Abingworth Homes Limited

Annual Report and Financial Statements

Year Ended

31 December 2018

Company Number 09919607

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Abingworth Homes Limited

Company Information

Directors	M Mohamed D J Parrin
Registered number	09919607
Registered office	2nd Floor 15 Sackville Street London United Kingdom W1S 3DJ
Independent auditor	BDO LLP 55 Baker Street London W1U 7EU

Abingworth Homes Limited

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Abingworth Homes Limited

Strategic Report
for the year ended 31 December 2018

Introduction

The directors present their report for the year ended 31 December 2018 for Abingworth Homes Limited (the "Company").

The company was established in 2015 to acquire and develop a plot of land on Storrington Road in Thakeham, West Sussex. The intention was to develop the plot in phases. The first phase was for 39 residential homes surrounding a cricket pitch.

The company entered into a development agreement with Oakford Homes, a leading developer of residential homes in the UK to deliver the 39 homes in phase 1 and then a further 62 homes in phase 2.

At the start of the year, 18 of the 39 properties had been sold for prices ranging from £660,000 to £995,000 depending on plot size and location. Given the success of phase 1 it was decided to move forward with phase 2 and develop a further 62 homes on the site. During 2018, a further 17 properties were sold – 13 of these were from phase 1. The second phase progressed well with 4 properties sold towards the latter half of the year. Phase 2 properties are smaller than those in phase 1 and the selling price is therefore lower.

The phase 1 development was financed with a loan from Hampshire Trust Bank and the company was able to secure further financing from the same bank in 2018 for developing the phase 2 site.

The development was started at a time when the UK residential property market began to recover from the global economic crisis of 2008. While activity in the housebuilding sector has continued to pick up, the supply of new homes is still below the level of demand. The imbalance between the demand for new homes and the number of units built has been well-recognised by both industry and political parties.

The referendum held in the UK in 2016 which resulted in the decision to leave the European Union had an impact on the expected pace of sales. The speculation over the nature and timing of the UK's exit from the EU has continued to impact the level of sales. Total sales in 2018 were £12,042,990, 16% down on the previous year. ONS data shows declining prices and sales volumes in the South East region.

The Company now expects to have completed and sold all units by the end of 2020.

Financial results

During the year the company generated revenues from sales of properties totalling £12,042,990 (2017: £14,420,000). This is equivalent to an average price per property sold of £708,411 (2017: £848,235). Unit sales for phase 1 during the year were 17 (2017: 18). Unit sales for phase 2 were 4 (2017:0).

Gross margin was lower in 2018 at 4.03% (2017: 6.40%) linked to additional planning costs and architectural fees and lower selling prices towards the latter part of the year. Financing costs linked to the refinancing of the phase 1 loan to provide a longer term, along with the phase 2 loan served to reduce margin also.

Stock levels increased in 2018 as the phase 2 development was in its early stages of completion by the end of the year, taking stocks to £25,962,698 (2017: £23,080,038). Linked to the phase 2 development process, the bank loans increased to £9,013,137 (£3,310,931) with a new loan from Hampshire Trust Bank. The bank loans have no performance covenants although all sales proceeds are swept to the lender until it is fully repaid. This decrease was partly offset by reduced lending from participating interests of £16,720,165 (2017: £19,475,613).

Key risks

The success of the development project with Oakford is tied to the overall UK economic and political climate and will be significantly impacted by the decision taken in the 2016 referendum to leave the EU.

Key risks include the contraction of the economy linked to Brexit resulting in a partial or total collapse in the residential housing market in the UK. The uncertainty over how and if Britain will leave the EU has already impacted the volume of sales compared to original expectations. Additional concerns relate to the impact of Brexit on the ability to source materials and labour particularly in the event of a hard Brexit as currently proposed by the incumbent government.

The planning consents required for different stages of the development and building control regulations lead to risks of delays to the project's completion thus reducing plots available for saledelaying the repayment of the secured loan from Hampshire Trust Bank.

