

Spitfire Bespoke Homes Limited

Annual Report and Financial Statements

Year Ended

31 December 2019

Company Number 04395875



Spitfire Bespoke Homes Limited

Company Information

Directors	T J Wooldridge G Hutton A Clarke R Bryan
Company secretary	A Clarke
Registered number	04395875
Registered office	The Gate International Drive Solihull B90 4WA
Independent auditor	BDO LLP 55 Baker Street London W1U 7EU

Spitfire Bespoke Homes Limited

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Spitfire Bespoke Homes Limited

Strategic report For the year ended 31 December 2019

The directors present their Strategic report for the year ended 31 December 2019.

Principal activity and review of the business

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

	2019	2018
Turnover	£69.9m	£70.6m
Operating profit before exceptional items	£2.1m	£0.7m
Exceptional Items	(£0.6m)	£nil
(Loss) / profit on ordinary activities before tax	(£0.3m)	£1.3m
(Loss) / profit for the financial year	(£0.2m)	£1.6m
Plots sold	99	170
Average selling prices (£000's)	705	413
Land with planning (No. of plots)	318	238

2019 continued to be a challenging year for Spitfire Bespoke Homes Limited. Development sites away from London and the home counties produced strong sales at healthy margins, and despite the fall in plot sales in 2019, the mix of house types sold generated a far higher average selling price so turnover fell only slightly compared to 2018. Continued exposure to the sluggish South Eastern England sales market had a detrimental effect on turnover and margins in these locations however, adversely affecting the overall performance of the Company.

Following the exit of the managing director at the end of 2018 and a detailed review of all elements of the business, the new management team have developed a clear strategy focussed on continuing the delivery of the outstanding homes that are now synonymous with the Spitfire Brand while leveraging the latest technology to drive improvements throughout the technical, commercial, construction and aftersales phases.

As part of this strategic review, Spitfire closed its southern office based in Maidenhead to refocus the business on its core locations where the directors believe there is the greatest opportunity. The continuing sluggish housing market in the South East of England meant that sales volumes and prices achieved were down considerably over previous years. With no obvious signs that there will be any immediate improvement in the market in the South East and with new land availability and planning constraints severely restricting development opportunities, the directors considered this to be best course of action for the business. This resulted in an exceptional hit to profit for redundancy and closure costs of £0.6m, which turned a small operating profit into a loss for the year.

Competition for good quality land sites remained extremely strong throughout 2019 in the remaining Spitfire core operating area, so the Company has continued to adopt a cautious approach to land acquisition. Going forward, proposed new site purchases will be evaluated on a case-by-case basis, balancing the need to maintain a steady supply of consented sites to support business growth against dangers of over committing in a distorted market for residential development locations.

Spitfire Bespoke Homes Limited

Strategic report (continued)
For the year ended 31 December 2019

Key performance indicators (continued)

The directors recognise that there are some significant short-term challenges to the housing market in 2020 as we move through the deep recession caused by the government's response to the COVID-19 pandemic. However, we believe the long-term fundamentals underpinning the UK private housing market remain sound, and may even strengthen further in the geographical locations in which Spitfire operates. With pressure on the UK government to stimulate the economy, it is likely that support for the housebuilding sector will form a part of this going forward. The UK continues with historic low interest rates, good mortgage availability, and some positive 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 housing industry is 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 both 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.

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.

Health and Safety

Health and safety is always core to the business's principles. To address this risk, 2019 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 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.

Spitfire Bespoke Homes Limited

Strategic report (continued)
For the year ended 31 December 2019

Monitoring and managing risk (continued)

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 led 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 subcontractors, 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.

Economic uncertainty

Generally, economic conditions in the UK provide a positive environment for the housing industry. However, the industry is always susceptible to fluctuations in key factors such as interest rate rises, changes to employment levels, regional variations in demand, and general consumer confidence. Spitfire Bespoke Homes Limited mitigates against this risk by constantly assessing its investment in new land opportunities and development work in relation to both macro-economic and regional market projections.

