

Spitfire Bespoke Homes Limited

Annual Report and Financial Statements

Year Ended

31 December 2017

Company Number 04395875



Spitfire Bespoke Homes Limited

Company Information

Directors	T J Wooldridge G Hutton A Clarke R Bryan D Jervis
Company secretary	A Clarke
Registered number	04395875
Registered office	I.M. House South Drive Coleshill Birmingham B46 1DF
Independent auditor	BDO LLP 2 City Place Beehive Ring Road Gatwick West Sussex RH6 0PA

Spitfire Bespoke Homes Limited

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Spitfire Bespoke Homes Limited

Strategic report For the year ended 31 December 2017

The directors present their strategic report for the year ended 31 December 2017.

Principal activity and review of the business

On 1 January 2017, the trade, assets and liabilities of Spitfire Properties LLP were transferred to the Company as part of a group reorganisation.

The principal activity of the Company is the development of new residential properties from mixed tenure affordable houses to large executive homes for sale to private individual purchasers, housing associations and institutional investors.

Key performance indicators

	2017	2016*
Turnover	£85.5m	£53.0m
Profit on ordinary activities before tax	£4.3m	£6.3m
Profit for the financial year	£3.5m	£6.3m
Plots sold	146	89
Average selling price (£000's)	585	544
Land with planning (No. of plots)	336	468

* - KPIs when business operating in Spitfire Properties LLP.

The fundamentals underpinning the UK private housing market have remained strong throughout 2017 in the geographical locations in which Spitfire Bespoke Homes Limited operates. There continues to be strong political support at the national level to bolster the UK housing market with low interest rates, increasing levels of mortgage availability, and improvements to the planning system. Demographic changes together with inward net migration to the UK creates a strong demand for new homes that currently exceeds the levels of output that the UK housebuilding industry is currently able to meet.

Spitfire Bespoke Homes Limited, through its Vision and Values, seeks to continually improve its Customer Satisfaction via enhanced customer service and its Customer Pledge, to minimising its impact upon the environment whilst promoting and utilising sustainable practices itself and via its supply chain, deliver benefits to local communities by contributing to infrastructure and community projects, and to constantly evolve to smarter and more efficient working practices.

Spitfire Bespoke Homes Limited invests in its employees through ongoing training and development programmes, with a particular focus on health and safety on development sites to provide both a safe and supportive work environment.

Spitfire Bespoke Homes Limited continues to invest in both short term consented land and longer term strategic development opportunities to provide a pipeline of work a period of up to 10 years.

Spitfire Bespoke Homes Limited

Strategic report (continued) For the year ended 31 December 2017

Monitoring and managing risk

The directors understand that whilst seeking to maximise returns there is a trade off with higher elements of risk and so processes and procedures are in place to identify, measure, and manage risk to mitigate the negative impact and also take advantage of opportunities presented.

The Company monitors and manages risks in the following key areas: -

Price Risk

Spitfire Bespoke Homes Limited seeks to balance the desire to pre-sell residential properties during the construction process to provide certainty of locked-in sales prices against the possibility of price inflation enhancing the potential future sales revenues. In order to manage this risk, Spitfire Bespoke Homes Limited relies upon the skill and knowledge of its experienced sales management team as regards to both local trading conditions and the wider macro- economic climate, plus regularly reviewing its strategy on a site-by-site basis with key local Estate Agencies.

Credit Risk

Turnover is only recognised on legal completion for all house sales, therefore there is no credit risk as all revenue is managed through the legal conveyancing process. Turnover on the sale of land is recognised only on an unconditional land exchange, where title to the land is retained until cash is paid on subsequent legal completion, again minimising any credit risk.

Health and Safety

Health and safety is always core to the business's principles. To address this risk, 2017 has seen a concerted effort to critically evaluate health and safety procedures against industry standards and best practice, and there continues to be an on-going improvement process to the safety management systems in place, backed by independent inspection and audit, necessary to support the rapid expansion of the business and the evolving regulatory requirements.

