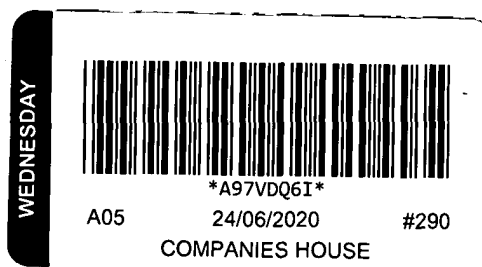


Martin Grant Homes Limited

Annual Report and Financial Statements

For the year ended 31 December 2019

Registered number: 01363485



Martin Grant Homes Limited

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Martin Grant Homes Limited

Strategic report

The directors, in preparing this strategic report, have complied with s414c of the Companies Act 2006.

This strategic report has been prepared for the Group as a whole and therefore gives greater emphasis to those matters which are significant to Martin Grant Homes Limited and its subsidiary undertakings when viewed as a whole.

Review of the business, including key performance indicators

The UK housing market in the areas in which we operate has been and remains fairly buoyant resulting in strong sales due to the quality of our product, the price range in which we operate and the locations of our sites.

The period since the vote by the United Kingdom to leave the European Union "Brexit" so far has seen variable demand in the residential housing market, even after it is passed through Parliament. However our programmed sales are still largely being achieved.

The directors have considered the potential risks arising from "Brexit" and monitored the ongoing political developments, where possible the risks have been mitigated through effective cash flow management.

The results of the Group for the year are set out on page 8. The financial position at the year end is shown on page 9 for the Group and page 10 for the Company.

The principal risks facing the Group are sales income related and these risks substantially reduced in the year due to strong performance securing forward exchange of contracts. We have seen that market sales prices are continuing to increase slightly, although this pace of the price growth is slowing down. Barclays Bank is now the sole banker to Martin Grant Homes Limited and we currently have in place a £40m three year facility. This relationship has been extremely close and supportive and has run for a 38 year unbroken period. The business achieved a strong cash balance in excess of £27.4m at the year end.

The business also relies upon the successful promotion of its strategic land through the planning process in order to ensure that it has sufficient approved units to construct. This is a primary focus of the directors who regularly monitor the progress of promotion of the businesses strategic sites and where necessary will pursue purchases of land with existing planning permission to ensure a robust construction pipeline.

Key Performance Indicators:

	2019	2018
Net Cash	£25.2m	£6.7m
Units with planning permission	714	949
Turnover	£100.3m	£89.7m
Average unit sales price	£450,380	£407,976
Gross Margin % From Private Housing Sales	30.62%	30.77%

Land with planning permission or resolution to grant planning permission owned or under the Group's control amounted to 714 units at the year end (2018 – 949 units). We also, either own or control an interest in additional land for a further potential of up to 5,891 units (2018 – 6,664 units) which is currently being progressed or promoted through the planning system.

We are in a good position to take advantage of our large sites with planning permission, where sales are strong. Most future land expenditure is either land under option or sites where we have control over when or if payments will be made. This leaves us in control of our cash reserves and not committed to significant future purchases or in possession of high value speculative land.

The company has continued to improve its net cash position based predominantly on cash obtained through operations. The large net cash balance at year end is expected to be invested in further strategic land at Church Crookham, Fleet which will reduce this balance but increase the units with planning permission.

Turnover increased in the year due to an increase in both the number of private units and the average unit sales prices, this offset a decline in social housing revenue of £4.7m. This was in part due to lower than expected turnover in the prior year due to delays in completion of construction on various sites, these units were completed in the current year and therefore have bolstered 2019 revenue.

Martin Grant Homes Limited

Strategic report (continued)

The margin on private housing sales remained stable in the current year although the company's overall gross margin improved due to a greater proportion of turnover being made up of private sales. Social housing developments reduce the company's overall margin as they are recognised at nil margin, as such a decline in social housing sales as a proportion of turnover improves the blended margin for the business.

We are waiting to take advantage of opportunities that present themselves whilst remaining cautious given the UK economic situation. We continue to manage our risk profile through a very tight strategy on land purchases and strict cash flow management.

Corporate Governance Review

The Board of Directors of Martin Grant Homes Ltd consider, both individually and together, that they have acted in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole (having regard to the stakeholders and matters set out in s172(1)(a-f) of the Act) in the decisions taken during the year ended 31 December 2019. In particular, by reference to our business plan ('our plan'):

1. Our plan was designed to have a long-term beneficial impact on the company and to contribute to its success in delivering better quality homes and high quality services to our customers. We will continue to operate our business within tight budgetary controls.
2. Our employees are fundamental to the delivery of our plan. We aim to be a responsible employer in our approach to the pay and benefits our employees receive. The health, safety and well-being of our employees is one of our primary considerations in the way we do business.
3. We aim to act responsibly and fairly in how we engage with: our customers; our suppliers; our credit investors; and co-operate with our regulators; all of whom are integral to the successful delivery of our plan.
4. Our plan took into account the impact of the company's operations on the community and environment and our wider societal responsibilities. All our projects make due consideration of our environmental impact and we constantly strive for improvement in this area.
5. As the Board of Directors, our intention is to behave responsibly and ensure that management operate the business in a responsible manner, operating within the high standards of business conduct and good governance expected for a business such as ours and in doing so, will contribute to the delivery of our plan. The intention is to nurture our reputation, through both the construction and delivery of our plan, that reflects our responsible behavior.
6. As the Board of Directors, our intention is to behave responsibly toward our shareholders and treat them fairly and equally, so they too may benefit from the successful delivery of our plan.

Principal risks and uncertainties

The Group's activities expose it to a number of financial risks including cash flow risk, credit risk, liquidity risk and price risk. The Group does not use derivative financial instruments for speculative purposes. The principal risks facing the Group are sales income related. Sales prices are slowly rising. The risks have substantially reduced.

Cash flow risk

The Group is exposed to the risk of variability in interest rates. For cost/benefit reasons the company chooses not to mitigate this risk.