Current trading and outlook

Sales have continued throughout 2019 with some delays linked to Brexit uncertainty but phase 1 is now almost completely sold and phase 2 sales have progressed well. The phase 1 loan from Hampshire Trust Bank is now fully repaid and additional financing has been obtained through linking to the Help to Buy Scheme which has helped secure sales for some of the phase 2 plots.

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

.....
M Mohamed
Director

Date: 27th September 2019

Abingworth Homes Limited

Directors' Report
for the year ended 31 December 2018

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

Directors' responsibilities statement

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 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 company and of the profit or loss of the company for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- 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.

Principal activity

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

Business review

The business review, principal risks and uncertainties and other business reporting is detailed in the strategic report as required by the Companies Act 2006 S414C (11).

Results and dividends

The profit for the year, after taxation, amounted to £295,831 (2017 - £599,797).

The directors do not propose a dividend for the year (2017 - £Nil).

Directors

The directors who served during the year were:

M Mohamed
D J Parrin

Disclosure of information to auditor

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

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

Auditor

The auditor, BDO LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

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

.....
M Mohamed
Director

Date: 27th September 2019

Abingworth Homes Limited

Independent Auditor's Report to the Members of Abingworth Homes Limited

Opinion

We have audited the financial statements of Abingworth Homes Limited ("the Company") for the year ended 31 December 2018 which comprise Statement of comprehensive income, Statement of financial position, Statement of changes in equity and Statement of cash flows, and the 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 company's affairs as at 31 December 2018 and of its profit for the year then ended; and
- 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 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 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.

Other matters

The comparative period figures for the year ended 31 December 2017 are unaudited.

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

Matters on which we are required to report by exception

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

We have nothing to report in respect of the following matters 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, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, 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 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 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 on 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

Charles Ellis (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London
United Kingdom

Date: 27 September 2019

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

Abingworth Homes Limited

Statement of Comprehensive Income
for the year ended 31 December 2018

	Note	2018 £	As restated 2017 £
Turnover	4	**12,042,990**	14,420,000
Cost of sales		**(11,558,219)**	(13,497,343)
Gross profit		**484,771**	922,657
Administrative expenses		**(119,547)**	(197,110)
Operating profit	5	**365,224**	725,547
Tax on profit	7	**(69,393)**	(125,750)
Profit for the financial year		**295,831**	599,797

All amounts relate to continuing operations.

There was no other comprehensive income for 2018 (2017 - £Nil).

The notes on pages 12 to 19 form part of these financial statements.

Abingworth Homes Limited
Registered number: 09919607

Statement of Financial Position
As at 31 December 2018

	Note		2018 £		As restated 2017 £
Current assets					
Stock	8	**25,962,698**		23,080,038	
Debtors	9	**369,526**		88,984	
Cash and cash equivalents		**226,936**		227,042	
		26,559,160		23,396,064	
Creditors: amounts falling due within one year	10	**(16,907,691)**		(22,868,501)	
Net current assets			**9,651,469**		527,563
Creditors: amounts falling due after more than one year	11		**(8,828,075)**		-
Net assets			**823,394**		527,563
Capital and reserves					
Share capital	13		**100**		100
Profit and loss account	14		**823,294**		527,463
Total equity			**823,394**		527,563

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

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M Mohamed
Director

Date: 27th September 2019

The notes on pages 12 to 19 form part of these financial statements.

Abingworth Homes Limited

Statement of Changes in Equity
for the year ended 31 December 2018

	Share capital	Profit and loss account	Total equity
	£	£	£
At 1 January 2018 (as restated)	100	527,463	527,563
Comprehensive income for the year			
Profit and total comprehensive income for the year	-	295,831	295,831
At 31 December 2018	100	823,294	823,394

Statement of Changes in Equity
for the year ended 31 December 2017

	Share capital	Profit and loss account	Total equity
	£	£	£
At 1 January 2017	100	(72,334)	(72,234)
Comprehensive income for the year			
Profit and total comprehensive income for the year (as restated)	-	599,797	599,797
At 31 December 2017 (as restated)	100	527,463	527,563

The notes on pages 12 to 19 form part of these financial statements.

