

# MERSTEN LIMITED

## Filleted Unaudited Financial Statements

For the period ended

31 December 2017

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### UNW LLP

Chartered Accountants  
Citygate  
St. James' Boulevard  
Newcastle upon Tyne  
NE1 4JE

# **MERSTEN LIMITED**

## **Financial Statements**

**Period from 1 July 2016 to 31 December 2017**

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# MERSTEN LIMITED

## Directors' Report

Period from 1 July 2016 to 31 December 2017

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The directors present their report and the unaudited financial statements of the company for the period ended 31 December 2017.

### Principal activities

The principal activity of the company during the period was property development.

### Business Review

Mersten Limited (the 'company') is part of the Mersten Holdings Group. The company is a property and developer specialising in the social housing sector. Since the company's inception, it has specialised in the provision of supported housing designed to meet the needs of vulnerable adults with learning disabilities and mental health issues. All our projects are planned, customised and delivered with care to ensure they fully meet the requirements of this specialised user group.

The company was established in 2015 and works in close partnership with care commissioning bodies within local authorities, national charities, registered housing associations, and many of the UK's leading care support providers to deliver specialised supported housing. The company has experienced significant growth in the past 12 months and its geographical spread of projects has expanded from North West England to the entire UK.

Our projects are funded through a mix of proprietary capital and that of third party institutional investors. Since 2016, the company has delivered over 350 individual units of accommodation for vulnerable adults, comprising of a mix of new build and repurposed existing residential accommodation. The company has a pipeline of over 400 further units of accommodation to be delivered in 2018.

In the future, it is the company's stated aim to be one of the UK's leading provider of homes for vulnerable people and there is a strong commitment on the part of management to ensure that the necessary resources, technology and organisational structure are in place to ensure this vision is achieved. The company has invested heavily in its human resources and has a strong commitment to training and skills development. The company achieved the Investors in People (Silver) award in 2017.

The company is a values-based business and places a high level of value on how it interacts with its partners, and ensuring that what is a commercial activity, is delivered with care and sensitivity.

During the period covered by the accounts the gross value of properties sold was £18.3m. This includes properties sold directly by the company and properties held by Special Purpose Vehicles (SPVs) where the SPVs were sold.

### Principles risk and uncertainties

The company maintains a policy of continually reviewing key risks and monitoring progress in controlling all identified risks, both in its day-to-day business activities, and the sector in which the company is currently investing. Specific risks which the company continuously assesses are as follows:

1. Public funding: Current methodology adopted by UK government for the funding of social housing costs for qualifying vulnerable adults;
  2. Financial partners: the company works with a range of financial partners including debt lenders and equity investors, and maintains strong relationships with these parties to ensure it has adequate capital to deliver its pipeline projects;
  3. Credit risk: the company considers its credit risk with respect to trade receivables is limited due to the institutional nature of the company's financial partners. Nevertheless, this position is monitored continuously;
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# MERSTEN LIMITED

## Directors' Report *(continued)*

Period from 1 July 2016 to 31 December 2017

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4. Liquidity Risk: the company aims to receive, and make, stage payments keeping its liquidity risk to a minimum. The company prepares cashflow forecasts on a monthly, quarterly and annual basis, and takes pro-active actions, if required, to mitigate liquidity risk. Procedures are in place to monitor the profitability of each project to check that it is in line with the approved forecast.

### Governance

The company is privately owned by shareholders and is supervised by a management board which includes external advisers. Day to day operational management responsibility sits with a newly appointed Managing Director and functional department heads have been appointed to ensure that the company has a robust operating structure and efficient reporting lines.

### Financial position and liquidity

The financial status and overall liquidity of the company remains strong, and the directors have a reasonable expectation that the company has adequate resources to continue its ongoing operational activities, deliver its pipeline of projects and ensure its strategic objectives are met.

### Directors

The directors who served the company during the period were as follows:

M Jagger	
B Jones	(Appointed 18 October 2017)
E Akram	(Appointed 30 September 2016)

### Small company provisions

This report has been prepared in accordance with the provisions applicable to companies entitled to the small companies exemption.