Credit risk

The Group's principal financial assets are bank balances, trade and other receivables. The Group does not have any significant concentration of risk with respect to receivables.

Liquidity risk

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the Group uses a mixture of long-term and short-term debt finance. The Group also actively manages working capital, primarily by ensuring that houses are sold in accordance with planned expectations.

Price risk

The Group is exposed to price risk arising on build costs. For cost/benefit reasons the company chooses not to mitigate this risk.

Martin Grant Homes Limited

Strategic report (continued)

Financing and going concern

In light of the Covid-19 pandemic and its impact upon the residential housing market the Directors' reconsidered the going concern assumption as it relates to the Group. Whilst the main banking facility is ring-fenced at Martin Grant Homes level in the corporate structure the nature, trading and support within the whole Group means that it is appropriate to consider going concern from one overall group assessment.

The principal impacts experienced to date include short term disruption to construction due to closure of sites and then adherence with the government's site operating procedures; coupled with minor shortfalls in some building material as suppliers re-open. However as of the date of the Directors' report all sites under construction are now operational with high levels of productivity.

The Directors further considered the potential for deterioration in the housing market in light of Covid-19. While there were some declines in forecast sales rates over the lockdown period the Directors do not expect this to persist into Q3 and Q4 of FY20; particularly following the government allowing viewings and the solicitors being available to support legal completions. Sales continued to be recorded in April and May 2020.

The Directors drew up a forecast for their FY20 and FY21 trading based on a worst perceived case scenario in terms of the housing market and our ability to construct and sell houses. Based upon the results of that scenario and an outturn that demonstrated the group's strong net cash position throughout; with the support if needed of the committed funding available from its Barclays facility, the Directors have identified no circumstances under which the Group would be unable to meet its obligations as they fall due. At no point was additional external funding identified to be required and there were no breaches of covenants identified.

Given the above the Directors continue to consider the going concern basis appropriate and the financial statements have been prepared as such.

Environmental matters

The Martin Grant Homes Group of companies is an established developer, building quality houses in the South of England. Our objective is to create environmentally sensitive and sustainable developments providing a sense of place and community spirit, using sound best practice principles.

As a responsible house builder we recognise our responsibilities to our customers and the wider community. We are committed to designing homes in association with planners and industry bodies that are energy efficient, incorporating environmental performance best practice schemes, assessing energy efficiency, transport, materials, recycling, ecology, water efficient appliances/ conservation, pollution, health and well-being. We are also employing renewable energy technology to reduce consumption of fossil fuels and carbon dioxide emissions.

In conjunction with this, we ensure our developments recognise the natural environment and its landscape setting. We strive to protect, preserve and enhance the natural site features and work closely with the environment agency, natural England and local wildlife groups, to deal with protected flora and fauna habitats, seeking to enhance landscape/habitat and to encourage/increase biodiversity.

Future developments

The Directors base case and current expectation is that the residential property markets in which we operate will return to 'normal' over the next six months. Subject to this being the case we will continue to take advantage of land opportunities as we identify them. We continue to retain a strong pipeline of reservations and have returned to near normal operating levels in our build programme despite Covid-19. However the Directors have considered the potential risks arising from Covid-19 and further information around the latest assessment is available as part of the going concern disclosure provided in the Strategic Report.

Events after the balance sheet date are set out in more detail in note 26.

Approved by the Board and signed on its behalf by:



J P Malovany
Company Secretary

19 June 2020

Registered office:

Grant House
Felday Road
Abinger Hammer
Dorking
Surrey
RH5 6QP

Martin Grant Homes Limited

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2019.

Principal activity

The principal activities of the Group are that of house building and property development.

Future developments and events after the balance sheet date

Details of expected future developments, financial risk management objectives and events that have occurred after the balance sheet date can be found in the Strategic Report on pages 1 - 3 and form part of this report by cross-reference.

Directors' indemnities

The Company has made qualifying third party indemnity provisions for the benefit of its Directors which were made during the year and remain in force at the date of this report.

Directors

The Directors who served during the year and subsequent to the year end are as follows:

L N Grant
J P Malovany
C A Hamilton
J A Matuszewski
A J Charman
A P Threader
D P Markall

Charitable Donations

During the year, the Group made donations of £21,260 (2018 - £18,103) to various local and national charities.

Dividends

A dividend of £14m was paid on the 24th December 2019 to Martin Grant (Holdings) Limited (2018 - £10m).

Auditor

Deloitte LLP has expressed its willingness to continue in office as auditor of the group and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Each of the persons who is a director at the date of approval of this report confirms that:

- (1) so far as the director is aware, there is no relevant audit information of which the group's auditor is unaware; and
- (2) the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the group's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Approved by the Board and signed on its behalf by:


J P Malovany
Company Secretary

19 June 2020

Registered office:
Grant House
Felday Road
Abinger Hammer
Dorking
Surrey
RH5 6QP

Martin Grant Homes Limited

Directors' responsibilities statement

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". Under Company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and 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 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 Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group 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 Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditor's report to the members of Martin Grant Homes Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Martin Grant Homes Limited (the 'parent company') and its subsidiaries (the 'group'):

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2019 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated statement of comprehensive income;
- the consolidated and parent company balance sheets;
- the consolidated and parent company statements of changes in equity;
- the consolidated cash flow statement; and
- the related notes 1 to 26.

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).

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 and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (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 are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in 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 group's or the parent 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.

We have nothing to report in respect of these matters.

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 respect of these matters.

Independent auditor's report to the members of Martin Grant 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 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 financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

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 has been prepared in accordance with applicable legal requirements.

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

Matters on which we are required to report by exception

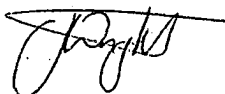
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- 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.

We have nothing to report in respect of these matters.

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.



