

SHANLY RESIDENTIAL LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022



SHANLY RESIDENTIAL LIMITED

COMPANY INFORMATION

Directors	R A Marvin (appointed 5 December 2022) M J Shanly
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Company secretary	R A Marvin
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Registered number	03919206
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Registered office	Sorbon Aylesbury End Beaconsfield Buckinghamshire HP9 1LW
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Independent auditor	MHA Foundation Park Roxborough Way Maidenhead Berkshire SL6 3UD
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SHANLY RESIDENTIAL LIMITED

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SHANLY RESIDENTIAL LIMITED

GROUP STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

Introduction

The directors present their strategic report for the year ended 31 December 2022.

Business review

During 2022 the Group continued its growth strategy within the residential housing sector. In the year there was a rights issue, raising £30 million of finance to support future development within the business.

In the period the Group continued to benefit from strong market conditions, with strong housing demand, good availability of mortgage products, the Governments Help To Buy Scheme and the general under supply of housing.

However, the second half of the year saw growing concerns over inflation primarily due to the energy crisis and supply issues associated with the war in Ukraine. The financial markets reaction to the Governments mini budget in September saw a rapid retraction in the mortgage market and a sharp increase in borrowing rates. Since then housing demand has slowed with persistent inflation and increased interest rate rises impacting affordability and consumer confidence.

Notwithstanding these headwinds the Group delivered strong growth through the year generating turnover of £27.0m which was an increase of £21.8m from 2021.

The Group has continued its policy of selective land purchases and tight control of all production costs. The Directors continue to adopt a cautious strategy for the business with the land acquisition policy founded on disciplined financial criteria. Whilst the Group has experienced some planning delays it continues to benefit from an excellent landbank.

After interest and taxation, the Company has shown profit for the financial year of £2.5m (2021: £0.6m) and at the year end, increased net assets of £3.1m (2021: £0.6m). These results continue to encourage the Directors to conclude that the Company remains financially strong and well positioned to take advantage of market opportunities.

Principal risks and uncertainties

All businesses are exposed to risk but the principal risks and uncertainties affecting the company result from the following:

- Land supply – the availability of land at appropriate margins is a risk.
- Planning – the current planning system results in uncertainty through delays and refusals.
- Economic climate – the demand for housing can be influenced by interest rate rises, employment levels, availability of mortgage finance and the general state of the economy in the country.
- Subcontract labour – there remains a significant skills shortage and competition for subcontract labour remains high resulting in upwards pressure on costs.

These risks are managed through continued research into potential land acquisitions in order to build a strong land bank, regular dialogue with planning authorities and where possible purchasing sites with planning permission already in place and focusing investment on quality developments in areas more resilient to the current economic climate.

SHANLY RESIDENTIAL LIMITED

**GROUP STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022**

Financial key performance indicators

The company uses several KPIs to measure performance and these include:

Gross margin on cost – all land purchases are targeted to achieve a minimum threshold before the decision to purchase is taken.

Liquidity measures – to ensure the company operates within its banking facilities and has sufficient liquidity to fund the company's activities.

Other key performance indicators


The company's operations expose it to some financial risks which include credit risk, liquidity risk and interest rate risk which are monitored by the company's finance department although these are not deemed to represent significant risks to the business. Cash in respect of property sales is received on completion limiting the risk of bad debt. The company monitors its financing mix such that the company has sufficient available funds for operations. The only interest-bearing assets and liabilities at the balance sheet date were cash and bank loans. Management regularly review where cash deposits are held to maximise the return generated from these assets and review bank funding to ensure that interest rates charged are competitive.

Directors' statement of compliance with duty to promote the success of the Group

The Board of Directors continue to govern the Company in a way in which they believe is most likely to promote the success of the Company for the benefit of the shareholders, whilst having regard to the stakeholders and matters set out in s172(1) (a) – (f) of the Companies Act 2006.

The Board of Directors is committed to executing the Company's strategy whilst behaving in a responsible manner, with consideration given to all stakeholders impacted by the Board's decisions. Examples of such decisions can be found in the business review section of this statement.

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


.....
M J Shanly
Director

Date: 28/02/2023

SHANLY RESIDENTIAL LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

The directors present their report and the financial statements for the year ended 31 December 2022.