This report was approved by the board of directors on 4 May 2018 and signed on behalf of the board by:



M JAGGER  
Director

Registered office:  
73a London Road  
Alderley Edge  
Cheshire  
SK9 7DY

# MERSTEN LIMITED

## Statement of Financial Position

31 December 2017

	Note	31 Dec 17 £	30 Jun 16 £
<b>Fixed assets</b>			
Tangible assets	5	32,362	17,305
<b>Current assets</b>			
Stock and WIP		3,100	—
Debtors	6	4,193,136	72,932
Cash at bank and in hand		230,975	223,952
		<u>4,427,211</u>	<u>296,884</u>
<b>Creditors: amounts falling due within one year</b>	7	<u>3,025,600</u>	<u>90,688</u>
<b>Net current assets</b>		<u>1,401,611</u>	<u>206,196</u>
<b>Total assets less current liabilities</b>		<u>1,433,973</u>	<u>223,501</u>
<b>Provisions</b>		<u>5,326</u>	<u>3,461</u>
<b>Net assets</b>		<u><u>1,428,647</u></u>	<u><u>220,040</u></u>
<b>Capital and reserves</b>			
Called up share capital		100	100
Profit and loss account		<u>1,428,547</u>	<u>219,940</u>
<b>Shareholders funds</b>		<u><u>1,428,647</u></u>	<u><u>220,040</u></u>

These financial statements have been prepared and delivered in accordance with the provisions applicable to companies subject to the small companies' regime and in accordance with FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

In accordance with section 444 of the Companies Act 2006, the statement of comprehensive income has not been delivered.

For the period ending 31 December 2017 the company was entitled to exemption from audit under section 477 of the Companies Act 2006 relating to small companies.

Directors' responsibilities:

- The members have not required the company to obtain an audit of its financial statements for the period in question in accordance with section 476;
- The directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of financial statements.

These financial statements were approved by the board of directors and authorised for issue on 4 May 2018, and are signed on behalf of the board by:



M JAGGER

Director

Company registration number: 09618921

The notes on pages 4 to 7 form part of these financial statements.

# MERSTEN LIMITED

## Notes to the Financial Statements

Period from 1 July 2016 to 31 December 2017

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### 1. General information

The company is a private company limited by shares, registered in England and Wales. The address of the registered office is 73a London Road, Alderley Edge, Cheshire, SK9 7DY.

### 2. Statement of compliance

These financial statements have been prepared in compliance with Section 1A of FRS 102, 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland'.

### 3. Accounting policies

#### Basis of preparation

The financial statements have been prepared on the historical cost basis, as modified by the revaluation of certain financial assets and liabilities and investment properties measured at fair value through profit or loss.

The financial statements are prepared in sterling, which is the functional currency of the entity.

#### Transition to FRS 102

The entity transitioned from previous UK GAAP to FRS 102 as at 1 July 2015. Details of how FRS 102 has affected the reported financial position and financial performance is given in note 11.

#### Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported. These estimates and judgements are continually reviewed and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

#### Revenue recognition

Turnover represents the gross proceeds of the sale of shares in special purpose companies set up to acquire properties prior to sale of such special purpose companies.

Gross value of sales is the gross value of the underlying properties sold through the sale of the special purpose companies and by those companies.

#### Income tax

The taxation expense represents the aggregate amount of current and deferred tax recognised in the reporting period. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, tax is recognised in other comprehensive income or directly in equity, respectively.

Current tax is recognised on taxable profit for the current and past periods. Current tax is measured at the amounts of tax expected to pay or recover using the tax rates and laws that have been enacted or substantively enacted at the reporting date.

# MERSTEN LIMITED

## Notes to the Financial Statements *(continued)*

Period from 1 July 2016 to 31 December 2017

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### 3. Accounting policies *(continued)*

#### Income tax *(continued)*

Deferred tax is recognised in respect of all timing differences at the reporting date. Unrelieved tax losses and other deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

#### Operating leases

Lease payments are recognised as an expense over the lease term on a straight-line basis. The aggregate benefit of lease incentives is recognised as a reduction to expense over the lease term, on a straight-line basis.

