

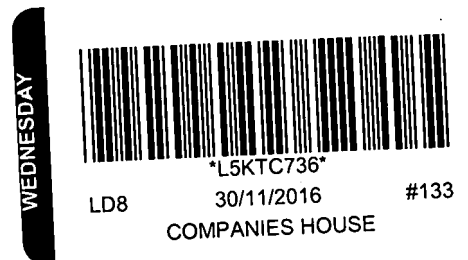
Rectory Homes Limited

Report and Financial Statements

Year Ended

31 May 2016

Company Number 02575047



Rectory Homes Limited

Report and financial statements for the year ended 31 May 2016

Contents

Page:

1	Strategic report
5	Report of the directors
7	Independent auditor's report
9	<i>Consolidated statement of comprehensive income</i>
10	Consolidated balance sheet
11	Consolidated statement of changes in equity
12	Company balance sheet
13	Company statement of changes in equity
14	Consolidated cash flow statement
15	Notes forming part of the financial statements

Directors

Simon Vickers
Sarah Vickers
David Ullathorne
David Tye
Dermot Mathias
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 2016

The directors present their strategic report together with the audited financial statements for the year ended 31 May 2016.

UK housing market

In 2015/16 Rectory Homes 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 2016 was significantly ahead of 2014/15. The gross margin achieved on sales was above historical levels achieved at 23.7%, although less than the exceptional level achieved in 2014/15 of 30.5%.

In the year to May 2016 the UK housing market remained buoyant, with house prices in the south-east of England showing an annual increase of 12.8%, following growth of 8.2% in the preceding 12 months (Source: ONS).

We have now completed the development of Latimer Place in Thame which included 18 open market apartments and 10 affordable apartments which were sold to a housing association in May 2016. In addition to the Latimer Place apartments mentioned above, in 2015/16 we also completed developments at Harberton Mead, Oxford (2 units); Frithwood Avenue, Northwood (2 units); and Woodstock Road, Witney (4 units). In addition we were partially build complete at our 10 unit site at Stoney Furlong, Chearsley and our 11 unit site at The Orchard, Stone, at the year end we had completed sales of 7 units at these two sites.

Development and performance of the business

In the 2015/16 financial year Rectory Homes continued to show sustained growth from property development. In total we completed on the sales of 52 units in the financial year, compared to 42 units in the prior year.

The financial results for 2015/16 included the benefit of a land sale which contributed £250,000 to turnover and £98,000 to gross profit. 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.

	2013/14 £000	2014/15 £000	2015/16 £000	2014/15 Annual growth	2015/16 Annual growth
Turnover	17,126	18,484	25,480		
Land sale	(1,820)	-	(250)		
Development turnover	15,306	18,484	25,230	+20.8%	+36.5%
Gross profit	4,430	5,636	6,072		
Land sale	(852)	-	(98)		
Development gross profit	3,578	5,636	5,974	+57.5%	+6.0%
<i>Gross margin %</i>	<i>23.4</i>	<i>30.5</i>	<i>23.7</i>		
Operating profit	2,770	3,167	2,956		
Land sale	(852)	-	(98)		
Development operating profit	1,918	3,167	2,858	+64.7%	-9.5 %
<i>Operating margin %</i>	<i>12.5</i>	<i>17.1</i>	<i>11.3</i>		

Rectory Homes Limited

Strategic report for the year ended 31 May 2016 (continued)

Development and performance of the business (continued)

The gross margin achieved on sales was above historical levels achieved at 23.7%, although less than the unusually high level achieved in 2014/15 of 30.5%.

In 2015/16 Rectory Homes Bonds plc paid the first 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 2015/16 Rectory Homes secured planning permission for five developments, which between them totalled 149 units with a gross development value of over £91m. Live applications, for sites we hold under option or conditional contract, and are in the planning system will provide up to 175 additional units, with applications being prepared for a further 1000 units for 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.

Board and personnel

The board was strengthened in February 2016 with the appointment of an experienced managing director to oversee production and sales. This appointment has benefited the operational performance of the business and depth of experience on the board. We have also appointed an Associate Planning Director to further strengthen this strategically important part of the business.

We have continued to invest in the wider team as we head into a period of further growth and ended the financial reporting period with 45 employees (2015 - 35; 2014 - 22).

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.

Rectory Homes Limited

Strategic report for the year ended 31 May 2016 (*continued*)

Principal risks and uncertainties (*Continued*)

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 which 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 home buyers at a number of our qualifying developments for sales up to £600,000.