Directors' responsibilities statement

The directors are responsible for preparing the Group Strategic Report, the Directors' Report and the consolidated 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 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'. 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 the Group and of the profit or loss of the Group for that period.

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

- select suitable accounting policies for the Group's financial statements and then apply them consistently;
- make judgments 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 Group 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 the Group and to 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 the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Results and dividends

The profit for the year, after taxation, amounted to £2,445,842 (2021 - £591,631).

The directors do not recommend payment of an ordinary dividend (2021 - £Nil).

Directors

The directors who served during the year were:

R A Marvin (appointed 5 December 2022)
M J Shanly

Qualifying third party indemnity provisions

The company's Articles of Association provide, subject to provisions of UK legislation, an indemnity for directors and officers of the company in respect of liabilities they may incur in the discharge of their duties or in the exercise of their powers, including any liabilities relating to the defence of any proceedings brought against them which relate to anything done or omitted, or alleged to have been done or omitted, by them as officers or employees of the company. A qualifying third party indemnity was in force during the financial year and also at the date of approval of the financial statements.

SHANLY RESIDENTIAL LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022**

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 and the Group'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 and the Group's auditor is aware of that information.

Post balance sheet events

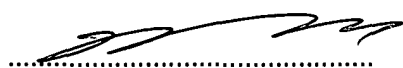
There have been no significant events affecting the Group since the year end.

Auditor

Following a rebranding exercise on 15 May 2023 the trading name of the company's independent auditor changed from MHA MacIntyre Hudson to MHA.

Under section 487(2) of the Companies Act 2006, MHA will be deemed to have been reappointed as auditor 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the accounts with the registrar, whichever is earlier.

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


.....
M J Shanly
Director

Date: 28 / 09 / 2023

SHANLY RESIDENTIAL LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SHANLY RESIDENTIAL LIMITED

Opinion

We have audited the financial statements of Shanly Residential Limited (the 'parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2022, which comprise the Group Statement of Comprehensive Income, the Group and Company Balance Sheets, the Group and Company Statement of Changes in Equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 December 2022 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council'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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's or the parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

SHANLY RESIDENTIAL LIMITED

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SHANLY RESIDENTIAL LIMITED
(CONTINUED)**

Other information

The other information comprises the information included in the Annual Report other than the financial statements and our Auditor's Report thereon. The directors are responsible for the other information contained within the Annual Report. 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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Group 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 Group 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 Group and the parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Group 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 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.

SHANLY RESIDENTIAL LIMITED

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SHANLY RESIDENTIAL LIMITED
(CONTINUED)**

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditor's Report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Group financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- Enquiry of management and those charged with governance around actual and potential litigation and claims;
- Performing audit work over the risk of management override of controls, including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business and reviewing accounting estimates for bias;
- Reviewing minutes of meetings of those charged with governance;
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditor's Report.

SHANLY RESIDENTIAL LIMITED

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SHANLY RESIDENTIAL LIMITED
(CONTINUED)**

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.



Justin Moss MA FCA (Senior Statutory Auditor)

for and on behalf of
MHA, Statutory Auditor

Maidenhead, United Kingdom
Date: 28 September 2023

MHA is the trading name of MacIntyre Hudson LLP, a limited liability partnership in England and Wales (registered number OC312313)

SHANLY RESIDENTIAL LIMITED

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022**

	Note	2022 £	As restated 2021 £
Turnover	4	26,959,246	5,122,485
Cost of sales		(20,338,191)	(3,691,051)
Gross profit		6,621,055	1,431,434
Administrative expenses		(3,166,183)	(684,223)
Operating profit	5	3,454,872	747,211
Interest payable and similar expenses	7	(352,604)	(16,803)
Profit before tax		3,102,268	730,408
Tax on profit	8	(656,426)	(138,777)
Profit for the financial year		2,445,842	591,631
Profit for the year attributable to:			
Owners of the parent company		(2,445,842)	(591,631)
		(2,445,842)	(591,631)

There was no other comprehensive income for 2022 (2021:£NIL).

The notes on pages 15 to 24 form part of these financial statements.