#### Tangible assets

Tangible assets are initially recorded at cost, and subsequently stated at cost less any accumulated depreciation and impairment losses. Any tangible assets carried at revalued amounts are recorded at the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

An increase in the carrying amount of an asset as a result of a revaluation, is recognised in other comprehensive income and accumulated in equity, except to the extent it reverses a revaluation decrease of the same asset previously recognised in profit or loss. A decrease in the carrying amount of an asset as a result of revaluation, is recognised in other comprehensive income to the extent of any previously recognised revaluation increase accumulated in equity in respect of that asset. Where a revaluation decrease exceeds the accumulated revaluation gains accumulated in equity in respect of that asset, the excess shall be recognised in profit or loss.

#### Depreciation

Depreciation is calculated so as to write off the cost or valuation of an asset, less its residual value, over the useful economic life of that asset as follows:

Leasehold property	- 15% straight line
Fixtures and fittings	- 20% straight line
Equipment	- 33% straight line

#### Stocks

Stocks are measured at the lower of cost or net realisable value.

#### Financial instruments

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

### 4. Employee numbers

The average number of persons employed by the company during the period amounted to 22 (2016: 4).

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# MERSTEN LIMITED

## Notes to the Financial Statements *(continued)*

Period from 1 July 2016 to 31 December 2017

### 5. Tangible assets

	Leasehold property £	Fixtures and fittings £	Equipment £	Total £
<b>Cost</b>				
At 1 July 2016	10,500	2,344	9,757	22,601
Additions	—	5,636	25,064	30,700
<b>At 31 December 2017</b>	<u>10,500</u>	<u>7,980</u>	<u>34,821</u>	<u>53,301</u>
<b>Depreciation</b>				
At 1 July 2016	1,575	469	3,252	5,296
Charge for the period	2,363	1,596	11,684	15,643
<b>At 31 December 2017</b>	<u>3,938</u>	<u>2,065</u>	<u>14,936</u>	<u>20,939</u>
<b>Carrying amount</b>				
<b>At 31 December 2017</b>	<u>6,562</u>	<u>5,915</u>	<u>19,885</u>	<u>32,362</u>
At 30 June 2016	<u>8,925</u>	<u>1,875</u>	<u>6,505</u>	<u>17,305</u>

### 6. Debtors

	31 Dec 17 £	30 Jun 16 £
Amounts owed by group undertakings and undertakings in which the company has a participating interest	1,833,537	—
Other debtors	2,359,599	72,932
	<u>4,193,136</u>	<u>72,932</u>

### 7. Creditors: amounts falling due within one year

	31 Dec 17 £	30 Jun 16 £
Other loans	650,000	—
Trade creditors	125,779	—
Amounts owed to related undertakings	1,097,561	—
Corporation tax	297,063	52,250
Social security and other taxes	21,380	4,783
Other creditors	833,817	33,655
	<u>3,025,600</u>	<u>90,688</u>

### 8. Deferred tax

The deferred tax included in the statement of financial position is as follows:

	31 Dec 17 £	30 Jun 16 £
Included in provisions	<u>5,326</u>	<u>3,461</u>



# MERSTEN LIMITED

## Notes to the Financial Statements *(continued)*

Period from 1 July 2016 to 31 December 2017

### 9. Operating leases

The total future minimum lease payments under non-cancellable operating leases are as follows:

	31 Dec 17	30 Jun 16
	£	£
Not later than 1 year	12,500	15,000
Later than 1 year and not later than 5 years	–	20,000
	<u>12,500</u>	<u>35,000</u>

### 10. Related party transactions

During the period the company operated a loan account with its parent company Mersten (Holdings) Limited. At the period end the balance due to Mersten Limited was £100,804 (2016: £100) this is included within other debtors. The loan is unsecured, and repayable on demand.

The company owns a number of specified purpose companies which have been set up to acquire and hold individual properties with the intention that the special purpose companies will be sold as part of the companies trade.

The company also makes loans to/(from) such companies and the outstanding loan balance at 31 December 2017 was £738,776 (2016: £Nil) owing from these companies.

### 11. Transition to FRS 102

These are the first financial statements that comply with FRS 102. The company transitioned to FRS 102 on 1 July 2015.

No transitional adjustments were required in equity or profit or loss for the year.