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 development sites.

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.

Rectory Homes Limited

Strategic report for the year ended 31 May 2016 (*continued*)

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 2016 cash deposits totalling £6.0m 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 £9.7m.

Approval

This strategic report was approved on behalf of the Board on

23/11/16

Simon Vickers

Director



Rectory Homes Limited

Report of the directors for the year ended 31 May 2016

The directors present their report together with the audited financial statements for the year ended 31 May 2016.

Results

The consolidated statement of comprehensive income is set out on page 9 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
Dermot Mathias
Amer Alkhalil (appointed 18 May 2016)

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

Report of the directors for the year ended 31 May 2016 (*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

A handwritten signature in black ink, consisting of a large, stylized 'S' followed by several diagonal strokes.

Director

Date

23/11/16

Rectory Homes Limited

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 2016 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), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in 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 2016 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion 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.

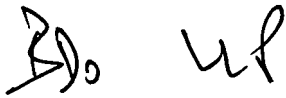
Rectory Homes Limited

Independent auditor's report (*continued*)

Matters on which we are required to report by exception

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

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



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

30 NOV 2016

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 2016

	Note	2016 £	2015 £
Turnover		25,480,013	18,483,850
Cost of sales		(19,408,391)	(12,847,753)
Gross profit		6,071,622	5,636,097
Administrative expenses		(3,548,749)	(2,685,802)
		2,522,873	2,950,295
Profit on disposal of fixed assets		12,500	-
Other operating income		229,413	217,036
Operating profit	2	2,764,786	3,167,331
Other interest receivable and similar income		7,464	8,610
Interest payable and similar charges	6	(715,242)	(572,307)
Profit on ordinary activities before taxation		2,057,008	2,603,634
Taxation on profit from ordinary activities	7	(421,484)	(576,753)
Profit for the financial year attributable to members of the parent company and total comprehensive income		1,635,524	2,026,881

All amounts relate to continuing activities.

The notes on pages 15 to 29 form part of these financial statements.

Rectory Homes Limited

Consolidated balance sheet at 31 May 2016

Company number 02575047	Note	2016 £	2016 £	2015 £	2015 £
Fixed assets					
Tangible fixed assets	8		2,052,664		2,050,805
Current assets					
Stocks	10	30,853,407		17,627,253	
Debtors	11	358,008		1,443,048	
Cash at bank and in hand		6,058,740		6,066,165	
		<u>37,270,155</u>		<u>25,136,466</u>	
Creditors: amounts falling due within one year	12	(21,796,393)		(10,781,216)	
Net current assets			<u>15,473,762</u>		<u>14,355,250</u>
Total assets less current liabilities			<u>17,526,426</u>		<u>16,406,057</u>
Creditors: amounts falling due after more than one year	13		(6,511,406)		(7,026,561)
Net assets			<u>11,015,020</u>		<u>9,379,496</u>
Capital and reserves					
Called up share capital	15		430		430
Profit and loss account			11,014,590		9,379,066
Shareholders' funds			<u>11,015,020</u>		<u>9,379,496</u>

The financial statements were approved by the Board of Directors and authorised for issue on 23/11/16

Simon Vickers
Director



The notes on pages 15 to 29 form part of these financial statements.

Rectory Homes Limited

Consolidated statement of changes in equity for the year ended 31 May 2016

	Share capital £	Profit and loss account £	Total equity £
1 June 2014	100	7,633,765	7,633,865
Comprehensive income for the year			
Profit for the year and total comprehensive income for the year	-	2,026,881	2,026,881
Contributions by and distributions to owners			
Shares issued	330	-	330
Dividends	-	(281,580)	(281,580)
Total contributions by and distributions to owners	330	(281,580)	(281,250)
31 May 2015	430	9,379,066	9,379,496
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	-	1,635,524	1,635,524
31 May 2016	430	11,014,590	11,015,020

The notes on pages 15 to 29 form part of these financial statements.