Abingworth Homes Limited

Statement of Cash Flows
for the year ended 31 December 2018

	2018 £	As restated 2017 £
Cash flows from operating activities		
Profit for the financial year	**295,831**	599,797
Adjustments for:		
Taxation charge	**69,393**	125,250
(Increase)/decrease in stocks	**(2,882,660)**	3,746,647
(Increase) in debtors	**(39,637)**	(45,028)
(Decrease)/increase in creditors	**(2,666,458)**	2,195,743
Corporation tax (paid)/received	**(436,048)**	500
Net cash generated from operating activities	**(5,659,579)**	6,622,909
Cash flows from financing activities		
New loans drawn down	**22,219,273**	7,058,139
Repayment of loans	**(16,559,800)**	(13,511,633)
Net cash used in financing activities	**5,659,473**	(6,453,494)
Net (decrease)/increase in cash and cash equivalents	**(106)**	169,415
Cash and cash equivalents at beginning of year	**227,042**	57,627
Cash and cash equivalents at the end of year	**226,936**	227,042
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	**226,936**	227,042
	226,936	227,042

The notes on pages 12 to 19 form part of these financial statements.

Notes to the Financial Statements
for the year ended 31 December 2018

1. General information

Abingworth Homes Limited is a private company, limited by shares and incorporated in England and Wales under the Companies Act 2006. The address of the registered office is given on the company information page and the nature of the company's operations and its principal activity is set out in the directors' report.

2. Accounting policies

2.1 Basis of preparation of financial statements

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

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

The company's functional and presentational currency is GBP. Values are rounded to the nearest pound.

The following principal accounting policies have been applied:

2.2 Going concern

The directors confirm that the company has adequate resources to continue to operate for the foreseeable future. This assessment is based on the on going support received from the ultimate controlling party Castlelake LP.

2.3 Turnover

Turnover excludes value added tax and represents the sales value, net of rebates and discounts of trading properties sold and that have been legally completed.

2.4 Borrowing costs

All borrowing costs are capitalised within stock as they are incurred during the construction of property stock.

2. Accounting policies (continued)

2.5 Current and deferred taxation

Tax is recognised in the Statement of Comprehensive Income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates income.

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

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

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

2.6 Stocks

Developments in progress are included in stock at the lower of cost and net realisable value. Cost comprises the cost of the property acquired and direct costs. Net realisable value is the assessed sale price after deducting the cost of completing and selling.

2.7 Debtors

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

2.8 Cash and cash equivalents

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

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

2.9 Creditors

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

2. Accounting policies (continued)

2.10 Financial instruments

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

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

In preparing these financial statements, the directors have had to make the following judgement:

Costs relating to the sale of completed properties:

When determining the proportion of costs relating to sales of completed properties to be released to the Statement of Comprehensive Income from the Statement of Financial Position, costs have been allocated on a £ per square foot basis. Judgements have also been made on costs expected to be incurred to complete the relevant building phase.

4. Turnover

All turnover is attributable to the principal activity of the company and arose within the United Kingdom.

5. Operating profit

The operating profit is stated after charging:

	2018 £	2017 £
Fees payable to the company's auditor and its associates for the audit of the company's annual financial statements	**20,500**	-
Fees payable to the company's auditor and its associates for taxation compliance services	**4,000**	4,000
Fees payable to the company's auditor and its associates for other services to the company	**5,000**	5,000

6. Employees

The company has no employees other than the directors (2017:Nil), who did not receive any remuneration (2017:£Nil).

7. Taxation

	2018 £	As restated 2017 £
Corporation tax		
Current tax on profits for the year	**69,393**	125,750
Total current tax	**69,393**	125,750
Deferred tax		
Origination and reversal of timing differences	-	-
Total deferred tax	-	-
Taxation on profit on ordinary activities	**69,393**	125,750

Factors affecting tax charge for the year

The tax assessed for the year is the same as (2017 - lower than) the standard rate of corporation tax in the UK of 19.00% (2017 - 19.25%). The differences are explained below:

	2018 £	As restated 2017 £
Profit on ordinary activities before tax	**365,224**	725,547
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.00% (2017 - 19.25%)	**69,393**	139,668
Effects of:		
Expenses not deductible for tax purposes	-	4
Adjustments for change in deferred tax rates	-	(1,625)
Deferred tax not recognised	-	(12,297)
Total tax charge for the year	**69,393**	125,750

8. Stock

	2018	As restated 2017
	£	£
Stock - Property in progress of completion	**25,962,698**	23,080,038

The total finance costs capitalised during the year amounted to £431,750 (2017 - £517,977). All other amounts relate to costs incurred which are directly attributable to the building and completion of property. During the year, £10,956,659 (2017 - £12,861,390) was released to cost of sales in the profit and loss account in relation to the properties sold.

9. Debtors: amounts falling due within one year

	2018	2017
	£	£
Other debtors	**355,026**	82,484
Reservation deposit	**14,500**	6,500
	369,526	88,984

10. Creditors: amounts falling due within one year

	2018 £	As restated 2017 £
Bank loans	**76,975**	3,245,577
Trade creditors	**31,059**	6,311
Amounts owed to other participating interests	**16,720,165**	19,475,613
Corporation tax	**-**	125,750
Accruals and deferred income	**79,492**	15,250
	16,907,691	22,868,501

Amounts owed to participating interests are interest free and repayable on demand.

A bank loan was issued by Hampshire Trust Bank on 10 August 2016. The loan incurs a monthly fixed interest charge of 7% and is repayable 26 months from the issue date.

A bank loan was issued by Hampshire Trust Bank on 31 August 2018. The loan incurs a monthly fixed interest charge of 6.5% plus LIBOR and is repayable 24 months from the issue date.

The loan is presented net of unamortised arrangement fees of £61,357.

11. Creditors: Amounts falling due after more than one year

	2018 £	2017 £
Bank loans	**8,828,075**	-

A bank loan was issued by Hampshire Trust Bank as described in note 10.

The loan is presented net of unamortised arrangement fees of £46,730.

12. Loans

Analysis of the maturity of loans is given below:

	2018 £	2017 £
Amounts falling due within one year		
Bank loans	**138,332**	3,310,931
Amounts falling due 1-2 years		
Bank loans	**8,874,805**	-
	9,013,137	3,310,931

The loan is secured against the assets of the company.

13. Share capital

	2018 £	2017 £
Authorised, allotted, called up and fully paid		
100 ordinary shares of £1 each	**100**	100

14. Reserves

The company's capital and reserves are as follows:

Share capital

Share capital represents the nominal value of the shares issued.

Profit and loss account

The profit and loss account is the cumulative profit and losses, net of dividends paid and other adjustments.

15. Prior year adjustment

In the prior year financial statements, the company's approach to calculating and allocating stock to cost of sales did not reflect the expected cost per unit of those houses sold in that year which resulted in a lower allocation of cost of sales. On review of the judgements made to allocate stock to cost of sales, closing stock for the prior year has decreased by £1,612,226 whilst cost of sales and administrative expenses have increased by £1,565,271 and £46,955 respectively. The profit before tax has therefore decreased resulting in a decrease to the related charge in the year from £436,048 to £125,750. Therefore the retained earnings has fallen by £1,301,928.

In addition to this, the company reviewed the terms of the loan and did not previously acknowledge the exit fee is due upon first advance of the loan albeit incrementally paid. In line with Section 11 of FRS 102, the exit fee should be accrued over the loan term which resulted in an adjustment of £420,021 increasing the closing stock balance and the loan liability. There was no impact to retained earnings.

16. Related party transactions

At the reporting date, the company borrowed £16,720,165 (2017 - £19,475,613) from its investors Castlelake III REO (Offshore) LLC and Castlelake IV REO (Offshore) LLC, neither of which control the company and therefore have joint venture interests only. This is included in creditors.

At the reporting date, the ultimate controlling party Castlelake LP paid for invoices on behalf of the company totalling to £Nil (2017 - £601,287), which is included in creditors.

17. Controlling party

There is no immediate parent company. The ultimate controlling party is Castlelake LP, a company incorporated in the United States of America. The registered office is 1209 Orange Street, Wilmington, DE 19801.