Stakeholder engagement

Under the Companies (Miscellaneous Reporting) Regulations 2018, large companies are now required to include a statement within their Strategic report that describes how the directors have had regard to broader stakeholder interests when performing their duties under section 172 of the Companies Act 2006 to promote the success of the Company. Broadly, the directors consider the following six key matters when making significant decisions:

- the likely consequence of the decision in the long term;
- the interests of the Company's employees;
- the need to foster business relationships with suppliers, customers and others;
- the impact of the Company's operations on the community and the environment;
- the desire of the Company to maintain high standards of business conduct; and
- the need to act fairly between members of the Company.

Spitfire Bespoke Homes Limited

Strategic report (continued)
For the year ended 31 December 2019

Stakeholder engagement (continued)

The table below provides a summary of how the Board consider the Company's stakeholders and their concerns in decision making and demonstrates that in conducting the business of the Company over the course of the year ended 31 December 2019, the directors have complied with Section 172(1) of the Companies Act 2006.

	Primary issue	Why engage	How we engage	Influence on decision making
Employees	It is critical for the future success of the business that we retain, develop and attract talent.	To understand how we can provide stimulating and challenging career opportunities for our teams to develop their skills within a considerate and supportive environment.	We work hard to create an open culture, encouraging constructive and honest dialogue throughout the business. We strive to follow our core values of integrity, togetherness, respect and commitment in the way we work with each other across the group.	The Company operates with a flat management structure and this direct interaction between directors and employees helps the Board to make decisions relating to people development, working environments and the attraction of talent.
Occupiers / Customers	There continues to be considerable change in where and how people live. As a successful business, we need to be providing our customers with what they want now and in the future.	We need to understand the people that purchase our houses in order to meet their increasing expectations. Across the Company, we aim to build strong relationships with our occupiers and customers.	We seek feedback on customer satisfaction through surveys and have conducted workshops for new home customers to gather direct feedback. We also engage with our occupiers directly with the aim to always keep our customers informed where appropriate.	The management are influenced through direct contact with customers as well as the feedback from surveys and specific information fed back through our teams.
Partners	Engagement with our professional advisers and debt providers is a fundamental part of securing a consistent working relationship. We engage with consultants, suppliers and subcontractors to promote our ESG standards.	This engagement allows us to benefit from the expertise across existing and potential consultants, suppliers, subcontractors and debt providers to support the long-term success of the group. We believe that aligning interests creates greater mutual success.	We share our strategy and expectations with our key partners and assign key contacts to build close working relationships based around our group core values.	The management board includes directors and senior managers who are directly responsible for relationships with our partners in their primary areas. This informs our decision making as a board.

Spitfire Bespoke Homes Limited

Strategic report (continued)
For the year ended 31 December 2019

Stakeholder engagement (continued)

<p>Communities</p>	<p>Environment concerns and local issues are combined with social challenges around equality, health, skills, affordable housing and social cohesion.</p>	<p>Understanding our communities allows us to help create successful, inclusive and sustainable places in an environmentally responsible way.</p>	<p>At director and senior manager level, we maintain positive relationships and actively engage with local authorities who understand the needs of their local communities. We also engage directly with communities through presentations and consultations when drawing up new development schemes.</p>	<p>Since it began trading, the I.M. Group of which Spitfire Bespoke Homes Limited is a wholly owned subsidiary has donated in excess of £350m to Christian Vision, a charity founded by Lord Edmiston that seeks to address the social challenges that concern all of us. In 2019, Spitfire completed the build and handed over 31 "affordable" housing units to Housing Associations, and paid over £500,000 to local authorities by way of sectional contributions, to benefit the local communities and improve local infrastructure.</p>
<p>Owner / shareholder</p>	<p>Delivering sustainable capital growth and income over the long term with an appropriate balance of risk and return in the context of wider market uncertainty.</p>	<p>We have a clear responsibility to engage with the owner of the business and our immediate shareholder, whose views are an important driver of our strategy.</p>	<p>There are quarterly shareholder meetings where the owner can engage directly with the senior management team. There are monthly board meetings where a more detailed analysis of day-to-day activities can be communicated to our shareholder. Thereafter there are also regular informal discussions held on a one-to-one basis.</p>	<p>The owner provides direct feedback on strategic plans proposed by the directors, which is then factored into the final corporate strategy. The decision taken to close the Southern Region arose from discussions with the Shareholder once it became clear that the expected return levels were unlikely to be achieved from that business unit.</p>