Land availability

The availability of consented land for development is critical to the success of the business. Internal controls and procedures are in place to manage the risk, in order to ensure the pipeline of consented land is monitored and evaluated against an overall assessment of need as identified in the business plan and longer-term strategy.

Funding availability

The on-going commitment from I.M. Properties Plc to support the funding of the business and to facilitate and guarantee external lines of credit is fundamental to the development of the business. The risk is mitigated through representation at board level of Spitfire Bespoke Homes Limited by executive management from within I.M. Properties Plc, which ensures communication of funding requirements takes place through regular formal meetings on at least a monthly basis.

Material and labour costs

A buoyant UK housing market, together with a skills shortage in both key building trades and associated back-office professional employees has lead to some labour shortages and material price inflation. Risk management is in the form of establishing and maintaining close relationships with the key trade suppliers and sub-contractors, a commitment to pay agreed liabilities on or before due dates in all cases, and to provide continuity of work and a clear vision to the major suppliers and sub-contractors of how the business is expanding.

In terms of its own employees to retain skills, Spitfire Bespoke Homes Limited provides a nurturing and encouraging working environment, paying at or above industry standard salaries, and providing necessary training and development to maximise employee potential.

Spitfire Bespoke Homes Limited

Strategic report (continued)
For the year ended 31 December 2017

Monitoring and managing risk (continued)

Economic uncertainty

Current economic conditions in the UK provide a positive environment for the housing industry. However, the industry is susceptible to fluctuations in key factors such as interest rate rises, changes to employment levels, and general consumer confidence. Of particular concern is the impact on the UK economy following the decision of the EU referendum of 2016, during the run up to, and period after the UK leaves the EU trading block in March 2019. The risk identified is that a deterioration in the UK economic outlook may have an adverse effect on demand and prices of new built housing.

Spitfire Bespoke Homes Limited mitigates this risk by constantly assessing its investment in new land and development work in relation to market projections, and by diversifying into the rental sector, which has proven to be counter-cyclical in previous economic downturns when demand for rental properties increases as the demand for new houses reduces.

This report was approved by the board on 28th August 2018 and signed on its behalf.



R Bryan
Director

Spitfire Bespoke Homes Limited

Directors' report For the year ended 31 December 2017

The directors present their report and the financial statements for the year ended 31 December 2017.

Directors' responsibilities statement

The directors are responsible for preparing the Strategic report, the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and applicable law. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Results and dividends

The profit for the year, after taxation, amounted to £3,532,815 (2016: loss of £904,474).

The directors have not paid or proposed any dividends during the year (2016: £Nil).

Directors

The directors who served during the year were:

T J Wooldridge
G Hutton
A Clarke
R Bryan (appointed 23 February 2017)
D Jervis (appointed 23 February 2017)

Going concern

The financial statements have been drawn up on a going concern basis which assumes the continued support of the parent company, I.M. Properties Plc, for a period of at least 12 months from the date of approval of these financial statements. The directors have received written confirmation from I.M. Properties Plc that such support will continue to be made available, and on this basis have determined that the company will continue in existence as a going concern.

Spitfire Bespoke Homes Limited

Directors' report (continued) For the year ended 31 December 2017

Disclosure of information to auditor

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

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

Post balance sheet events

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

Auditor

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

This report was approved by the board on 28th August 2018 and signed on its behalf.



R Bryan
Director

Spitfire Bespoke Homes Limited

Independent auditor's report to the members of Spitfire Bespoke Homes Limited

Opinion

We have audited the financial statements of Spitfire Bespoke Homes Limited ("the Company") for the year ended 31 December 2017 which comprise the Statement of income and retained earnings, the Balance sheet and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2017 and of its 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 Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

Spitfire Bespoke Homes Limited

Independent auditor's report to the members of Spitfire Bespoke Homes Limited (continued)

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report and the Directors' report.