Rectory Homes Limited

Company balance sheet at 31 May 2016

Company number 02575047	Note	2016 £	2016 £	2015 £	2015 £
Fixed assets					
Tangible fixed assets	8		378,007		317,025
Investments	9		117,904		117,904
			<u>495,911</u>		<u>434,929</u>
Current assets					
Stocks	10	28,792,477		15,581,957	
Debtors	11	3,300,710		4,663,056	
Cash at bank and in hand		6,052,974		5,115,214	
		<u>38,146,161</u>		<u>25,360,227</u>	
Creditors: amounts falling due within one year	12	(22,232,679)		(10,587,206)	
Net current assets			<u>15,913,482</u>		<u>14,773,021</u>
Total assets less current liabilities			<u>16,409,393</u>		<u>15,207,950</u>
Creditors: amounts falling due after more than one year	13		(5,467,320)		(5,840,114)
Net assets			<u>10,942,073</u>		<u>9,367,836</u>
Capital and reserves					
Called up share capital	15		430		430
Profit and loss account			10,941,643		9,367,406
Shareholders' funds			<u>10,942,073</u>		<u>9,367,836</u>

The financial statements were approved by the Board of Directors and authorised for issue on 23/11/16

Simon Vickers
Director



The notes on pages 15 to 29 form part of these financial statements.

Rectory Homes Limited

Company statement of changes in equity for the year ended 31 May 2016

	Share capital £	Profit and loss account £	Total equity £
1 June 2014	100	7,644,245	7,644,345
Comprehensive income for the year			
Profit for the year and total comprehensive income for the year	-	2,004,741	2,004,741
Contributions by and distributions to owners			
Shares issued	330	-	330
Dividends	-	(281,580)	(281,580)
Total contributions by and distributions to owners	330	(281,580)	(281,250)
31 May 2015	430	9,367,406	9,367,836
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 15 to 29 form part of these financial statements.

Rectory Homes Limited

Consolidated cash flow statement for the year ended 31 May 2016

	Note	2016 £	2015 £
Cash flows from operating activities			
Profit for the financial year		1,635,524	2,026,881
Adjustments for:			
Depreciation of fixed assets	8	223,156	164,417
Net interest payable		707,778	563,697
Taxation expense	7	421,484	576,753
Decrease/(increase) in trade and other debtors		1,085,040	(98,731)
Increase in stocks		(13,226,154)	(3,889,428)
Increase in trade and other creditors		12,337,223	508,117
Profit on disposal of fixed assets		(12,500)	(34,123)
Cash from operations		3,171,551	(182,417)
Interest paid		(751,297)	(526,340)
Taxation paid		(1,014,960)	(141,914)
Net cash generated from operating activities		1,405,294	(850,671)
Cash flows from investing activities			
Proceeds from sale of tangible fixed assets		12,500	195,057
Purchases of tangible fixed assets		(87,732)	(75,471)
Interest received		7,464	8,610
Net cash from investing activities		(67,768)	128,196
Cash flows from financing activities			
Equity dividends paid		-	(281,580)
Capital element of lease repaid		(55,786)	(18,681)
New bank loans		7,528,353	10,138,594
Bank loans repaid		(8,817,518)	(4,634,496)
Net cash used in financing activities		(1,344,951)	5,203,837
Net (decrease)/increase in cash and cash equivalents		(7,425)	4,481,182
Cash and cash equivalents at beginning of year		6,066,165	1,584,983
Cash and cash equivalents at end of year		6,058,740	6,066,165
Cash and cash equivalents comprise:			
Cash at bank and in hand		6,058,740	6,066,165
Bank overdrafts		-	-
		6,058,740	6,066,165

The notes on pages 15 to 29 form part of these financial statements.

Rectory Homes Limited

Notes forming part of the financial statements for the year ended 31 May 2016

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.

Information on the impact of first-time adoption of FRS 102 is given in note 20.

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 2016.

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. Its profit for the financial year was £1,574,237 (2015 - £2,004,741).

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.

Rectory Homes Limited

Notes forming part of the financial statements for the year ended 31 May 2016 (*continued*)

1 Accounting policies (*continued*)

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 - 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 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.

Rectory Homes Limited

Notes forming part of the financial statements for the year ended 31 May 2016 (*continued*)

1 Accounting policies (*continued*)

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 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.

Rectory Homes Limited

Notes forming part of the financial statements for the year ended 31 May 2016 (*continued*)

2 Operating profit

	2016 £	2015 £
This is arrived at after charging:		
Operating leases - other assets	107,500	107,500
Profit on sale of tangible fixed assets	(12,500)	(34,123)
Depreciation:		
- of leased assets	86,373	37,056
- of owned assets	136,781	136,642
Auditors' remuneration	51,960	85,475
Rent receivable	(220,084)	(214,186)
	<u> </u>	<u> </u>

3 Auditor's remuneration

	2016 £	2015 £
Audit of the financial statements	34,660	33,650
Other fees to auditors	2,800	40,475
Other services	14,500	11,350
	<u> </u>	<u> </u>
	51,960	85,475
	<u> </u>	<u> </u>

£34,660 (2015 - £33,650) of the fee for auditing the financial statements and £17,300 (2015 - £51,825) of other fees to auditors relates to the company.