Spitfire Bespoke Homes Limited

Strategic report (continued)
For the year ended 31 December 2019

Future Plans

Looking forward, we are already experiencing a major recession across the UK, the depth and duration of which are difficult to forecast at this time given the high levels of uncertainty surrounding the COVID- 19 pandemic as well as the potential impacts related to the end of the Brexit transition period on 31 December 2020. However the directors are pleased that the parent Company I.M. Properties Plc has reaffirmed its commitment to the on-going support to the Company, and that in turn I.M. Properties Plc has substantial cash reserves, a robust business model, a highly skilled team with an excellent reputation that will enable them to deal successfully with the coming challenges over 2020 and beyond.

This report was approved by the board on 31st July 2020 and signed on its behalf.



R Bryan
Director

Spitfire Bespoke Homes Limited

Directors' report For the year ended 31 December 2019

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

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 Generally Accepted Accounting Practice (United Kingdom Accounting Standards 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 the year.

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

- select suitable accounting policies and then apply them consistently;
- make judgements 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 to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Results and dividends

The loss for the year, after taxation, amounted to £232,894 (2018: profit £1,631,522).

The directors have not paid or proposed any dividends during the year (2018: £Nil).

Directors

The directors who served during the year were:

T J Wooldridge
G Hutton
A Clarke
R Bryan
D Jarvis (resigned 29 January 2019)

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.

Spitfire Bespoke Homes Limited

Directors' report (continued)
For the year ended 31 December 2019

Going concern

The directors have considered the general economic uncertainties that have arisen due to the COVID-19 global pandemic. I.M. Properties Plc has indicated its present intention to provide the necessary level of financial support to enable the Company to weather the impact of COVID-19 and satisfy its liabilities as they fall due for the foreseeable future, being a period of at least twelve months from the date of approving these financial statements. As the Company is reliant on the support of I.M. Properties Plc, it is considered appropriate to also refer to the group financial statements which set out the wider group implications of the pandemic and the group's assessment of its basis of preparing its financial statements as a going concern. It is on that basis that the directors have determined that the Company should prepare its financial statements as a going concern.

Post balance sheet events

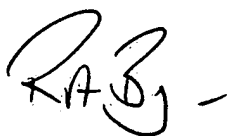
Since the year end we have seen unprecedented measures taken by the Government and the Bank of England in response to the COVID-19 global pandemic. Whilst the objective of these measures was to save lives by limiting the spread of the virus, the impact on the economy has been severe with the UK GDP expected to contract by in excess of 20% in the second quarter of 2020, following a 2% contraction in Q1.

We anticipate the effect of the deep recession will be felt by the Company through reduced house completions and a reduction in sales values as consumers seek to defer major decisions on house moving. House completions to date have held up well however with reserved plot sales completing during the lockdown period and strong online interest as we emerge from the lockdown. Sales outlets on developments have started to re-open from early May, and since then reservations have been ahead of expectations and pricing has held steady at pre-lockdown forecast prices. The UK government's decision to cut stamp duty on property until April 2021 will also provide a positive boost to sales for the remainder of 2020.

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 31st July 2020 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 2019 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 2019 and of its loss 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 and financial statements, 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

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.