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

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

Spitfire Bespoke Homes Limited

Independent auditor's report to the members of Spitfire Bespoke Homes Limited (continued)

Responsibilities of directors

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

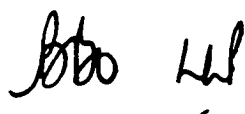
In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company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

Auditor's responsibilities for the audit of the financial statements

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.

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

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



John Everingham (Senior Statutory Auditor)
For and on behalf of BDO LLP, statutory auditor
Gatwick
United Kingdom

Date: 20 August 2018

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

Spitfire Bespoke Homes Limited

Statement of income and retained earnings For the year ended 31 December 2017

		2017 £	2016 £
Turnover	4	85,451,979	-
Cost of sales		(74,214,706)	-
Gross profit		11,237,273	-
Administrative expenses		(4,557,917)	-
Other operating income		208	-
Operating profit	5	6,679,564	-
Interest receivable and similar income	8	2,086	6,096,495
Interest payable and similar charges	9	(2,376,563)	(6,096,495)
Profit on ordinary activities before taxation		4,305,087	-
Taxation on profit on ordinary activities	10	(772,272)	(904,474)
Profit for the year and total comprehensive income		3,532,815	(904,474)
Retained earnings at the beginning of the year		(117,810)	786,664
Total comprehensive income for the year		3,532,815	(904,474)
Retained earnings at the end of the year		3,415,005	(117,810)

The notes on pages 12 to 26 form part of these financial statements.

Spitfire Bespoke Homes Limited

Registered number: 04395875

Balance sheet As at 31 December 2017

	Note	2017 £	2016 £
Fixed assets			
Tangible assets	11	120,562	-
Investments	12	225	-
		<u>120,787</u>	<u>-</u>
Current assets			
Stocks	13	86,959,112	-
Debtors: amounts falling due within one year	14	7,896,397	58,411,108
Cash at bank and in hand		367,914	-
		<u>95,223,423</u>	<u>58,411,108</u>
Current liabilities			
Creditors: amounts falling due within one year	15	(55,887,802)	(58,528,917)
Net current assets/(liabilities)		<u>39,335,621</u>	<u>(117,809)</u>
Creditors: amounts falling due after more than one year	16	(36,440,543)	-
Net assets/(liabilities)		<u><u>3,015,865</u></u>	<u><u>(117,809)</u></u>
Capital and reserves			
Called up share capital	19	875	1
Merger reserve	20	(400,015)	-
Profit and loss account	20	3,415,005	(117,810)
		<u><u>3,015,865</u></u>	<u><u>(117,809)</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 28 August 2018


G Hutton
Director

The notes on pages 12 to 26 form part of these financial statements.

Spitfire Bespoke Homes Limited

Statement of changes in equity For the year ended 31 December 2017

	Called up share capital	Merger reserve	Profit and loss account	Total equity
	£	£	£	£
At 1 January 2017	1	-	(117,810)	(117,809)
Comprehensive income for the year				
Profit for the year	-	-	3,532,815	3,532,815
Total comprehensive income for the year	-	-	3,532,815	3,532,815
Shares issued during the year	874	-	-	874
Transfer of trade and net assets from Spitfire Properties LLP	-	(400,015)	-	(400,015)
Total transactions with owners	874	(400,015)	-	(399,141)
At 31 December 2017	875	(400,015)	3,415,005	3,015,865

Statement of changes in equity For the year ended 31 December 2016

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 January 2016	1	786,664	786,665
Comprehensive income for the year			
Loss for the year	-	(904,474)	(904,474)
Total comprehensive income for the year	-	(904,474)	(904,474)
At 31 December 2016	1	(117,810)	(117,809)

The notes on pages 12 to 26 form part of these financial statements.

Spitfire Bespoke Homes Limited

Notes to the financial statements For the year ended 31 December 2017

1. General information

Spitfire Bespoke Homes Limited is a private company incorporated in England and Wales under the Companies Act. It is a company limited by shares. The address of the registered office is given on the company information page. The principal activity of the Company is development of residential property.

