Elan Homes Midlands Limited

Annual report and financial statements
Registered number 03017085
Period Ended 3 January 2021

Contents

Strategic report

Principal Activity

The company's principal activity is residential house building in the core areas of operation being the Midlands and the South West. The key activities undertaken to deliver a business growth strategy include:

- Selecting the right land for the business to acquire
- Managing the planning process to deliver schemes suitable to the local area including affordable requirements
- Constructing the right product to match the needs of our customers
- Developing effective working relationships with suppliers and subcontractors
- Delivering an excellent customer experience through the sales process and in after sales service
- Cash generation to strengthen liquidity and position it for growth opportunities when market conditions improve

Development of the business

During the period the company recorded a turnover of £15.1m *(52 weeks to 29 December 2019: £10.8m)* and an operating profit of £1.5m (*52 weeks to 29 December 2019: £1.1m*). The company's profit for the period was £0.9m *(52 weeks to 29 December 2019: £0.6m)* and the net assets as at 3 January 2021 were £1.5m (*29 December 2019: £0.6m*).

During the period the company acquired a number of new sites to complement the existing sites for the delivery of legal completions in 2021 and beyond.

Key Performance Indicators

The Company had a number of key performance indicators for the 53 weeks ended 3 January 2021 as follows:

- Units sales – 59 legal completions *(52 weeks to 29 December 2019: 41*)
- Help to Buy completions – 13 *(52 weeks to 29 December 2019: 6)*
- Average price – the average price was £256,000 (*52 weeks to 29 December 2019: £264,000*)
- Gross profit margin – the gross margin was 20.7% (*52 weeks to 29 December 2019: 20.7%*)
- Operating margin – the operating margin was 9.7% (*52 weeks to 29 December 2019: 9.7%*)
- Land bank (plots owned or controlled with a detailed or an outline planning consent) – the company had 310 plots in its land bank as at 3 January 2021 (*29 December 2019: 311*)
- NHBC Pride in the job awards – none received (*52 weeks to 29 December 2019: none*)

Our marketplace

Conditions in the new build UK housing market remain positive despite the impact of Coronavirus with an undersupply combined with a strong demand for new homes supported by the continued availability of Help to Buy albeit with new conditions from 6 April 2021 until 5 April 2023 and stamp duty exemptions up to 30 September 2021.

The initial Coronavirus lockdown resulted in a close down and hibernation for a period of 9 weeks from start of April through to the start of June. The business re-opened from the start of June with Risk Assessments and Best Practice processes and procedures put in place in respect of ongoing build on site, sales centre openings, post occupation repairs as well as office work. Close liaison with suppliers, subcontractors, customers, employees, shareholders and providers of finance has been maintained at all times.

In line with Government guidance, the temporary periods of lockdown at the end of 2020 and at the start of 2021 have not required the business to close down any of its operations.

Strategic Report *(Continued)*

Financial Risk and Strategy

The Company's activities expose it to a number of financial risks including cash flow risk, credit risk and liquidity risk.

Cash flow risk

Active management of working capital is the key control used by management to manage cash flow risk.

Credit risk

The Company has no significant concentration of credit risk. As explained in the accounting policies, turnover from the sale of residential properties is recognised on completion for each individual home sold, at which point sale proceeds are received in cash.

Liquidity risk

The Company is part of a Group headed by Elan Homes Holdings Limited which has a revolving credit facility of £35m with Barclays Bank plc of which £15m was undrawn as at 3 January 2021. The revolving credit facility runs to 31 October 2022 and discussions regarding an extension to this facility are due to take place during 2021. As such, the directors consider that the Company has sufficient liquid resources to meet its operational requirements.

Other Risks and Uncertainties

The other principal risks and uncertainties facing the Company are:

- Movements in the UK house prices which are determined by the UK economy and economic conditions including employment levels, interest rates and consumer confidence.
- Affordability of mortgages combined with high employment levels and low interest rates assist the housing market.
- Mortgage availability where the combined confidence in the UK housing market and the continuation of Help to Buy gives lenders the ability to offer a range of competitive products to buyers and a more sustainable mortgage market. Elan works closely with both customers and IFA's during the sales process to ensure a smooth transaction
- Demand for new build homes which within our core trading areas remains strong.
- Supply where the ability of the Company to deliver is affected by the availability of suitable land opportunities, willing sellers as well as the efficiency of the planning system in the areas that we operate in will affect volumes.
- Availability and price of labour and materials remains a constraint to growth in the sector where pressures vary depending upon location, certain trades as well as supply of specific products including bricks and blocks. Upward pressure on material prices is not a new factor which continues to be a concern but manageable as long as selling price inflation remains.
- The retention of staff and the ability to attract high calibre employees in order to deliver our strategy.
- Exit from the European Union which continues to be monitored but the level of imports remain minimal.