James Wright FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Crawley, United Kingdom

19 June 2020

Martin Grant Homes Limited

Consolidated statement of comprehensive income For the year ended 31 December 2019

	Note	2019 £	2018 £
Turnover	1, 3	100,304,861	89,689,958
Cost of sales		<u>(73,737,650)</u>	<u>(68,200,830)</u>
Gross profit		26,567,211	21,489,128
Administrative expenses		(7,395,504)	(11,156,903)
Other operating income	3	<u>225,719</u>	<u>4,293,676</u>
		<u>(7,169,785)</u>	<u>(6,863,227)</u>
Operating profit		19,397,426	14,625,901
Finance costs (net)	7	<u>(852,102)</u>	<u>(1,205,218)</u>
Profit before taxation	4	18,545,324	13,420,683
Tax charge on profit	8	<u>(3,492,306)</u>	<u>(2,585,021)</u>
Total comprehensive income for the financial year		<u><u>15,053,018</u></u>	<u><u>10,835,662</u></u>

All the results derive from continuing operations.

There were no other recognised gains or losses for the current and preceding financial years other than as stated above.

Martin Grant Homes Limited

Consolidated balance sheet At 31 December 2019

	Note	£	2019 £	£	2018 £
Fixed assets					
Tangible assets	11		438,629		646,380
Current assets					
Stocks	13	72,479,769		80,932,829	
Debtors:					
- due within one year	14	4,824,982		5,029,188	
- after one year	14	196,224		261,114	
Cash at bank and in hand		27,405,670		8,208,613	
		104,906,645		94,431,744	
Creditors: amounts falling due within one year	16	(67,904,757)		(61,688,261)	
Net current assets			37,001,888		32,743,483
Total assets less current liabilities			37,440,517		33,389,863
Creditors: amounts falling due after more than one year	17		(4,461,220)		(1,463,584)
Net assets			32,979,297		31,926,279
Capital and reserves					
Called-up share capital	18		10,000		10,000
Capital reserve		5,000,000		5,000,000	
Profit and loss account		27,969,297		26,916,279	
			32,969,297		31,916,279
Total Shareholder's funds			32,979,297		31,926,279

The financial statements of Martin Grant Homes Limited (registered number 01363485) were approved by the board of directors and authorised for issue on 19 June 2020.

They were signed on its behalf by:



L N Grant
Chairman and Chief Executive Officer


J P Malovany
Group Finance Director

Martin Grant Homes Limited


Company balance sheet At 31 December 2019

	Note	£	2019 £	£	2018 £
Fixed assets					
Tangible assets	11	438,629		646,380	
Investments	12	664,439		664,339	
			1,103,068		1,310,719
Current assets					
Stocks	13	72,479,769		80,859,164	
Debtors:					
- due within one year	14	4,824,982		5,029,188	
- after one year	14	196,224		261,114	
Cash at bank and in hand		27,405,670		8,208,613	
		104,906,645		94,358,079	
Creditors: amounts falling due within one year	16	(69,695,159)		(63,397,984)	
Net current assets			35,211,486		30,960,095
Total assets less current liabilities			36,314,554		32,270,814
Creditors: amounts falling due after more than one year	17		(4,461,220)		(1,463,584)
Net assets			31,853,334		30,807,230
Capital and reserves					
Called-up share capital	18		10,000		10,000
Capital reserve		5,664,139		5,664,139	
Profit and loss account		26,179,195		25,133,091	
			31,843,334		30,797,230
Total Shareholder's funds			31,853,334		30,807,230

The financial statements of Martin Grant Homes Limited (registered number 01363485) were approved by the board of directors and authorised for issue on 19 June 2020.

The profit for the financial year after taxation, dealt with in the financial statements of the parent company was £15,046,104 (2018 – £10,876,563). They were signed on its behalf by:


L N Grant
Chairman and Chief Executive Officer


J P Malovany
Group Finance Director

Martin Grant Homes Limited

Consolidated statement of changes in equity At 31 December 2019

	Called-up share capital £	Capital reserve £	Profit and loss account £	Total £
At 31 December 2017	10,000	7,643,446	25,539,886	33,193,332
Profit for the financial year	-	-	10,835,662	10,835,662
Total comprehensive income	-	-	10,835,662	10,835,662
Dividend – parent company	-	-	(10,000,000)	(10,000,000)
Realisation of capital reserve	-	(2,643,446)	2,643,446	-
Dividend in specie	-	-	(2,102,715)	(2,102,715)
At 31 December 2018	10,000	5,000,000	26,916,279	31,926,279
Profit for the financial year	-	-	15,053,018	15,053,018
Total comprehensive income	-	-	15,053,018	15,053,018
Dividend – parent company	-	-	(14,000,000)	(14,000,000)
At 31 December 2019	10,000	5,000,000	27,969,297	32,979,297

The realisation of the capital reserve arose from the disposal of a subsidiary entity during the year to the ultimate parent company, causing the reserves to become distributable.

Martin Grant Homes Limited

Company statement of changes in equity At 31 December 2019

	Called-up share capital £	Capital reserve £	Profit and loss account £	Total £
At 31 December 2017	10,000	5,664,139	24,256,528	29,930,667
Profit for the financial year	-	-	10,876,563	10,876,563
Total comprehensive income	-	-	10,876,563	10,876,563
Dividend	-	-	(10,000,000)	(10,000,000)
At 31 December 2018	10,000	5,664,139	25,133,091	30,807,230
Profit for the financial year	-	-	15,046,104	15,046,104
Total comprehensive income	-	-	15,046,104	15,046,104
Dividend	-	-	(14,000,000)	(14,000,000)
At 31 December 2019	10,000	5,664,139	26,179,195	31,853,334

Martin Grant Homes Limited

Consolidated cash flow statement For the year ended 31 December 2019

	Note	2019 £	2018 £
Net cash inflow/(outflow) from operating activities	24(a)	19,437,627	16,158,515
Cash flows from investing activities			
Purchase of equipment		(60,498)	(247,004)
Interest received		93,191	29,235
Net cash outflow from investing activities		32,693	(217,769)
Cash flows from financing activities			
New bank loans drawn/(repaid)		669,024	(28,720,024)
Interest paid		(942,287)	(1,307,764)
Net cash (outflow)rom financing activities		(273,263)	(30,027,788)
Net increase/(decrease) in cash and cash equivalents		19,197,057	(14,087,042)
Cash and cash equivalents at beginning of year		8,208,613	22,295,655
Cash and cash equivalents at end of year		27,405,670	8,208,613
Reconciliation to cash at bank and in hand:			
Cash at bank and in hand		27,405,670	8,208,613
Cash and cash equivalents		27,405,670	8,208,613

Martin Grant Homes Limited

Notes to the financial statements (continued) For the year ended 31 December 2019

1. Accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and to the preceding year.

General information and basis of accounting

Martin Grant Homes Limited is a private Company limited by shares incorporated in the United Kingdom under the Companies Act 2006 and is registered in England and Wales. The address of the registered office is given on page 2.