SHANLY RESIDENTIAL LIMITED
REGISTERED NUMBER: 03919206

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2022

	Note	2022 £	As restated 2021 £
Current assets			
Inventories	9	48,415,547	21,231,206
Debtors: amounts falling due within one year	10	3,167	201
		<u>48,418,714</u>	<u>21,231,407</u>
Creditors: amounts falling due within one year	11	(15,382,903)	(20,641,438)
Net current assets		<u>33,035,811</u>	<u>589,969</u>
Total assets less current liabilities		<u>33,035,811</u>	<u>589,969</u>
Creditors: amounts falling due after more than one year	12	(30,000,000)	-
Net assets		<u><u>3,035,811</u></u>	<u><u>589,969</u></u>
Capital and reserves			
Called up share capital	13	1	1
Profit and loss account		3,035,810	589,968
		<u><u>3,035,811</u></u>	<u><u>589,969</u></u>

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

.....
M J Shanly
 Director

Date: 28/09/2023

The notes on pages 15 to 24 form part of these financial statements.

SHANLY RESIDENTIAL LIMITED
REGISTERED NUMBER: 03919206

COMPANY BALANCE SHEET
AS AT 31 DECEMBER 2022

	Note	2022 £	2021 £
Current assets			
Debtors: amounts falling due within one year	10	44,486,812	201
		<u>44,486,812</u>	<u>201</u>
Creditors: amounts falling due within one year	11	(14,553,806)	(200)
Net current assets		<u>29,933,006</u>	<u>1</u>
Total assets less current liabilities		<u>29,933,006</u>	<u>1</u>
Creditors: amounts falling due after more than one year	12	(30,000,000)	-
Net (liabilities)/assets		<u>(66,994)</u>	<u>1</u>
Capital and reserves			
Called up share capital	13	1	1
Loss/(profit) for the year		(66,995)	-
Profit and loss account carried forward		(66,995)	-
		<u>(66,994)</u>	<u>1</u>

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


M J Shanly
 Director

Date: 28/09/2023

The notes on pages 15 to 24 form part of these financial statements.

SHANLY RESIDENTIAL LIMITED

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022**

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 January 2021	1	(1,663)	(1,662)
Comprehensive income for the year			
Profit for the year	-	591,631	591,631
At 1 January 2022	1	589,968	589,969
Comprehensive income for the year			
Profit for the year	-	2,445,842	2,445,842
At 31 December 2022	1	3,035,810	3,035,811

The notes on pages 15 to 24 form part of these financial statements.

SHANLY RESIDENTIAL LIMITED

**COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022**

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 January 2021	1	-	1
Profit for the year	-	-	-
At 1 January 2022	1	-	1
Comprehensive income for the year			
Loss for the year	-	(66,995)	(66,995)
At 31 December 2022	1	(66,995)	(66,994)

The notes on pages 15 to 24 form part of these financial statements.

SHANLY RESIDENTIAL LIMITED

**CONSOLIDATED ANALYSIS OF NET DEBT
FOR THE YEAR ENDED 31 DECEMBER 2022**

	Preference shares issued £	At 31 December 2022 £
Debt due after 1 year	(30,000,000)	(30,000,000)
	<u>(30,000,000)</u>	<u>(30,000,000)</u>

The notes on pages 15 to 24 form part of these financial statements.

SHANLY RESIDENTIAL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

1. General information

Shanly Residential Limited is a private company limited by shares incorporated in England and Wales. The registered office is Sorbon, Aylesbury End, Beaconsfield, Buckinghamshire, HP9 1LW.

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 Group management to exercise judgment in applying the Group's accounting policies (see note 3).

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of Comprehensive Income in these financial statements.

The following principal accounting policies have been applied:

2.2 Basis of consolidation

The consolidated financial statements present the results of the Company and its own subsidiaries ("the Group") as if they form a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the Balance Sheet, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated Statement of Comprehensive Income from the date on which control is obtained. They are deconsolidated from the date control ceases.

For acquisitions made in the year, the consolidated financial statements incorporate the results of business combinations using the merger accounting method. As a result of there being no change in ownership of the entities acquired a true and fair override has been applied to the requirements of the Act in order to report the newly acquired group as if this combination had always been in place.

SHANLY RESIDENTIAL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

2. Accounting policies (continued)

2.3 Turnover

Turnover, net of value added tax, represents amounts construction income and income from the sale of properties to third parties.

Construction income is recognised in the profit and loss account when invoiced to the customer and profit is calculated on a cost plus basis at a margin agreed with the customer.