Section 172 statement

The Company understands the importance for the business at all levels, including the Board of Directors, to engage with its shareholders and stakeholders to gain a better understanding of what areas they are concerned about and how our decisions have impacted them.

Strategic Report *(Continued)*

Section 172 statement *(continued)*

In accordance with the duties detailed in section 172 of the Companies Act 2006, a director must act in the way he considers, in good faith, would be most likely to promote the success of the Company for the benefit of the members as a whole, and in doing so have regard (amongst other matters) to:

a) The likely consequences of any decision in the long term

Elan Homes is headed by an effective Board of Directors bringing a wide range of commercial, housebuilding and financial experience and is collectively responsible for leadership and the long term success of the business. The Company's strategy is designed to have a long-term beneficial impact on the Company and contribute to its success and deliver quality homes. The Company continues to operate in a prudent manner in line with market conditions.

b) The interests of the Company's employees

Our employees are a key resource to the success of our business. Employees are remunerated in line with performance and the roles that they undertake within the business. They are supported in pursuing opportunities for personal development and career progression at Elan including the availability of external training. The Apprentice Levy is used where available in respect of NVQ courses undertaken. We provide employees with regular updates via briefings, e-mails and openly invite opinions, questions as well as ideas on how to improve the business with feedback sought at regular intervals.

c) The need to foster the Company's business relationships with contractors, suppliers, customer and others

Our contractors and suppliers facilitate the delivery of completed homes for our customer. We seek to ensure that we engage with all of our contractors and suppliers in a partnership manner and follow best practice with regards to:

- Operating tender processes and agreement of variation to programme of works;
- An open and transparent commercial basis of operation with terms and conditions in place;
- Paying to terms and on agreed invoices and agreed certificates; and
- Codes of conduct on how our contractors are to adhere to Health and Safety including Risk Assessments and social distancing

We are committed to developing and maintaining good customer relations in order to enhance customer satisfaction through the entire process of purchasing a home. This includes the use of a post completion survey carried out by a 3rd party to enable us to make improvements in the way that we interact with customers as well as improve the product we deliver.

d) The impact of the Company's operations on the community and the environment

Our aim is to enhance the locations and communities in which we develop by delivering public open spaces and amenities. We aim to minimise our impact on the environment including robust policies to address issues around ecology, use of energy efficient designs and in order to achieve compliance with building regulations.

e) The desireability of the Company maintaining a reputation for high standards and business conduct

We strive to behave responsibly and to ensure that management operates the business in a responsible manner with good governance in order to assist the delivery of our strategic plan. The intention is to nurture our reputation through the construction and delivery of quality value for money homes.

f) The need to act fairly between members

Our intention is to behave responsibly towards our shareholders and treat them fairly and equally. A meeting is held with all shareholders at least once a year to update them with the Company's results and strategic plan.

Other major stakeholder groups included insurers, suppliers, bankers, advisors, auditors, regulators, contractors, suppliers, NHBC and HMRC. With all of these stakeholder groups, the directors maintain regular and open lines of communication to ensure all parties are kept informed and to build strong working relationships.

Strategic Report *(Continued)*

Future Outlook

The order book as at 3 January 2021 was in line with expectations and sales since the year end are considered to have been strong compared to the targets set for the current year.

We have been successful in registering our house building companies with the new Help to Buy scheme effective from 6 April 2021 which now limits eligibility to first time buyers and applies regional caps on the value of properties. We continue to see a strong interest for this product despite the new limits in place.

The Company continues to search for new land opportunities to build houses within the target areas of the Midlands as well as the South West and is well positioned with its current land bank to increase the number of completions in future years despite the current market conditions that are being faced.

Forecasts have been updated to take into account assumptions regarding the potential future impact on the UK economy of Coronavirus including additional period of lockdown, a rise in unemployment, lower levels of spending power and a reduction in consumer confidence which could affect price and volumes.