4 Employees

	2016 £	2015 £
Staff costs (including directors) consist of:		
Wages and salaries	2,089,720	1,647,162
Social security costs	265,845	197,763
Staff pensions	50,533	30,502
	<u> </u>	<u> </u>
	2,406,098	1,875,427
	<u> </u>	<u> </u>
The average number of employees (including directors) during the year was as follows:	Number	Number
Administration and support	45	35
	<u> </u>	<u> </u>

Rectory Homes Limited

Notes forming part of the financial statements
for the year ended 31 May 2016 (*continued*)

5 Directors

	2016 £	2015 £
Directors' remuneration consist of:		
Remuneration (including benefits in kind)	496,440	487,500
Company contributions paid to money purchase schemes	25,020	15,500
	<u>521,460</u>	<u>503,000</u>

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

	2016 Number	2015 Number
Accruing benefits under money purchase scheme	2	2
	<u>2</u>	<u>2</u>
In respect of the highest paid director:	£	£
Remuneration	167,500	164,656
Company contributions to money purchase pension schemes	18,770	11,750
	<u>186,270</u>	<u>176,406</u>

6 Interest payable and similar charges

	2016 £	2015 £
Interest on bank and other borrowings	643,161	568,429
Finance charges	72,081	3,878
	<u>715,242</u>	<u>572,307</u>

Rectory Homes Limited

Notes forming part of the financial statements
for the year ended 31 May 2016 (*continued*)

7 Taxation on profit from ordinary activities

	2016 £	2015 £
<i>Current tax</i>		
UK corporation tax on profits of the year	460,297	576,753
Adjustment in respect of previous periods	(862)	-
	<hr/>	<hr/>
Taxation of profit on ordinary activities	459,435	576,753
	<hr/>	<hr/>

The tax assessed for the year is higher (2015 - higher) than the standard rate of corporation tax in the UK.
The differences are explained below:

	2016 £	2015 £
Profit on ordinary activities before tax	2,057,008	2,603,634
	<hr/>	<hr/>
Profit on ordinary activities at the standard rate of corporation tax in the UK of 20% (2015 - 20.83%)	403,013	540,404
Effects of:		
Depreciation in excess of capital allowances	9,547	27,807
Adjustment in respect of previous periods	(862)	-
Expenses not deductible for tax purposes	9,786	8,853
Marginal relief	-	(311)
	<hr/>	<hr/>
Taxation on profit on ordinary activities	421,484	576,753
	<hr/>	<hr/>

Rectory Homes Limited

Notes forming part of the financial statements
for the year ended 31 May 2016 *(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 2015	814,000	899,050	273,836	1,121,076	171,439	3,279,402
Additions	-	-	9,292	8,649	207,071	225,012
Disposals	-	-	-	-	(33,990)	(33,990)
At 31 May 2016	814,000	899,050	283,128	1,129,725	344,520	3,470,424
<i>Depreciation</i>						
At 1 June 2015	-	76,184	240,773	853,182	58,456	1,228,595
Charge for the year	-	10,741	15,888	106,664	89,863	223,156
Eliminated on disposals	-	-	-	-	(33,990)	(33,990)
At 31 May 2016	-	86,925	256,661	959,846	114,329	1,417,760
<i>Net book value</i>						
At 31 May 2016	814,000	812,125	26,467	169,879	230,192	2,052,664
At 31 May 2015	814,000	822,866	33,063	267,894	112,983	2,050,807

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 is £1,728,250 (2015 - £1,728,250).

Leased assets

Included within the net book value of tangible fixed assets is £215,141 (2015 - £112,983) in respect of assets held under finance leases and similar hire purchase contracts. Depreciation for the year on these assets was £86,373 (2015 - £37,056).