2. Accounting policies

2.1 Basis of preparation of financial statements

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

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

The financial statements are drawn up to the nearest whole £, except where otherwise indicated.

The following principal accounting policies have been applied:

2.2 Financial Reporting Standard 102 - reduced disclosure exemptions

The Company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 4 Statement of Financial Position paragraph 4.12(a)(iv);
- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.41(b), 11.41(c), 11.41(e), 11.41(f), 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirements of Section 26 Share-based Payment paragraphs 26.18(b), 26.19 to 26.21 and 26.23;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of I.M. Properties Plc as at 31 December 2017 and these financial statements may be obtained from Companies House.

2.3 Consolidated financial statements

The financial statements contain information about Spitfire Bespoke Homes Limited as an individual company and do not contain consolidated financial information as the parent of a group. The Company has taken advantage of the exemption conferred by section 400 of the Companies Act 2006 not to produce consolidated financial statements as it is included in EEA group financial statements of a larger group.

Spitfire Bespoke Homes Limited

Notes to the financial statements For the year ended 31 December 2017

2. Accounting policies (continued)

2.4 Going concern

The financial statements have been drawn up on a going concern basis which assumes the continued support of the parent company, I.M. Properties Plc, for a period of at least 12 months from the date of approval of these financial statements. The directors have received written confirmation from I.M. Properties Plc that such support will continue to be made available, and on this basis have determined that the company will continue in existence as a going concern.

2.5 Turnover

Turnover represents sales of residential property and is recognised on legal completion.

Sales of land are recognised on the date of completion or on the date of exchange if an unconditional binding agreement is in place and where it is reasonable to assume at the balance sheet date that completion will occur.

2.6 Interest income

Interest income is recognised in the Statement of income and retained earnings using the effective interest method.

2.7 Borrowing costs

All borrowing costs are recognised in the Statement of income and retained earnings in the year in which they are incurred.

2.8 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of income and retained earnings, 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 operates and generates income.

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

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

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

Spitfire Bespoke Homes Limited

Notes to the financial statements For the year ended 31 December 2017

2. Accounting policies (continued)

2.9 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, on a reducing balance basis.

Depreciation is provided on the following basis:

Motor vehicles	-	25%
Office equipment	-	33%
Computer equipment	-	33%

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of income and retained earnings.

2.10 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.11 Stocks

Stocks and land under development are stated at cost, including attributable direct overheads, reduced to estimated net realisable value where appropriate.

Work in progress represents work that has been performed in relation to which turnover will be recognised in a later period. It is recognised at the lower of cost and net realisable value.

Progress payments received against construction costs are deducted from work in progress.

2.12 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.

2.13 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.

Spitfire Bespoke Homes Limited

Notes to the financial statements For the year ended 31 December 2017

2. Accounting policies (continued)

2.14 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.

2.15 Financial instruments

The Company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties and loans to related parties.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in the case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of income and retained earnings.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the balance sheet date.

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is an 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.

2.16 Pensions

Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in the Statement of income and retained earnings when they fall due. Amounts not paid are shown in accruals as a liability in the balance sheet. The assets of the plan are held separately from the Company in independently administered funds.

Spitfire Bespoke Homes Limited

Notes to the financial statements For the year ended 31 December 2017

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

In preparing the financial statements, the directors have made the following judgements:

- determine whether there are any indications of impairment of the amounts due from group undertakings. Factors taken into consideration in reaching such a decision include the financial position and the expected future financial performance of that entity.
- determine whether there are any indications of impairment of the carrying value of property held as trading stock. Professional judgement is applied in determining whether the carrying value of stock is in excess of the net realisable value. Factors taken into consideration in reaching such a decision include the development potential, planning prospects and prevailing market conditions.

4. Turnover

Turnover is wholly attributable to the principal activity of property sales and arises solely within the United Kingdom.