Premiums received for granting lease extensions are recognised in the profit and loss account on the date of legal completion of the deed of variation to the lease.

Turnover from the sale of properties is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (usually on date of legal completion), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Profit is taken on the sale of properties upon final completion of the sales contract. At this time the costs charged against the sale comprise the attributable proportion of expenditure on land acquisition, construction and other development costs

2.4 Finance costs

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

2.5 Borrowing costs

All borrowing costs are recognised in profit or loss in the year in which they are incurred.

2.6 Taxation

Tax is recognised in profit or loss 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 balance sheet date in the countries where the Company and the Group operate and generate income.

2.7 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

SHANLY RESIDENTIAL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

2. Accounting policies (continued)

2.8 Inventories

Work in progress is stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing work in progress to its present location and condition. Freehold reversions are valued on the lower of cost and estimated selling price less costs to complete and sell, based on the level of ground rents and other economic factors. Recognition of the asset takes place upon the completion of all sales relating to a particular freehold.

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

2.9 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.

2.10 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.

2.11 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.

2.12 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' to all of its financial instruments.

Financial instruments are recognised in the company's statement of financial position when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include trade and other receivables and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financial transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for

SHANLY RESIDENTIAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

2. Accounting policies (continued)

2.12 Financial instruments (continued)

indicators of impairment at each reporting end date.

Classification of financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into.

Basic financial liabilities, which include trade and other payables, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially measured at transaction price unless the arrangement constitutes a financial transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

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

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from the estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the actual revision affects only that period, or in the period of the revision and future periods where the revision affects both the current and future periods.

Critical accounting estimates and assumptions

Impairment of inventories - the company makes an estimate of the recoverable value of inventories. When assessing impairment of inventories, management considers factors including the cost of completing the project and anticipated sales revenues. See note 9 for the net carrying amount of inventories.

Impairment of debtors - the company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the ageing profile of debtors and historical experience. See note 10 for the net carrying amount of debtors.

SHANLY RESIDENTIAL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

4. Turnover

An analysis of turnover by class of business is as follows:

	2022 £	2021 £
Sale of properties	<u>26,959,246</u>	<u>5,122,485</u>

All turnover arose within the United Kingdom.

5. Operating profit

The operating profit is stated after charging:

	2022 £	2021 £
Fees payable for the audit of the company and consolidated financial statements	4,700	-
Fees payable to the auditors for tax compliance services	1,940	1,240
Fees payable to auditors for other services	<u>5,625</u>	<u>2,365</u>

6. Employees

The Group and Company have no employees other than the directors, who did not receive any remuneration (2021 - £NIL).

7. Interest payable and similar expenses

	2022 £	2021 £
Other interest payable	-	16,803
Preference dividend	352,604	-
	<u>352,604</u>	<u>16,803</u>

SHANLY RESIDENTIAL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

8. Taxation

	2022 £	As restated 2021 £
Corporation tax		
Current tax on profits for the year	656,426	138,777
Tax on profit	656,426	138,777

Factors affecting tax charge for the year

The tax assessed for the year is the same as (2021 - the same as) the standard rate of corporation tax in the UK of 19% (2021 - 19%) as set out below:

	2022 £	2021 £
Profit on ordinary activities before tax	3,102,268	730,408
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2021 - 19%)	589,431	138,777
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	66,995	-
Total tax charge for the year	656,426	138,777

Factors that may affect future tax charges

Group relief is available between all members of the Sorbon Investments Limited group. No payment is made for such relief.

On the March 2021 Budget, it was announced that the UK corporation tax rate would increase to 25% from 1 April 2023.