Rectory Homes Limited

Notes forming part of the financial statements
for the year ended 31 May 2016 (*continued*)

8 Tangible assets (*continued*)

Company	Plant and machinery £	Fixtures, fittings and computer equipment £	Motor vehicles £	Total £
<i>Cost</i>				
At 1 June 2015	273,836	637,091	171,439	1,082,366
Additions	9,292	8,649	207,071	225,012
Disposals	-	-	(33,990)	(33,990)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 May 2016	283,128	645,740	344,521	1,273,389
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>				
At 1 June 2015	240,773	466,112	58,456	765,341
Charge for the year	15,888	58,280	89,863	164,031
Eliminated on disposals	-	-	(33,990)	(33,990)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 May 2016	256,661	524,392	114,329	895,382
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Net book value</i>				
At 31 May 2016	26,467	121,348	230,192	378,007
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 May 2015	33,063	170,979	112,983	317,025
	<hr/>	<hr/>	<hr/>	<hr/>

Leased assets

Included within the net book value of tangible fixed assets is £215,141 (2015 - £112,983) in respect of assets held under finance leases and similar hire purchase contracts. Depreciation for the year on these assets was £86,373 (2015 - £37,056).

Rectory Homes Limited

Notes forming part of the financial statements
for the year ended 31 May 2016 (*continued*)

9 Fixed asset investments

Company

Shares in group undertakings and participating interests

**Subsidiary
undertakings
£**

Cost

At 1 June 2015 and 31 May 2016

117,904

Net book value

At 31 May 2016

117,904

At 31 May 2015

117,904

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	Ordinary	100%	Property management
Company (Tring) Ltd			
Marley Close Management	Ordinary	100%	Property management
Company			
Latimer Place Management	Ordinary	100%	Property management
Company Ltd			
Stoney Furlong Management	Ordinary	100%	Property management
Company Ltd			
The Orchard (Stone) Management	Ordinary	100%	Property management
Company Ltd			
Fairwood Developments Ltd	Ordinary	100%	Dormant
Rectory (Cheltenham) Ltd	Ordinary	100%	Dormant
Rectory (Thame) Ltd	Ordinary	100%	Dormant
Fairwood Planning Consultancy Ltd	Ordinary	100%	Dormant

Rectory Homes Limited

Notes forming part of the financial statements
for the year ended 31 May 2016 (*continued*)

10 Stocks

	Group 2016 £	Group 2015 £	Company 2016 £	Company 2015 £
Stocks	50,814	50,814	50,814	50,814
Work in progress	30,802,593	17,576,439	28,741,643	15,531,143
	<u>30,853,407</u>	<u>17,627,253</u>	<u>28,792,477</u>	<u>15,581,957</u>

In the group and company during the year to 31 May 2016, £18,749,242 was expensed from stocks to cost of sales (2015 - £12,847,753).

11 Debtors

	Group 2016 £	Group 2015 £	Company 2016 £	Company 2015 £
Trade debtors	30,617	1,140	30,617	1,140
Amounts owed by group undertakings	-	-	2,942,702	3,220,048
Other debtors	225,483	258,344	225,483	258,344
Directors' current accounts	65,000	1,137,356	65,000	1,137,356
Prepayments and accrued income	36,908	46,208	36,908	46,208
	<u>358,008</u>	<u>1,443,048</u>	<u>3,300,710</u>	<u>4,663,096</u>

All amounts fall due for payment within one year.

12 Creditors: amounts falling due within one year

	Group 2016 £	Group 2015 £	Company 2016 £	Company 2015 £
Trade creditors	3,083,770	2,391,119	3,083,770	2,391,119
Bank loans and overdrafts (secured)	6,075,225	6,799,247	5,899,043	6,625,444
Obligations under finance lease and hire purchase contracts	66,220	34,714	66,220	34,714
Corporation tax	421,484	1,014,960	403,049	983,907
Other taxes and social security	93,890	60,556	93,890	60,556
Other creditors	11,592,955	198,433	11,592,775	198,433
Directors' current accounts	186,541	-	186,541	-
Accruals and deferred income	276,308	282,187	272,576	273,922
Amounts owed by group undertakings	-	-	634,815	19,111
	<u>21,796,393</u>	<u>10,781,216</u>	<u>22,232,679</u>	<u>10,587,206</u>

Rectory Homes Limited

Notes forming part of the financial statements
for the year ended 31 May 2016 (continued)

13 Creditors: amounts falling due after more than one year

	Group 2016 £	Group 2015 £	Company 2016 £	Company 2015 £
Bank and other loans	6,414,649	6,979,792	5,370,563	5,793,345
Obligations under finance lease and hire purchase contracts	96,757	46,769	96,757	46,769
	<u>6,511,406</u>	<u>7,026,561</u>	<u>5,467,320</u>	<u>5,840,114</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 £304,478 (2015 - £333,635).