The nature of the Group's operations and its principal activities are set out in the strategic report on pages 1 to 2.

The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value, and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

The functional currency of Martin Grant Homes Limited is considered to be pounds sterling because that is the currency of the primary economic environment in which the Company operates. The consolidated financial statements are also presented in pounds sterling.

Martin Grant Homes Limited meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements. Exemptions have been taken in these separate company financial statements in relation to share-based payments, financial instruments, presentation of a cash flow statement, remuneration of key management personnel and the disclosures required by FRS102.11 *Basic financial instruments* and FRS102.12 *Other financial instrument issues* in respect of financial instruments that do not fall within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

Basis of consolidation

The Group financial statements consolidate the financial statements of the Company and its subsidiary undertakings drawn up to 31 December each year. The results of subsidiaries acquired or sold are consolidated for the periods from or to the date on which control passed.

Business combinations are accounted for under the purchase method. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group. All intra-group transactions, balances, income and expenses are eliminated on consolidation. In accordance with Section 35 of FRS 102, Section 19 of FRS 102 has not been applied in these financial statements in respect of business combinations effected prior to the date of transition.

Financing and going concern

In light of the Covid-19 pandemic and its impact upon the residential housing market the Directors' reconsidered the going concern assumption as it relates to the Group. Whilst the main banking facility is ring-fenced at Martin Grant Homes level in the corporate structure the nature, trading and support within the whole Group means that it is appropriate to consider going concern from one overall group assessment. The principal impacts experienced to date include short term disruption to construction due to closure of sites and then adherence with the government's site operating procedures; coupled with minor shortfalls in some building material as suppliers re-open. However as of the date of the Directors' report all sites under construction are now operational with high levels of productivity.

The Directors further considered the potential for deterioration in the housing market in light of Covid-19. While there were some declines in forecast sales rates over the lockdown period the Directors do not expect this to persist into Q3 and Q4 of FY20; particularly following the government allowing viewings and the solicitors being available to support legal completions. Sales continued to be recorded in April and May 2020.

Martin Grant Homes Limited

Notes to the financial statements (continued) For the year ended 31 December 2019

1. Accounting policies (continued)

Financing and going concern (continued)

The Directors drew up a forecast for their FY20 and FY21 trading based on a worst perceived case scenario in terms of the housing market and our ability to construct and sell houses. Based upon the results of that scenario and an outturn that demonstrated the group's strong net cash position throughout; with the support if needed of the committed funding available from its Barclays facility, the Directors have identified no circumstances under which the Group would be unable to meet its obligations as they fall due. At no point was additional external funding identified to be required and there were no breaches of covenants identified. Given the above the Directors continue to consider the going concern basis appropriate and the financial statements have been prepared as such.

Tangible fixed assets and depreciation

Fixed assets are initially recorded at cost.

Investment properties are revalued annually and the aggregate surplus or deficit is recorded through the profit and loss account. The basis of the valuation is disclosed in note 11.

For all fixed assets other than investment properties, depreciation is calculated to write off their cost by equal annual instalments over their estimated useful lives which are considered to be:

Plant, machinery and equipment	-	3 - 5 years
Motor vehicles	-	4 years

Investments

Investments held as fixed assets are stated at cost less provision for any impairment in value.

Work in progress

Work in progress is valued at the lower of cost and net realisable value and includes cost of land, materials, direct labour and construction overheads appropriate to the relevant stage of construction.

Taxation

Current UK corporation tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred taxation is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements.

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Deferred tax is not recognised when fixed assets are revalued, unless by the balance sheet date there is a binding agreement to sell the revalued asset and the gain or loss expected to arise on sale has been recognised in the financial statements. Neither is deferred tax recognised when fixed assets are sold and it is more likely than not that the taxable gain will be rolled over, being charged to tax only if and when the replacement assets are sold.

Turnover

There are two types of turnover in Martin Grant Homes Limited; the majority of turnover is the value of house sales wholly undertaken within the United Kingdom which have been completed within the year, and of sales of land together with the sales value of contract work invoiced during the year, all arising from the Group's principal activity.

All other turnover arises from social housing developments recognised under long-term contract accounting, turnover is recognised with reference to the stage of completion of the project as assessed by an independent valuer, and profit by reference to the margin forecast across the related development site. A profit of 0.1% (2018 - 0%) was recognised on the current social housing long term contracts that exceed 2 years.

Martin Grant Homes Limited

Notes to the financial statements (continued) For the year ended 31 December 2019

1. Accounting policies (continued)

Foreign exchange

Transactions denominated in foreign currencies are translated into sterling at the rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rates ruling at that date. These translation differences are dealt with in the profit and loss account.

Accounting as a lessor

Operating lease income is recognised on a straight-line basis over the term of the relevant lease, this is included within other income in the profit and loss account.

Leases

Rentals under operating leases are charged to profit and loss in equal annual amounts over the lease term.

Pension costs

The group operates a defined contribution pension scheme and is fully compliant with the Government's auto enrollment legislation. The pension cost represents the contributions payable to the pension scheme in respect of the accounting period (note 5). There were no material contributions outstanding at the start or the end of the financial year.

Financial instruments

Financial instruments are classified, and accounted for, according to the substance of the contractual arrangement, as either financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the balance sheet. Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability.