9. Inventories

	2022 £	2021 £
Land held for development	33,935,592	21,231,206
Land and buildings in development	14,479,955	-
	48,415,547	21,231,206

SHANLY RESIDENTIAL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

10. Debtors

	Group 2022 £	<i>Group 2021 £</i>	Company 2022 £	<i>Company 2021 £</i>
Trade debtors	1,433	-	-	-
Amounts owed by group undertakings	-	-	44,486,812	-
Other debtors	1,734	201	-	201
	<u>3,167</u>	<u>201</u>	<u>44,486,812</u>	<u>201</u>

11. Creditors: Amounts falling due within one year

	Group 2022 £	<i>Group 2021 £</i>	Company 2022 £	<i>Company 2021 £</i>
Amounts owed to group undertakings	-	-	14,134,209	-
Corporation tax	795,203	138,777	66,995	-
Other creditors	14,134,209	20,502,561	-	200
Accruals and deferred income	453,491	100	352,602	-
	<u>15,382,903</u>	<u>20,641,438</u>	<u>14,553,806</u>	<u>200</u>

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

	Group 2022 £	<i>Group 2021 £</i>	Company 2022 £	<i>Company 2021 £</i>
6.5% Cumulative, redeemable preference shares	30,000,000	-	30,000,000	-

The 6.5% cumulative preference share, which are owned by M J Shanly, do not carry any voting rights, were issued by way of a rights issue on 26th October 2022 at £1 per share and are redeemable at £1 per share at the option of the shareholders with 90 days prior notice up to and including the 30th June 2040. Shareholders are entitled to receive dividends at 6.5% per annum on the par value of these shares on a cumulative basis; these dividends are payable half yearly on 31 March and 30 September each year. On winding up, the preference shareholders rank over the ordinary shareholders and are entitled to £1 per share and any dividends accrued but unpaid in respect of their shares. In the event that the company fails to make payment of monies due on a redemption of preference shares, holders of the preference shares become entitled to vote at general meetings of members.

SHANLY RESIDENTIAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

13. Share capital

	2022 £	2021 £
Authorised, allotted, called up and fully paid		
1 (2021 - 1) Ordinary shares share of £1	<u>1</u>	<u>1</u>

14. Business combinations

On 4 January 2021 the company acquired shares in Shanly Homes Construction Limited from another related party Sorbon Group Limited.

Both Sorbon Group Limited and Shanly Residential Limited are wholly owned by the same party.

Acquisition of Shanly Homes Construction Limited

Recognised amounts of identifiable assets acquired and liabilities assumed

	Fair value £
Current Assets	
Inventories	10,759,595
Debtors	100
Total Assets	<u>10,759,695</u>
Creditors	
Due within one year	(10,761,259)
Total Identifiable net liabilities	<u>(1,564)</u>
Consideration	
	£
Negative net asset position taken on	<u>(1,564)</u>
Cash outflow on acquisition	
	£
Purchase consideration settled in cash, as above	<u>1</u>

SHANLY RESIDENTIAL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

15. Prior year comparable

In the prior year, management have applied the consolidation exemption in terms of section 399 (2A)(a)(i) of the Companies Act. This is therefore the first year the consolidation has been created.

The below reflect the change in the different statements as at 31 December 2021:

	<i>Group 2021 £</i>
Affect on the Balance sheet	
Inventories	21,231,206
Debtors: amounts falling due within one year	-
Creditors: amounts falling due within one year	(20,641,238)
Creditors: amounts falling due after one year	-
Called up share capital	-
Profit and loss account	1,663
Impact on net assets	<u>591,631</u>
	<i>Group 2021 £</i>
Affect on the Statement of Comprehensive income	
Turnover	5,122,485
Cost of sales	(3,691,051)
Administrative expenses	(684,223)
Interest payable and similar expenses	(16,803)
Tax on profit	(138,777)
Impact on net profit	<u>591,631</u>

SHANLY RESIDENTIAL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

16. Related party transactions

The company has taken advantage of the exemptions conferred by FRS 102 from the requirement to make disclosure concerning other group companies on the basis that it prepares consolidated financial statements. Group transactions in the year and balances at the year end with respect to other related parties in which M J Shanly holds a controlling interest are as follows:

	2022 £
Sorbon Group Limited and its subsidiaries	
Balance at 1 January 2022	(20,502,362)
Intercompany overhead charge	(3,159,107)
Payments made by Shanly Residential Limited on behalf of Sorbon Group Limited	9,527,260
	<hr/>
Balance as at 31 December 2022	(14,134,209) <hr/> <hr/>
	 2022 £
Sorbon Investments Limited and its subsidiaries	
Payments made by Sorbon Investments Limited on Behalf of Shanly Residential Limited	(1,474)
	<hr/>
Balance as at 31 December 2022	(1,474) <hr/> <hr/>

17. Controlling party

The directors consider M J Shanly to be the ultimate controlling party.