We remain understandably cautious but the Company has a clear plan with a strong and experienced management team with a proven track record of working through challenges faced in the new build UK housing market focussing on cash management and cost control.

By order of the board

J Kendrick
Director
6 April 2021

2nd Floor, Colmore Court,
9 Colmore Row,
Birmingham, B3 2BJ

Directors' report

Proposed dividend

The directors do not recommend the payment of a final dividend.

Directors

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

A Bravington

P Halliwell

J Kendrick

R Rafferty

D Summers (appointed 23 January 2020)

All of the directors benefit from qualifying third party indemnity provisions in place during the financial period and at the date of this report.

Employee matters

The Company is committed to employment policies which follow best practice and are based on equal opportunities for all employees, irrespective of gender, religion or belief, age, racial or ethnic origin, sexual orientation or disability.

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment within the Company continues and that the appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Political contributions

The Company made no political donations or incurred any political expenditure during the period.

Disclosure of information to auditor

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

Other information

An indication of likely future developments in the business and particulars of significant events which have occurred since the end of the financial period have been included in the Strategic report on page 1.

Auditor

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

By order of the board

A Bravington
Secretary
6 April 2021

2nd Floor, Colmore Court,
9 Colmore Row,
Birmingham, B3 2BJ

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

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 period. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland.*

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

ABCD

KPMG LLP
8 Princes Parade
Liverpool
L3 1QH
United Kingdom

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ELAN HOMES MIDLANDS LIMITED

Opinion

We have audited the financial statements of Elan Homes Limited ("the company") for the period ended 3 January 2021 which comprise the Profit and Loss Account and Other Comprehensive Income, Balance Sheet, Statement of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 3 January 2021 and of its profit for the period then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the company will continue in operation.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ELAN HOMES MIDLANDS LIMITED *(continued)*

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors as to the Company's policies and procedures to prevent and detect fraud, as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Review of Board minutes.
- Considering remuneration incentive schemes and performance targets for management
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account possible pressures to meet profit targets, we perform procedures to address the risk of management override of controls, in particular the risk that Company's management may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates and judgements such as valuation of work in progress. On this audit we do not believe there is a fraud risk related to revenue recognition because revenue is recognized when cash is received on legal completion. Given the direct link of revenue recognized to the amounts posted on receipt of cash these balances would be expected to be questioned by various parties making it easier to identify, hence the perceived opportunity is low.

We did not identify any additional fraud risks.

We performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included unexpected cash receipts/payments to cash/borrowings, unexpected journal entries to revenue and journal entries to transfer costs between sites.
- Assessing the work in progress significant estimate for management bias. This included applying a risk criteria to sites based on margins, reviewing and performing inquiry regarding the movement of these.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors (as required by auditing standards), and discussed with the directors the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ELAN HOMES MIDLANDS LIMITED *(continued)*

Fraud and breaches of laws and regulations – ability to detect *(continued)*

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations (continued)

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, and taxation legislation, and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: health and safety, employment law, industry regulations and certain aspects of company legislation recognising the nature of the Company's activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the[strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ELAN HOMES MIDLANDS LIMITED *(continued)*

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required 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.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 6, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.

Carla Kennaugh

Carla Kennaugh (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
8 Princes Parade
Liverpool
L3 1QH
6 April 2021

Profit and Loss Account
for the 53 weeks to 3 January 2021

	Note	**53 weeks to 3 January 2021 £000**	52 weeks to 29 December 2019 £000
Turnover	2	**15,076**	10,835
Cost of Sales		**(11,956)**	(8,587)
Gross Profit		**3,120**	2,248
Sales overheads		**(313)**	(246)
Administrative expenses		**(1,350)**	(948)
Operating profit	3-5	**1,457**	1,054
Interest receivable	6	**1**	-
Interest payable and similar charges	7	**(358)**	(281)
Profit on ordinary activities before taxation		**1,100**	773
Tax on profit on ordinary activities	8	**(209)**	(147)
Profit for the period		**891**	626

Other Comprehensive Income
for the 53 weeks to 3 January 2021

	Note	**53 weeks to 3 January 2021 £000**	52 weeks to 29 December 2019 £000
Profit for the period		**891**	626
Other comprehensive income for the period, net of income tax		**-**	-
Total comprehensive income for the period		**891**	626

The notes on pages 14 to 23 form part of these financial statements.