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited direct to equity.

2. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 1, the Directors are required to make judgements, estimates and assumptions about the carrying amounts 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 these 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 if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the Group's accounting policies

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Land held for development as work in progress

Inventories are held at the lower of cost and net realisable value. To assess the net realisable value of land held for development and capitalised costs associated with the promotion of the land, the Directors consider the strategic viability of a future development and the likelihood of obtaining planning permission. Where the Directors consider there is no prospect of recovering costs incurred in relation to the acquisition or promotion of land the capitalised costs are impaired.

Martin Grant Homes Limited

Notes to the financial statements (continued) For the year ended 31 December 2019

2. Critical accounting judgements and key sources of estimation uncertainty (continued)

Key Sources of Estimation Uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Valuation of Cost of Sales

The cost of sales attributable to any plot sale includes estimation of future costs expected to be incurred in the completion of the development. This includes both specific costs expected to be incurred in relation to specific post-sales construction for the plot and an allocation of a proportion of costs expected to be incurred in completing the development.

This necessarily involves estimation of the cost of future infrastructure and section 106 works to be incurred in completion of development.

Given the level of complexity of the estimation it is not possible to assess the potential impact of any individual assumption upon the financial statements, however it is reasonably possible that outcomes within the next financial year that are different from the current estimates could result in a material adjustment to cost of sales.

3. Turnover

An analysis of the Group's turnover is as follows:

	2019 £	2018 £
Sale of goods	84,746,919	69,485,605
Income from construction contracts	15,557,942	20,204,353
	<u>100,304,861</u>	<u>89,689,958</u>
Other operating income		
	2019 £	2018 £
Rental income	41,245	50,237
Sundry Income	184,474	174,237
Dividend from associated company	-	4,069,202
	<u>225,719</u>	<u>4,293,676</u>

Martin Grant Homes Limited

Notes to the financial statements (continued) For the year ended 31 December 2019

4. Profit before taxation

	2019 £	2018 £
Profit before taxation is after charging/(crediting):		
Depreciation of fixed assets	147,638	145,871
Rentals under operating leases	204,557	244,732
Exchange gains	28	-
Impairment of Investment	-	4,000,000
	<u> </u>	<u> </u>
The analysis of auditor's remuneration is as follows:		
Fees payable to the company's auditor for the audit of the group's annual financial statements	70,000	65,000
Fees payable to the company's auditor for non-audit fees – tax services	8,462	48,998
	<u> </u>	<u> </u>

5. Directors remuneration and transactions

	2019 £	2018 £
Directors' remuneration		
Emoluments	2,058,259	1,851,606
Social Security	244,772	244,758
Group contributions to defined contribution pension schemes	74,429	72,638
	<u>2,377,460</u>	<u>2,169,002</u>
	£	£
Remuneration of the highest paid director		
Emoluments	740,754	646,245
Group contributions to defined contribution pension schemes	35,004	35,004
	<u>775,758</u>	<u>681,249</u>
	No.	No.
Number of directors accruing benefits under defined contribution pension schemes	<u>6</u>	<u>6</u>

Martin Grant Homes Limited

Notes to the financial statements (continued) For the year ended 31 December 2019

6. Staff numbers and costs

	2019 No.	2018 No.
Average number of persons employed		
Administration staff	56	57
Construction staff	32	34
	<u>88</u>	<u>91</u>
	£	£
Staff costs during the year (including directors)		
Wages and salaries	6,055,530	5,889,286
Social security costs	729,899	709,688
Other pension costs	337,614	280,975
	<u>7,123,043</u>	<u>6,879,949</u>

7. Finance costs (net)

	2019 £	2018 £
Interest payable and similar charges	945,293	1,234,453
Less: Investment income	(93,191)	(29,235)
	<u>852,102</u>	<u>1,205,218</u>
<i>Investment income</i>		
	2019 £	2018 £
Bank deposit interest	70,675	27,282
Other interest receivable and similar income	22,516	1,953
	<u>93,191</u>	<u>29,235</u>
<i>Interest payable and similar charges</i>		
	2019 £	2018 £
Bank loans and overdrafts	193,045	771,995
Bank charges	752,248	462,458
	<u>945,293</u>	<u>1,234,453</u>

Martin Grant Homes Limited

Notes to the financial statements (continued) For the year ended 31 December 2019

8. Tax charge on profit

The tax charge comprises:

	2019 £	2018 £
Current tax		
UK corporation tax on profits for the period	3,500,348	2,590,311
Adjustment in respect of previous periods	(206)	7,890
Total current tax	<u>3,500,142</u>	<u>2,598,201</u>
Deferred tax		
Origination and reversal of timing differences	(8,964)	(6,942)
Adjustment in respect of previous periods	184	(6,969)
Effect of changes in tax rates	944	731
Total deferred tax	<u>(7,836)</u>	<u>(13,180)</u>
Total tax on profit	<u><u>3,492,306</u></u>	<u><u>2,585,021</u></u>

The Finance Act 2016, which provides for reductions in the main rate of corporation tax from 19% to 17% effective from 1 April 2020, was substantively enacted on 6 September 2016. This rate reduction has been reflected in the calculation of deferred tax at the balance sheet date.

The difference between the total tax charge shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows:

	2019 £	2018 £
Group		
Profit before tax	18,545,324	13,420,683
Profit at the standard tax rate of corporation tax of 19% (2018 – 19%)	<u>3,523,612</u>	<u>2,549,930</u>
Effects of:		
Expenses not deductible	36,287	798,816
Income not taxable	-	(765,375)
Effects of group relief	(68,515)	(2)
Adjustment in respect of prior periods	(22)	921
Tax rate changes	944	731
Total tax charge for the year	<u><u>3,492,306</u></u>	<u><u>2,585,021</u></u>

9. Profit attributable to the company

The profit for the financial year after taxation, dealt with in the financial statements of the parent company was £15,046,104 (2018 – £10,876,563). As permitted by Section 408 of the Companies Act 2006, no separate profit and loss account is presented in respect of the parent company.