The maturity of sources of debt finance are as follows:

Group	Bank and other loans 2016 £	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	5,546,745	53,474	5,600,219
In more than two years but not more than five years	867,904	43,283	911,187
	<u>12,489,874</u>	<u>162,977</u>	<u>12,652,851</u>
	Bank and other loans 2015 £	Finance leases 2015 £	Total 2015 £
In one year or less, or on demand	6,799,247	34,714	6,833,961
In more than one year but not more than two years	6,313,427	46,764	6,360,191
In more than two years but not more than five years	666,365	-	666,365
	<u>13,779,039</u>	<u>81,478</u>	<u>13,860,517</u>

Rectory Homes Limited

Notes forming part of the financial statements
for the year ended 31 May 2016 (continued)

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

Company	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>
	Bank and other loans 2015 £	Finance leases 2015 £	Total 2015 £
In one year or less, or on demand	6,625,444	34,714	6,660,158
In more than one year but not more than two years	5,793,345	46,769	5,840,114
In more than two years but not more than five years	-	-	-
	<u>12,418,789</u>	<u>81,483</u>	<u>12,500,272</u>

14 Financial instruments

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

	Group 2016 £	Group 2015 £
Financial assets		
Financial assets that are debt instruments measured at amortised cost	<u>6,379,839</u>	<u>7,463,005</u>
Financial liabilities		
Financial liabilities measured at amortised cost	<u>27,792,425</u>	<u>17,807,777</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 2016 (*continued*)

15 Share capital

	Allotted, called up and fully paid			
	2016 Number	2015 Number	2016 £	2015 £
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 £50,533 (2015 - £30,502).

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 2016 £	Group Land and buildings 2015 £	Company Land and buildings 2016 £	Company Land and buildings 2015 £
Land and buildings				
Within one year	107,500	107,500	297,267	279,277
Within one to two years	107,500	107,500	297,267	279,277
Within two to five years	322,500	322,500	837,801	837,801
Over five years	225,363	225,863	273,363	1,111,165
	<u>762,863</u>	<u>763,363</u>	<u>1,705,698</u>	<u>2,507,520</u>

Rectory Homes Limited

Notes forming part of the financial statements for the year ended 31 May 2016 (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 2016 £	Group 2015 £	Company 2016 £	Company 2015 £
Land and buildings				
Within one year	118,850	190,568	118,850	190,568
Within one to two years	94,350	-	94,350	-
Within two to five years	53,850	122,068	53,850	122,068
	<u>267,050</u>	<u>312,636</u>	<u>267,050</u>	<u>312,636</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 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 year end.

Simon Vickers and Sarah Vickers hold, as nominee, a property held in stock at a value of £2,042,255 (2015 - £2,042,255) which is under a legal mortgage in relation to a loan to them.

At the balance sheet date the amount due to (2015 - due from) Simon Vickers and Sarah Vickers, directors, was £186,541 (2015 - £1,137,356). The maximum loan amount in the year was £2,104,029 (2015 - £1,137,356) due from the directors.

During the current year, the company provided sponsorship to the Chinnor Rugby Football Club ("Chinnor") of £30,000 (2015 - £30,000). In addition, Rectory Homes Limited provide Chinnor with accountancy and payroll services free of charge. Chinnor also pays rent of £32,042 (2015 - £Nil) 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 (2015 - £19,000).

At the balance sheet date the amount due from David Ullathorne, a director, was £65,000 (2015 - £Nil). The maximum amount due from David Ullathorne during the year was £115,000 (2015 - £Nil).

Rectory Homes Limited

Notes forming part of the financial statements for the year ended 31 May 2016 (*continued*)

19 Control

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

20 First time adoption of FRS 102

Group	Note	Equity as at 1 June 2014 £	Profit for the year ended 31 May 2015 £	Equity as at 31 May 2015 £
As previously stated under former UK GAAP		7,594,943	2,017,600	9,331,293
Transitional adjustments				
Accounting for mixed use property		38,922	9,281	48,203
As stated in accordance with FRS 102		7,633,865	2,026,881	9,379,496

Explanation of changes to previously reported profit and equity

FRS 102 requires properties leased to third parties and used by the company to be split between investment property and property, plant and equipment. Under SSAP 19 group's were allowed to classify mixed use properties based on the preponderance of use and accordingly the group's offices were classified as property plant and equipment and carried at cost less provision for depreciation and impairment. In restating the comparatives for the adoption of FRS 102, accumulated depreciation relating to the investment property element of £38,922 was reversed at the transition date of 1 June 2014 and further depreciation of £9,281 was reversed in the year to 31 May 2015.