Balance Sheet
at 3 January 2021

	Note	**3 January 2021 £000**	29 December 2019 £000
Current Assets:			
Stocks	9	**28,874**	19,875
Debtors: amounts falling due within one year	10	**156**	12
Cash at bank and in hand	11	**1,022**	1,164
		30,052	21,051
Creditors: Amounts falling due within one year	12	**(28,527)**	(20,417)
Net Assets		**1,525**	634
Capital and Reserves			
Called up share capital	14	**-**	-
Profit and loss account		**1,525**	634
Shareholder's funds		**1,525**	634

These financial statements were approved by the board of directors on 6 April 2021 and were signed on its behalf by:

J Kendrick
Director

A Bravington
Director

Company registered number: 3017085

The notes on pages 14 to 23 form part of these financial statements.

Statement of Changes in Equity

	Called up share capital £000	Profit and Loss Account £000	Total Equity £000
Balance at 30 December 2018	-	8	8
Total comprehensive income for the period			
Profit or loss	-	626	626
Other comprehensive income	-	-	-
Total comprehensive income for the period	-	626	626
Transactions with owners, recorded directly in equity			
Total contributions by and distributions to owners	-	-	-
Balance at 29 December 2019	-	634	634
Total comprehensive income for the period			
Profit or loss	-	891	891
Other comprehensive income	-	-	-
Total comprehensive income for the period	-	891	891
Transactions with owners, recorded directly in equity			
Total contributions by and distributions to owners	-	-	-
Balance at 3 January 2021	-	**1,525**	**1,525**

The notes on pages 14 to 23 form part of these financial statements.

Notes
(forming part of the financial statements)

1 Accounting policies

Elan Homes Midlands Limited (the "Company") is limited by shares and incorporated and domiciled in the UK.

These financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland (*"FRS 102"*). The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

The Company's intermediate parent undertaking, Elan Homes Holdings Limited, and its ultimate parent undertaking, Amber Residential Properties Limited, includes the Company in their consolidated financial statements. The consolidated financial statements of Elan Homes Holdings Limited and Amber Residential Properties Limited are prepared in accordance with FRS102 and are available to the public and may be obtained from 2nd Floor, Colmore Court, 9 Colmore Row, Birmingham, B3 2BJ.

In these financial statements, the company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

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

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

The Company proposes to continue to adopt the reduced disclosure framework of FRS 102 in its next financial statements.

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

1.1 Measurement convention

The financial statements are prepared on the historical cost basis.

1.2 Going concern

The financial statements have been prepared on a going concern basis which the directors consider to be appropriate. In reaching this decision the directors have considered latest forecasts, covenant calculations and contractual agreements as well as taking into account the ongoing uncertainty regarding the impact of Coronavirus.

The directors have prepared cash flow forecasts for a period of 15 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides and the impact of Coronavirus on the operations and its financial resources, the Company will have sufficient funds to meet its liabilities as they fall due for that period.

The forecasts are dependent on the provision of bank funding. The Group headed by Elan Homes Holdings Limited has a revolving credit facility with Barclays Bank plc to fund the growth of the business, which the Company is party to, over the period to 31 October 2022 with discussions due to commence in order to agree an extension beyond that date.

Consequently, the Directors are of the opinion that the Company has sufficient financing facilities available to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

Notes *(continued)*

1 Accounting policies *(continued)*

1.2 Going Concern (continued)

The key assumption within the forecasts are the ability to generate income from the sale of new build homes with particular reference to reservation rates and the ability to convert these completions. Despite the impact of Coronavirus the Company has been able to source materials and labour to continue with build on site, making plots available for sale via show homes, sales centres and estate agents to generate forward sales and income from the completion of sales for both private and affordable homes and use the income to acquire new land for future years. The presumption is that there will be slow down in reservation rates and price pressure during the remainder of 2021 as the new Help to Buy scheme comes into effect, the current Stamp Duty exemption scheme ends as well as the possible impact on demand from the anticipated increased unemployment rates in our trading areas forecast on the cessation of the Furlough Scheme. The Company has detailed planning consents in place and ownership of all of the land required to deliver income in 2021 with build having commenced on all of these sites which will deliver new show homes and sales centres to generate reservations to supplement those already in place.