10. Dividends declared

	Per £1 ordinary share £	2019 £	Per £1 ordinary share £	2018 £
Dividend declared	<u>1,400</u>	<u>14,000,000</u>	<u>1,000</u>	<u>10,000,000</u>

Martin Grant Homes Limited

Notes to the financial statements (continued) For the year ended 31 December 2019

11. Tangible fixed assets

Company & Group	Investment properties £	Plant, machinery and equipment £	Motor vehicles £	Total £
Cost or valuation				
At 1 January 2019	199,825	1,342,904	157,697	1,700,426
Additions	22,500	37,998	-	60,498
Revaluation	(3,725)	-	-	(3,725)
Disposals	(106,900)	(44,731)	(67,500)	(219,131)
At 31 December 2019	111,700	1,336,171	90,197	1,538,068
Accumulated depreciation				
At 1 January 2019	-	910,585	143,461	1,054,046
Charge for the year	-	140,520	7,118	147,638
Disposals	-	(34,745)	(67,500)	(102,245)
At 31 December 2019	-	1,016,360	83,079	1,099,439
Net book value				
At 31 December 2019	111,700	319,811	7,118	438,629
At 31 December 2018	199,825	432,319	14,236	646,380

i. Investment properties

Investment properties, which are all freehold, were revalued to fair value at 31 December 2019, based on a valuation undertaken by Mr A G Wilson FRICS, (unless provided externally by Savills or White & Sons), a valuer with recent experience in the location and class of the investment property being valued. The method of determining fair value was either by the comparative basis or by capitalisation which included assumptions applied on the basis of similar properties in the area and their condition and location and experience and knowledge or rental values and yields of commercial and retail properties.

As set out in note 3, property rental income earned during the year was £41,245 (2018 - £50,237). No contingent rents have been recognised as income in the current or prior year.

There are no contractual obligations for the further purchase or construction of investment property – however Martin Grant Homes Limited is responsible for the ongoing repairs and maintenance of the properties it leases.

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments:

	2019 £	2018 £
Within one year	6,700	12,300
In the second to fifth years inclusive	26,800	49,200
After five years	100,500	184,500

If land and buildings had not been revalued they would have been included at the following amounts:

	2019 Investment properties £	2018 Investment properties £
Group and Company		
Cost	115,425	199,825

Martin Grant Homes Limited

Notes to the financial statements (continued) For the year ended 31 December 2019

12. Fixed asset investments

Company	Shares in subsidiary undertakings £	Loans to subsidiary undertakings £	Total £
Cost			
At 31 December 2018	200	664,139	664,339
Purchases	100	-	100
At 31 December 2019	<u>300</u>	<u>664,139</u>	<u>664,339</u>
Net book value			
At 31 December 2018	<u>200</u>	<u>664,139</u>	<u>664,339</u>
At 31 December 2019	<u>300</u>	<u>664,139</u>	<u>664,439</u>

The company owns the whole of the issued ordinary share capital of the following companies, all of which are incorporated in Great Britain and registered in England and Wales:

Company	Nature of business
Martin Grant Homes (Essex) Limited	Housebuilding and property development
Martin Grant Homes (Brentwood) Limited	Housebuilding and property development
Martin Grant Homes (UK) Limited	Housebuilding and property development

In the opinion of the Directors the aggregate value of the shares in, and amounts owing from, the company's unconsolidated subsidiary undertakings is not less than the total amount at which they are stated in the balance sheet.

All of the company's subsidiaries are located at the same address as the ultimate parent company which is displayed in note 22.

13. Stocks

	Group		Company	
	2019	2018	2019	2018
	£	£	£	£
Work in progress	<u>72,479,769</u>	<u>80,932,829</u>	<u>72,479,769</u>	<u>80,859,164</u>

Martin Grant Homes Limited

Notes to the financial statements (continued) For the year ended 31 December 2019

14. Debtors

	Group		Company	
	2019	2018	2019	2018
	£	£	£	£
Amounts falling due within one year:				
Other debtors	97,775	91,669	97,775	91,669
Parent Company Loan Note	2,711,061	2,711,061	2,711,061	2,711,061
Value Added Tax recoverable	484,723	600,953	484,723	600,953
Prepayments and accrued income	1,123,711	1,270,063	1,123,711	1,270,063
Deferred tax (note 15)	1,662	-	1,662	-
Recoverable on contracts	406,050	355,442	406,050	355,442
	<u>4,824,982</u>	<u>5,029,188</u>	<u>4,824,982</u>	<u>5,029,188</u>
Amounts falling due after one year:				
Other debtors	<u>196,224</u>	<u>261,114</u>	<u>196,224</u>	<u>261,114</u>

No interest is charged on the Parent Company Loan note which is repayable on demand.

15. Deferred tax / Provision for liabilities

	Group		Company	
	2019	2018	2019	2018
	£	£	£	£
At 1 January 2018			6,174	6,174
Adjustment in respect of prior years			184	184
Deferred tax charge to profit and loss account			<u>(8,020)</u>	<u>(8,020)</u>
At 31 December 2019			<u>(1,662)</u>	<u>(1,662)</u>
	2019	Group	2019	Company
	£	2018	£	2018
	£	£	£	£
Fixed asset timing differences	<u>(1,662)</u>	<u>6,174</u>	<u>(1,662)</u>	<u>6,174</u>

Martin Grant Homes Limited

Notes to the financial statements (continued) For the year ended 31 December 2019

16. Creditors: amounts falling due within one year

	Group		Company	
	2019	2018	2019	2018
	£	£	£	£
Bank loans and overdrafts (note 17)	1,212,608	80,000	1,212,608	80,000
Trade creditors	11,744,652	11,757,307	11,744,652	11,757,307
Deposits received on reservation and exchange	548,807	1,102,905	548,807	1,102,905
Amounts owed to group undertakings	35,843,643	29,562,128	37,634,045	31,272,333
Payments on account	-	319,152	-	319,152
Other creditors	1,003,435	787,097	1,003,435	787,097
Other taxation and social security	261,819	238,551	261,819	238,551
Corporation tax	1,550,142	1,790,311	1,550,142	1,790,311
Deferred tax (note 15)	-	6,174	-	6,174
Accruals	15,739,651	16,044,636	15,739,651	16,044,154
	<u>67,904,757</u>	<u>61,688,261</u>	<u>69,695,159</u>	<u>63,397,984</u>