5. Operating profit

The operating profit is stated after charging:

	2017 £	2016 £
Depreciation of tangible fixed assets	79,000	-
Defined contribution pension cost	330,542	-
Operating lease payments recognised as an expense	120,036	-
Cost of stocks recognised as an expense	71,285,614	-
Auditor's remuneration:		
- Audit services	38,300	-
- Non-audit services	1,900	-

Spitfire Bespoke Homes Limited

Notes to the financial statements For the year ended 31 December 2017

6. Employees

Staff costs, including directors' remuneration, were as follows:

	2017 £	2016 £
Wages and salaries	5,278,655	-
Social security costs	626,379	-
Cost of defined contribution scheme	330,542	-
	<u>6,235,576</u>	<u>-</u>

The average monthly number of employees, including the directors, during the year was as follows:

	2017 No.	2016 No.
Administrative	59	3
Construction	23	-
	<u>82</u>	<u>3</u>

7. Directors' remuneration

	2017 £	2016 £
Directors' emoluments	275,425	-
Cost of defined contribution scheme	19,360	-
	<u>294,785</u>	<u>-</u>

During the year retirement benefits were accruing to 2 directors (2016: NIL) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £150,409 (2016: £NIL).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £12,000 (2016: £NIL).

8. Interest receivable and similar income

	2017 £	2016 £
Interest receivable from group companies	-	6,096,495
Other interest receivable	<u>2,086</u>	<u>-</u>

Spitfire Bespoke Homes Limited

Notes to the financial statements For the year ended 31 December 2017

9. Interest payable and similar charges

	2017 £	2016 £
Bank interest payable	495,607	-
Interest payable to group undertakings	1,818,039	6,096,495
Finance arrangement fee	40,000	-
Other interest payable	22,917	-
	<u>2,376,563</u>	<u>6,096,495</u>

10. Taxation

	2017 £	2016 £
Corporation tax		
Current tax on profits for the year	-	117,518
Adjustments in respect of prior periods	(107,518)	786,956
Group taxation relief	895,766	-
	<u>788,248</u>	<u>904,474</u>
Total current tax		
Deferred tax		
Origination and reversal of timing differences	(15,976)	-
	<u>772,272</u>	<u>904,474</u>
Taxation on profit on ordinary activities		

Spitfire Bespoke Homes Limited

Notes to the financial statements For the year ended 31 December 2017

10. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2016 - higher than) the standard rate of corporation tax in the UK of 19.25% (2016 - 20%). The differences are explained below:

	2017 £	2016 £
Profit on ordinary activities before tax	4,305,087	-
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.25% (2016 -20%)	828,582	-
Effects of:		
Expenses not deductible for tax purposes	36,827	40,789
Adjustments to tax charge in respect of prior periods	(107,518)	786,956
Transfer pricing adjustments	12,270	76,729
Adjust closing deferred tax to average rate of 19.25%	2,111	-
Total tax charge for the year	772,272	904,474

Factors that may affect future tax charges

There were no factors that may affect future tax charges.

Spitfire Bespoke Homes Limited

Notes to the financial statements For the year ended 31 December 2017

11. Tangible fixed assets

	Motor vehicles £	Computer software £	Office equipment £	Total £
Cost				
At 1 January 2017	-	-	-	-
Additions	14,383	-	65,200	79,583
Transferred from group undertaking at cost	11,282	16,750	164,015	192,047
At 31 December 2017	25,665	16,750	229,215	271,630
Depreciation				
At 1 January 2017	-	-	-	-
Charge for the year	3,720	5,580	69,700	79,000
Transferred from group undertaking at cost	1,880	3,312	66,876	72,068
At 31 December 2017	5,600	8,892	136,576	151,068
Net book value				
At 31 December 2017	20,065	7,858	92,639	120,562
At 31 December 2016	-	-	-	-