Assumptions regarding possible downside scenarios sensitivities have been modelled to stress test the forecast including a reduction in the reservation rate and the average selling prices achieved. The reduction in income under both scenarios is expected to be capable of being offset by the delaying, renegotiation or cancellation of land purchases where contractually possible. Further steps could be taken if necessary to slow down the rate of build on site to provide additional cash savings.

Consequently, the Directors are of the opinion that the Company has sufficient financing facilities available to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

1.3 Classification of financial instruments issued by the Company

In accordance with FRS 102.22, financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

(a) they include no contractual obligations upon the company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company; and

(b) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Where a financial instrument that contains both equity and financial liability components exists these components are separated and accounted for individually under the above policy. Transaction costs are allocated between the debt component and the equity component on the basis of their relative fair values.

1.4 Basic financial instruments

Trade and other debtors / creditors

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

Interest-bearing borrowings classified as basic financial instruments

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

Notes *(continued)*

1 Accounting policies *(continued)*

1.5 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost, in relation to work in progress and showhomes, comprises direct materials and, where applicable direct labour costs and those overheads, not including any general administrative overheads, that have been incurred in bringing the stocks to their present location and condition. Net realisable value represents the estimated selling price less all estimated costs of completion and overheads.

Land held for development, including land in the course of development until legal completion of the sale of the asset, is initially recorded at cost. Regular reviews are carried out to identify any impairment in the value of land by comparing the total estimated selling prices less estimated selling expenses against the book costs of the land plus estimated costs to complete. A provision is made for any irrecoverable amounts.

Options purchased in respect of land are capitalised initially at cost and amortised over the life of each option. Regular reviews are carried out for impairment in the value of these options and provisions are made accordingly to reflect loss in value. The impairment reviews consider the period elapsed since the date of purchase of the option given that the option contract has not been exercised at the review date. Further, the impairment reviews consider the remaining life of the option, taking account of any concerns over whether the remaining time available will allow a successful exercise of the option. The carrying cost of the option at the date of exercise is included within the cost of land purchased as a result of the option exercise.

Part exchange properties are recorded at the lower of the fair value of the property and net realisable value. The fair value of part exchange properties is equal to the amount assessed by external valuers on the date of purchase. Net realisable value represents the estimated selling price less all estimated costs of completion and overheads.

1.6 Turnover

Turnover represents amounts (excluding value added tax) derived from the sale and rental of residential properties. Turnover excludes value added tax.

Residential property and land sale turnover is measured at the fair value of consideration received or receivable net of sales incentives. Turnover is recognised in the profit and loss account at a point in time when the performance obligation, being the transfer of completed dwelling to a customer, has been satisfied. This is when legal title is transferred. Sales incentives are substantially cash in nature and are recognised as a reduction in residential property turnover by the costs to the Company of providing the sales incentives.

The purchase and subsequent sale of part exchange properties is an activity undertaken in order to achieve the sale of a new build residential property. The sale of the new build residential property is recognised, as above, at the fair value of the part exchange property plus the cash received or receivable. The fair value of the part exchange property is equal to the amount assessed by external valuers. The onward sale of a part exchange property is recognised at the fair value consideration received or receivable. As it is not considered a principal activity of the Company the income and expenses associated with this are recognised in cost of sales. Income is recognised in the profit and loss account at a point in time when the performance obligations have been satisfied. This is when legal title is transferred.

1.7 Taxation

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

Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years. Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation.

Deferred taxation is not provided on timing differences arising from the revaluation of fixed assets in the financial statements. A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future renewal of the underlying timing differences can be deducted. Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse. Deferred tax assets and liabilities are not discounted.

Notes *(continued)*

1 Accounting policies *(continued)*

1.8 Provisions

Where the company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the company considers these to be insurance arrangements and accounts for them as such. In this respect, the company treats the guarantee as a contingent liability until such time as it becomes probable that the company will be required to make a payment under the guarantee.

1.9 Employee benefits

Defined contribution plans and other long term employee benefits

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

1.10 Accounting estimates and judgements

Management consider the following to be major sources of estimation that have been made in these financial statements:

Valuation of work in progress and land held for development

Inventories are carried at the lower of cost and net realisable value. Net realisable value represents the estimated selling price (in the ordinary course of business) less all estimated costs of completion and direct overheads. Valuations of site work in progress are carried out at regular intervals and estimates of the cost to complete a site and estimates of anticipated revenues are required to enable a development profit to be determined. Management are required to employ judgement in estimating the profitability of a site and in assessing any impairment provisions which may be required.