17. Creditors: amounts falling due after more than one year

	Group		Company	
	2019	2018	2019	2018
	£	£	£	£
Trade creditors	3,461,220	-	3,461,220	-
Bank loans	1,000,000	1,463,584	1,000,000	1,463,584
	<u>4,461,220</u>	<u>1,463,584</u>	<u>4,461,220</u>	<u>1,463,584</u>

Analysis of borrowings

The maturity profile of the Group's financial liabilities at 31 December was as follows:

	2019	2018
	Total	Total
	£	£
Bank loans:		
On demand or within one year	1,212,608	80,000
Between one and two years	1,000,000	1,463,584
	<u>2,212,608</u>	<u>1,543,584</u>

The short term bank loans and overdrafts are secured by charges on the company's land held for development and guarantees by the fellow subsidiary companies.

The group's development facility is secured against the assets of Martin Grant Homes Limited and its subsidiaries.

Martin Grant Homes Limited

Notes to the financial statements (continued) For the year ended 31 December 2019

18. Called-up share capital and reserves

	2019 £	2018 £
Called-up, allotted and fully paid		
10,000 (2018: 10,000) ordinary shares of £1 each	10,000	10,000

The Group has one class of ordinary shares which carry no right to fixed income.

The Group's other reserves are as follows:

- The capital reserve contains the premium arising on issue of equity shares, net of issue expenses.
- The profit and loss reserve represents cumulative profits or losses, including unrealised profit on the remeasurement of investment properties, net of dividends paid and other adjustments.
- The revaluation reserve represents the cumulative effect of revaluations of freehold land and buildings which are revalued to fair value at each reporting date.

19. Financial instruments

The Group and Company's principal financial instruments comprise bank loans and overdrafts. The purpose of these is to provide finance for the Company's operations. There are no derivatives and no trading in financial instruments is undertaken. The maturity of liabilities is shown in note 17.

There is no material difference between the book values and the fair value of the Group's financial instruments.

As the Company operates wholly within the United Kingdom there is currently exposure to only minimal currency risk.

Interest rate risk of financial assets and liabilities

The Group has floating rate borrowings of £2,212,608 (2018 - £1,543,584), which consist of bank overdrafts and loans which bear interest linked to either the bank base or libor rates. The group's only interest bearing financial assets at 31 December 2019 and 31 December 2018 comprise cash at bank and in hand on which no material interest is earned.

The carrying values of the Group and Company's financial assets and liabilities are summarised by category below:

	Group 2019 £	Group 2018 £	Company 2019 £	Company 2018 £
Financial assets				
Measured at undiscounted amount receivable				
• Recoverable on contracts (see note 14)	406,050	355,442	406,050	355,442
• Other debtors (see note 14)	97,775	91,669	97,775	91,669
• Other debtors greater than 1 year (see note 14)	196,224	261,114	196,224	261,114
• Accrued income	916,688	1,107,405	916,688	1,107,405
• Value Added Tax recoverable (see note 14)	484,723	600,953	484,723	600,953
	<u>2,101,460</u>	<u>2,416,583</u>	<u>2,101,460</u>	<u>1,815,630</u>

Martin Grant Homes Limited

Notes to the financial statements (continued) For the year ended 31 December 2019

19. Financial instruments (continued)

Financial liabilities	Group 2019 £	Group 2018 £	Company 2019 £	Company 2018 £
Measured at amortised cost				
• Bank loans (see notes 16 & 17)	2,212,608	1,543,584	2,212,608	1,543,584
Measured at undiscounted amount payable				
• Trade creditors (see note 16)	11,744,652	11,757,307	11,744,652	11,757,307
• Corporation tax payable (see note 16)	1,550,142	1,790,311	1,550,142	1,790,311
• Payments on account (see note 16)	-	319,152	-	319,152
• Amounts owed to Parent & Subsidiary companies	35,843,643	29,562,128	37,634,045	31,272,333
• Other creditors (see note 16)	1,003,435	787,097	1,003,435	787,097
• Accruals and deferred income (see note 16)	15,739,651	16,044,636	15,739,651	16,044,154
• Deposits received on reservation and exchange (see note 16)	548,807	1,102,905	548,807	1,102,905
	<u>68,642,938</u>	<u>62,907,120</u>	<u>70,433,340</u>	<u>64,616,843</u>

The Group's income, expense, gains and losses in respect of financial instruments are summarised below:

	Group 2019 £	Group 2018 £	Company 2019 £	Company 2018 £
Finance income and expense				
Total investment income for financial assets at amortised cost	93,191	29,235	93,191	29,235
Total interest expense for financial liabilities at amortised cost	<u>945,293</u>	<u>1,234,453</u>	<u>945,293</u>	<u>1,234,453</u>

The Group's principal financial instruments comprise bank loans and overdrafts. The purpose of these is to provide finance for the Group's operations. There are no derivatives and no trading in financial instruments is undertaken.

Interest rate risk of financial assets and liabilities

The Group has floating rate borrowings of £2,212,608 (2018 - £1,543,584), which consist of bank overdrafts and loans and bear interest linked to bank base or libor rates. The Group's only interest bearing financial assets at 31 December 2019 and 31 December 2018 comprise cash in hand on which no material interest is earned.

Borrowing facilities

The Group has agreed undrawn borrowing facilities at 31 December 2019 and 31 December 2018, which are considered sufficient to meet any current requirements. The Group further expects to be able to obtain additional finance for operations when this is required. The facilities are subject to periodic review.