Spitfire Bespoke Homes Limited

Notes to the financial statements For the year ended 31 December 2017

12. Fixed asset investments

	Investments in subsidiary companies £
Cost or valuation	
At 1 January 2017	-
Additions	125
Transferred from group undertaking at cost	100
At 31 December 2017	<u>225</u>
Net book value	
At 31 December 2017	<u>225</u>
At 31 December 2016	<u>-</u>

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Class of shares	Holding	Principal activity
Spitfire Properties (Newhall) Limited	Ordinary	100 %	Property development
Spitfire Properties 2 Limited	Ordinary	100 %	Dormant

The registered office of both subsidiaries is I.M. House, South Drive, Coleshill, Birmingham, B46 1DF, United Kingdom.

13. Stocks

	2017 £	2016 £
Work in progress	<u>86,959,112</u>	<u>-</u>

Spitfire Bespoke Homes Limited

Notes to the financial statements For the year ended 31 December 2017

14. Debtors

	2017 £	2016 £
Trade debtors	4,827,299	-
Amounts owed by group undertakings	-	58,411,108
Other debtors	2,286,903	-
Prepayments and accrued income	766,219	-
Deferred taxation	15,976	-
	<u>7,896,397</u>	<u>58,411,108</u>

Except for the deferred tax asset amounting to £15,976 (2016: £Nil), all amounts shown under debtors fall due for payment within one year.

15. Creditors: Amounts falling due within one year

	2017 £	2016 £
Trade creditors	3,068,109	-
Amounts owed to group undertakings	50,406,544	58,411,399
Corporation tax	-	117,518
Other creditors	1,463,032	-
Accruals and deferred income	950,117	-
	<u>55,887,802</u>	<u>58,528,917</u>

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

	2017 £	2016 £
Bank loans (secured)	16,440,543	-
Loan from group undertaking	20,000,000	-
	<u>36,440,543</u>	<u>-</u>

Spitfire Bespoke Homes Limited

Notes to the financial statements For the year ended 31 December 2017

17. Loans

Analysis of the maturity of loans is given below:

	2017 £	2016 £
Amounts falling due 1-2 years		
Loans from group undertaking	20,000,000	-
Amounts falling due 2-5 years		
Bank loans	16,440,543	-
	<u>36,440,543</u>	<u>-</u>

The bank loan is secured by way of a fixed charge over certain residential development sites, with a carrying value of £25,645,308 held in 'Work in progress' at year-end. Interest is charged at LIBOR +2.25%. Repayment is due in full on the maturity date of the loan, or where a property is sold on the site funded by the loan, by a repayment of a portion of the loan relating to the sales price of the related property.

18. Deferred taxation

	2017 £
Charged to profit or loss	15,976
At end of year	<u>15,976</u>

The deferred tax asset is made up as follows:

	2017 £	2016 £
Accelerated capital allowances	<u>15,976</u>	<u>-</u>

Spitfire Bespoke Homes Limited

Notes to the financial statements For the year ended 31 December 2017

19. Share capital

	2017 £	2016 £
Allotted, called up and fully paid		
75,000 Ordinary A shares of £0.01 each	750	-
12,500 Ordinary B shares of £0.01 each	125	-
1 Ordinary share of £1	-	1
	<u>875</u>	<u>1</u>

During the year, the Company re-designated 1 Ordinary share of £1 to 100 Ordinary A shares of £0.01 each.

During the year, the Company issued 74,900 Ordinary A shares of £0.01 each at par.

During the year, the Company issued 12,500 Ordinary B shares of £0.01 each at par.

The voting rights of the Ordinary A shares and Ordinary B shares rank pari passu.

Profits shall be allocated to the holders of the Ordinary A shares and Ordinary B shares in order of priority as set out the Articles of Association.

On the occurrence of an Exit the surplus assets shall be distributed to the holders of the Ordinary A shares and Ordinary B shares in order of priority as set out the Articles of Association.

20. Reserves

Share capital represents the nominal value of shares in issue.