For the 53 weeks ended 3 January 2021 and the 52 weeks ended 29 December 2019, a full review of inventories has been performed and write downs have been made where cost exceed net realisable value. Estimated selling prices have been reviewed on a site by site basis and have been amended based on local management and the Board's assessment of current market conditions. For the 53 weeks ended 3 January 2021 and the 52 weeks ended 29 December 2019 no impairments have resulted from the review.

Cost of sales recognition

Cost of sales is recognised for completed house sales as an allocation of the latest whole site margin which is an output of the site valuation. These valuations, which are updated at frequent intervals during the lifespan of the site, use actual and forecast selling prices, land costs and construction costs and are sensitive to future movements in both the estimated cost to complete and expected selling prices. Forecast selling prices are inherently uncertain due to changes in market conditions. This is a key estimate made in the financial statements.

To determine the amount of cost of sales that the Company is able to recognise on its sites in the year, the Company needs to allocate site wide costs between all plots, including those sold in previous periods, in the current year, and those to be sold in future periods. It is also necessary to estimate the costs to complete on such sites. In making these assessments certain estimates are made. In addition the Company makes estimates in relation to future sales prices on the site. The Group has a number of internal controls to assess and review the reasonableness of estimates made.

Judgements

In the course of preparing the financial statements, no major judgements have been made in the process of applying the Company's accounting policies, other than those involving estimation, as set out above, that have had a significant effect on the amounts recognised in the financial statements.

Notes *(continued)*

2 Turnover

	53 weeks to 3 January 2021 £000	52 weeks to 29 December 2019 £000
By activity		
Sale of residential properties	**15,076**	10,835
By geographical market		
United Kingdom	**15,076**	10,835

3 Expenses and auditor's remuneration

Included in profit / (loss) are the following expenses:

	53 weeks to 3 January 2021 £000	52 weeks to 29 December 2019 £000
Auditor's remuneration:		
Audit of these financial statements	**15**	8

4 Staff numbers and costs

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

	53 weeks to 3 January 2021 No.	52 weeks to 29 December 2019 No.
Directors	**5**	4
Administration	**13**	9
Sales	**4**	3
Construction	**11**	7
	33	23

The aggregate payroll costs of these persons were as follows:

	53 weeks to 3 January 2021 £000	52 weeks to 29 December 2019 £000
Wages and salaries	**1,319**	920
Social security costs	**166**	115
Contributions to defined contribution plans	**66**	44
	1,551	1,079

Notes *(continued)*

5 Directors' remuneration

	53 weeks to 3 January 2021 £000	52 weeks to 29 December 2019 £000
Directors' remuneration	**252**	127
Company contributions to money purchase pensions plans	**15**	5

The aggregate of remuneration and amounts receivable under long term incentive schemes of the highest paid director in the 53 weeks to 3 January 2021 was £78,000 (*52 weeks to 29 December 2019: £55,000)*, and company pensions contributions of £nil (*52 weeks to 29 December 2019: £nil)* were made to a money purchase scheme on his behalf.

	53 weeks to 3 January 2021 No.	52 weeks to 29 December 2019 No.
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	**3**	2

6 Interest receivable

	53 weeks to 3 January 2021 £000	52 weeks to 29 December 2019 £000
Total other interest payable and similar charges	**1**	-

7 Interest payable

	53 weeks to 3 January 2021 £000	52 weeks to 29 December 2019 £000
Interest payable on bank loans and overdrafts	**358**	281

Notes *(continued)*

8 Taxation

Total tax expense recognised in the profit and loss account, other comprehensive income and equity

	53 weeks to 3 January 2021 £000	53 weeks to 3 January 2021 £000	52 weeks to 29 December 2019 £000	52 weeks to 29 December 2019 £000
Current tax				
Current tax on income for the period		**209**		147
Adjustments in respect of prior periods		**-**		-
Total current tax		**209**		147
Deferred tax				
Origination and reversal of timing differences	**-**		-	
Change in tax rate	**-**		-	
Total deferred tax		**-**		-
Total tax		**209**		147