Martin Grant Homes Limited

Notes to the financial statements (continued) For the year ended 31 December 2019

20. Financial commitments

Operating lease commitments

At 31 December 2019, total future minimum lease payments under non-cancellable operating leases for the Group and Company are as follows:

	Other 2019 £	Other 2018 £
Group		
Leases expiring:		
within one year		-
within two to five years	210,000	330,000
	<u>210,000</u>	<u>330,000</u>
	Other 2019 £	Other 2018 £
Company		
Leases expiring:		
within one year		-
within two to five years	210,000	330,000
	<u>210,000</u>	<u>330,000</u>

21. Cross guarantees

The Group has provided cross guarantees for the bank loans and overdrafts of other group companies. At 31 December 2019 the bank borrowings of the other group companies amounted to £nil (2018 - £nil).

22. Immediate and ultimate parent company and controlling parties

The immediate and ultimate parent company is Martin Grant (Holdings) Limited, a company incorporated in Great Britain and registered in England and Wales. This heads the largest and smallest groups for which consolidated financial statements are prepared. The registered office of the parent company is Grant House, Felday Road, Abinger Hammer, Dorking, RH5 6QP. A copy of the financial statements of this company can be obtained from the Registrar of Companies, Crown Way, Maindy, Cardiff, CF14 3UZ. The Trustees of the Grant Family Settlements are considered to be the ultimate controlling parties.

23. Related party transactions

During the year, the Group purchased in the ordinary course of business from Rey Construction Limited, an associate. (2018 - £nil).

Amounts owed to subsidiaries at the reporting date was £1,790,402 (2018 - £1,710,205). These amounts all relate to trading balances.

Martin Grant Homes Limited

Notes to the financial statements (continued) For the year ended 31 December 2019

24. Notes to the cash flow statement

24(a) Reconciliation of operating profit to net cash inflow from operating activities

	2019 £	2018 £
Operating profit	19,397,426	14,625,901
Depreciation	147,638	145,871
(Profit)/Loss on sale of fixed assets	(27,665)	922
Decrease in stocks	8,453,060	7,089,358
Decrease in debtors	270,758	469,646
Decrease in creditors	(5,067,004)	(3,129,805)
Decrease in fair value of investment properties	3,725	-
Cash from operations	23,177,938	19,201,893
Tax paid	(3,740,311)	(3,043,378)
Net cash inflow from operating activities	19,437,627	16,158,515

24(b) Reconciliation of net cash flow to movement in net debt

	2019 £	2018 £
Increase/(Decrease) in cash in the year	19,197,057	(14,087,042)
Repayment of secured loans	16,330,976	69,720,024
New loans	(17,000,000)	(41,000,000)
Movement in net debt in the year (see note 24(c))	18,528,033	14,632,982
Net cash/debt at 1 January	6,665,029	(7,967,953)
Net cash at 31 December	25,193,062	6,665,029

24(c) Analysis of net debt

	At 31 December 2018 £	Cash flow £	At 31 December 2019 £
Cash at bank and in hand	8,208,613	19,197,057	27,405,670
Debt due less than one year	8,208,613	19,197,057	27,405,670
	(80,000)	(1,132,608)	(1,212,608)
Debt due after more than one year	(1,463,584)	463,584	(1,000,000)
	6,665,029	18,528,033	25,193,062

25. Controlling Parties

The Trustees of the Grant Family Settlements are considered to be the controlling parties.

Martin Grant Homes Limited

Notes to the financial statements (continued) For the year ended 31 December 2019

26. Subsequent Events

Subsequent to the balance sheet date the company entered into two significant transactions. The company completed the purchase of land at Watery Lane, Church Crookham for consideration of £16.86m. This transaction demonstrated the directors' positive outlook on the housing market for the short to medium term and its current financial strength.

The Covid-19 pandemic also occurred throughout the first half of 2020, the impact of this on the going concern assumption has been set out in the Strategic report and note 1 to the financial statements. Given the short term closure of certain sites the company took advantage of the government support and the furlough scheme to an amount of £117,518 up to the date of Director's report.

Martin Grant Homes Limited

Additional information For the year ended 31 December 2019

The additional information on page 31 has been prepared from the accounting records of the Company. While it does not form part of the statutory financial statements and is not audited, it should be read in conjunction with them and the auditor's report thereon.

Martin Grant Homes Limited

Unaudited trading profit and loss account For the year ended 31 December 2019

	2019	2018
	£	£
Turnover	100,224,655	89,692,883
Less:		
Work in progress at 1 January 2019	80,859,164	86,546,714
Building costs	65,587,785	62,518,081
Work in progress at 31 December 2019	(72,782,964)	(80,859,164)
	<u>(73,663,985)</u>	<u>(68,205,631)</u>
Gross profit	26,560,670	21,487,252
Interest receivable	93,191	29,235
Rent receivable	41,245	50,237
Sundry income	184,474	174,213
Dividend	-	4,069,202
	<u>318,910</u>	<u>4,322,887</u>
	26,879,580	25,810,139
Less overhead expenditure		
Administration wages and salaries	2,803,232	2,645,677
Directors' remuneration	2,377,460	2,169,002
Consultancy, legal and professional charges	297,969	280,653
Insurances	143,089	111,268
General and water rates	31,971	43,111
Light, heat and power	23,277	21,641
Postage, stationery and telephone	86,607	77,839
Travelling and entertaining	284,463	286,665
Bank charges and interest	945,293	1,234,453
Audit and accountancy	78,462	113,998
General and office expenses	372,955	425,283
Depreciation	147,638	145,871
Loss/(Profit) on sale of fixed assets	(27,665)	922
Investment in associated companies written off	-	4,000,665
Vehicle expenses and car allowances	402,049	386,284
Advertising	43,888	58,701
Repairs and renewals	44,443	74,901
Subscriptions	46,111	42,242
Property expenses	699	799
Currency variation	28	-
Donations and sponsorship	21,260	18,103
Computer licence and maintenance	91,216	90,477
Rent Payable	123,000	120,000
Investment Properties Revaluation	3,725	-
	<u>8,341,170</u>	<u>12,348,555</u>
Profit before taxation	<u>18,538,410</u>	<u>13,461,584</u>