		
Financial liabilities measured at amortised cost	<u>33,501,814</u>	<u>23,056,948</u>

Financial assets measured at amortised cost comprise cash, trade debtors, other debtors, amounts due from joint ventures and director's current accounts.

Financial liabilities measured at amortised cost comprise bonds issued, bank loans and overdrafts, trade creditors, other creditors 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 2018 (continued)

14 Share capital

	2018 Number	2017 Number	Allotted, called up and fully paid 2018 £	2017 £
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.

15 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 £67,453 (2017 - £79,314).

16 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 2018 £	Group Land and buildings 2017 £	Company Land and buildings 2018 £	Company Land and buildings 2017 £
Land and buildings				
Within one year	107,500	107,500	279,267	279,267
Within one to two years	107,500	107,500	279,267	279,267
Within two to five years	322,500	322,500	542,268	714,035
Over five years	10,363	117,863	10,363	117,863
	<u>547,863</u>	<u>655,363</u>	<u>1,111,165</u>	<u>1,390,432</u>

Rectory Homes Limited

Notes forming part of the financial statements for the year ended 31 May 2018 (continued)

16 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 receipts. There are no contingent rents.

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Land and buildings				
Within one year	189,590	172,030	189,590	172,030
Within one to two years	36,500	76,780	36,500	76,780
Within two to five years	18,000	35,500	18,000	35,500
	<u>244,090</u>	<u>284,310</u>	<u>244,090</u>	<u>284,310</u>

17 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.

Simon Vickers and Sarah Vickers hold, as nominee, a property held in stock at a value of £2,052,047 (2017 - £2,046,344) 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 £76,800 (2017 - £336,555). The maximum loan amount in the year was £404,924 (2017 - £336,556) due from the directors.

During the current year, the company provided sponsorship to the Chinnor Rugby Football Club ("Chinnor") of £206,153 (2017 - £201,491). In addition, Rectory Homes Limited provide Chinnor with accountancy and payroll services free of charge. Chinnor also pays rent of £12,000 (2017 - £12,000) 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 (2017 - £19,000).

During the current year, Simon and Sarah Vickers received £50,000 for a plot of land sold as the garden for a property held in the group.

At the balance sheet date the amount due from David Ullathorne, a director, was £10,000 (2017 - £Nil). The maximum amount due from David Ullathorne during the year was £10,000 (2017 - £65,000).

Key management personnel are considered to be directors only. Total remuneration in respect of these individuals is disclosed in note 4.

18 Control

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