	53 weeks to 3 January 2021 £000 Current tax	£000 Deferred tax	£000 Total tax	52 weeks to 29 December 2019 £000 Current tax	£000 Deferred tax	£000 Total tax
Recognised in Profit and loss account	**209**	**-**	**209**	147	-	147
Recognised in other comprehensive income	**-**	**-**	**-**	-	-	-
Recognised directly in equity	**-**	**-**	**-**	-	-	-
Total tax	**209**	**-**	**209**	147	-	147

Analysis of current tax recognised in profit and loss

	53 weeks to 3 January 2021 £000	52 weeks to 29 December 2019 £000
UK corporation tax	**209**	147
Total current tax recognised in profit and loss	**209**	147

Notes *(continued)*

8 Taxation *(continued)*

Reconciliation of effective tax rate

	53 weeks to 3 January 2021 £000	52 weeks to 29 December 2019 £000
Profit for the period	**891**	626
Total tax expense	**209**	147
Profit excluding taxation	**1,100**	773
Tax using the UK corporation tax rate of 19% *(52 weeks to 29 December 2019: 19%)*	**209**	147
Expenses not deductible for tax purposes	**-**	-
Total tax expense included in profit or loss	**209**	147

Factors affecting the tax charge in future years

The UK corporation tax standard rate for the period is 19% *(52 weeks ended 29 December 2019: 19%)*. A UK corporation tax rate of 25% (effective 1 April 2023) was substantively enacted on 3 March 2021 increasing the future tax rate accordingly.

9 Stocks

	3 January 2021 £000	29 December 2019 £000
Work in progress	**28,849**	19,625
Part exchange properties	**-**	250
Options	**25**	-
	28,874	19,875

Stocks of £11,901,000 were expensed in the 53 weeks ended 3 January 2021 *(52 weeks ended 29 December 2019: £8,475,000)*.

Certain assets included in work in progress and development land are pledged as security for the Group's bank borrowings. Further details of the Group's banking arrangements are included in note 15.

Notes *(continued)*

10 Debtors

	3 January 2021 £000	29 December 2019 £000
Other debtors	**138**	7
Prepayments	**18**	5
	156	12

All debtors are due within one year.

11 Cash and cash equivalents / bank overdrafts

	3 January 2021 £000	29 December 2019 £000
Cash at bank and in hand	**1,022**	1,164

12 Creditors: amounts falling due within one year

	3 January 2021 £000	29 December 2019 £000
Payments received on account	**114**	55
Trade creditors	**675**	336
Amounts owed to group undertakings	**26,506**	19,186
Accruals and deferred income	**1,232**	840
	28,527	20,417

13 Employee benefits

The Company operates a number of defined contribution pension plans. The total expense relating to these plans in the 53 weeks ended 3 January 2021 was £65,000 *(52 weeks to 29 December 2019: £44,000).*

Notes (continued)

14 Capital and reserves

Share capital

	3 January 2021 £	29 December 2019 £
Allotted, called up and fully paid		
10 A ordinary share of 1p each	-	-
90 B ordinary shares of 1p each	1	1
10 preference shares of £1 each	10	10
	11	11
Shares classified as liabilities	-	-
Shares classified in shareholders' funds	11	11
	11	11

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. The preference shares are not automatically entitled to an annual return and have no fixed repayment date, as a result they are disclosed as equity as they do not meet the definition of a financial liability.

Dividends

No dividends have been declared after the balance sheet date up to the date that these financial statements were signed.

15 Contingent Liabilities

The company has entered into a cross guarantee and debenture covering some but not all, of the bank borrowings of other companies in the Group amounting to £20,000,000 *(29 December 2019: £26,000,000).* Elan Homes Midlands Limited considers this cross guarantee to be an insurance arrangement.

16 Related Parties

Amber REI Holdings Limited is related to the company by a common director and common ultimate ownership.

During the 53 weeks ended 3 January 2021 the company was recharged costs of £7,480 *(52 weeks to 29 December 2019: £nil)* by Amber REI Holdings Limited. A balance of £nil was due to the company from Amber REI Holdings Limited as at 3 January 2021 *(29 December 2019: £nil).*

17 Ultimate Parent Company and Ultimate Controlling Parties

The ultimate parent undertaking is Amber Residential Properties Limited, a company incorporated and domiciled in the UK. A copy of the consolidated financial statements for Amber Residential Properties Limited can be obtained from 2nd Floor, Colmore Court, 9 Colmore Row, Birmingham, B3 2BJ.

The ultimate controlling parties are RS Boparan and BK Boparan.