The merger reserve was created as follows:

On 1 January 2017 the Company acquired the net liabilities amounting to £400,015 and trade of Spitfire Properties LLP as a result of a group reconstruction involving entities with common controlling shareholders. The consideration was £1. As the transaction is not an acquisition it would not be appropriate to account any goodwill or fair value adjustments to the net assets acquired. Accordingly the net assets have been recognised at book value prior to transfer and the difference between the consideration paid and the book value of the assets acquired has been recognised as a merger reserve.

The profit and loss account is the cumulative comprehensive income less items recognised in other equity reserves.

21. Contingent liabilities

During 2016 Spitfire Properties LLP sold land at Holt Lane, Bradford on Avon to a major national housebuilder and an adjacent piece of land to a local engineering firm. The housebuilder has an obligation as part of the sale contract to provide an access road across its land to the engineering firm at its own cost. Should the housebuilder fail in this obligation, the engineering firm have the right to step in and construct the access at a cost to Spitfire Properties LLP of up to a maximum of £300,000. The obligation was novated from Spitfire Properties LLP to Spitfire Bespoke Homes Limited on 1 January 2017 as part of the transfer of trade and assets. This sum of money is being held by legal representatives on behalf of the engineering firm, and is included in other debtors in the Balance sheet at 31 December 2017.

Spitfire Bespoke Homes Limited

Notes to the financial statements For the year ended 31 December 2017

22. Commitments under operating leases

At 31 December 2017 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2017 £	2016 £
Land and buildings		
Not later than 1 year	120,036	-
Later than 1 year and not later than 5 years	39,793	-
Later than 5 years	-	-
	<u>159,829</u>	<u>-</u>

23. Related party disclosures

On 1 January 2017, the Company purchased the net assets and business of Spitfire Properties LLP for consideration of £1.

During the year the Company loaned funds of £Nil (2016 - £9,150,000) to Spitfire Properties LLP (the "LLP") in order to finance the acquisition and development of properties as well as providing working capital. Notional interest was charged on this loan at rates of 3.75% and 20% in 2016 resulting in an interest charge for that year of £6,705,147, this was the Company's profit allocation as per the members' agreement. A management fee was also charged by the Company of £203,240 in 2016 for management and finance services. At the year end the amount owed to the Company was £Nil (2016 - £57,620,689).

During the year the Company borrowed funds from IM Properties plc in order to finance the acquisition and development of properties as well as provide working capital. Notional interest was charged on the financing element of this loan at a rate of 3.75% resulting in an interest charge of £1,068,039 for the year. The working capital element is repayable on demand and is interest free. At the end of the year the amount owed by the Company was £47,437,101.

During the year the Company borrowed funds from IM Group Limited in order to finance the acquisition and development of properties. Interest was charged on this loan at a rate of 3.75% resulting in an interest charge of £750,000 for the year. At the end of the year the amount owed by the Company was £20,252,471.

The Company acts as banker to its subsidiary undertaking, Spitfire Properties (Newhall) Limited. At the end of the year the amount owed by the Company was £2,716,972.

During the year the Company sold a property at one of its residential developments to a member of key management and a director, for £651,000.

D Jervis is a director of both Spitfire Bespoke Homes Limited and Spitfire Property Group Limited. During the year, Spitfire Property Group Limited received £210,000 plus VAT for consultancy services relating to a property held by I.M. Properties plc.

Spitfire Bespoke Homes Limited

Notes to the financial statements For the year ended 31 December 2017

24. Ultimate parent company and parent undertaking of larger group

The Company is a subsidiary of I.M. Group Limited which is the ultimate parent company incorporated in England and Wales.

The largest group in which the results of the Company are consolidated is that headed by I.M. Group Limited, incorporated in England and Wales. The smallest group in which they are consolidated is that headed by I.M. Properties Plc, incorporated in England and Wales. The consolidated financial statements are available to the public and may be obtained from Companies Registration Office, Companies House, Crown Way, Maindy, Cardiff, CF14 3UZ.