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.

BDO LLP

Geraint Jones (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London
United Kingdom

Date: 31 July 2020

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 2019

		2019 £	2018 £
Turnover	4	69,872,972	70,605,222
Cost of sales		(62,891,330)	(65,461,545)
Gross profit		6,981,642	5,143,677
Administrative expenses		(4,931,184)	(4,447,575)
Other operating income		6,583	50,002
Operating profit before exceptional items	6	2,057,041	746,104
Exceptional items	5	(551,476)	-
Total operating profit		1,505,565	746,104
Income from fixed asset investment		398,403	3,000,000
Interest receivable and similar income	9	2,914	1,394
Interest payable and similar charges	10	(2,255,454)	(2,420,942)
(Loss)/profit before taxation		(348,572)	1,326,556
Taxation on (loss)/profit	11	115,678	304,966
(Loss)/profit for the year and total comprehensive (loss)/income		(232,894)	1,631,522
Retained earnings at the beginning of the year		5,046,527	3,415,005
(Loss)/profit for the year and total comprehensive (loss)/income		(232,894)	1,631,522
Retained earnings at the end of the year		4,813,633	5,046,527

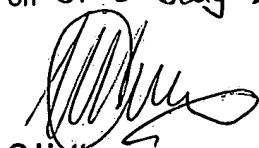
The notes on pages 14 to 28 form part of these financial statements.

Spitfire Bespoke Homes Limited
Registered number:04395875

Balance sheet
As at 31 December 2019

	Note	2019 £	2018 £
Fixed assets			
Tangible assets	12	55,627	99,745
Investments	13	226	226
		<u>55,853</u>	<u>99,971</u>
Current assets			
Stocks	14	99,109,522	96,222,837
Debtors: amounts falling due within one year	15	1,562,869	4,324,324
Cash and cash equivalents	16	14,625,724	20,098,107
		<u>115,298,115</u>	<u>120,645,268</u>
Current liabilities			
Creditors: amounts falling due within one year	17	(56,939,474)	(91,528,076)
		<u>58,358,641</u>	<u>29,117,192</u>
Net current assets			
		<u>58,414,494</u>	<u>29,217,163</u>
Total assets less current liabilities			
Creditors: amounts falling due after more than one year	18	(54,000,000)	(24,569,776)
		<u>4,414,494</u>	<u>4,647,387</u>
Capital and reserves			
Called up share capital	21	875	875
Merger reserve	22	(400,014)	(400,015)
Profit and loss account	22	4,813,633	5,046,527
		<u>4,414,494</u>	<u>4,647,387</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 31st July 2020



G Hutton
Director

The notes on pages 14 to 28 form part of these financial statements.

Spitfire Bespoke Homes Limited

Notes to the financial statements For the year ended 31 December 2019

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 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 11.42, 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; and
- 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 2019 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 2019

2. Accounting policies (continued)

2.4 Going concern

The directors have considered the general economic uncertainties that have arisen due to the COVID-19 global pandemic. I.M. Properties Plc has indicated its present intention to provide the necessary level of financial support to enable the Company to weather the impact of COVID-19 and satisfy its liabilities as they fall due for the foreseeable future, being a period of at least twelve months from the date of approving these financial statements. As the Company is reliant on the support of I.M. Properties Plc, it is considered appropriate to also refer to the group financial statements which set out the wider group implications of the pandemic and the group's assessment of its basis of preparing its financial statements as a going concern. It is on that basis that the directors have determined that the Company should prepare its financial statements 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 Exceptional items

Exceptional items are items of income and expenditure that, in the judgement of management, should be disclosed separately on the basis that they are material, either by their nature or their size, to an understanding of the financial performance and significantly distort the comparability of financial performance between accounting periods. Items of income or expense that are considered by management for designation as exceptional include such items as major restructuring and significant impairment of assets.

2.7 Interest income

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

2.8 Borrowing costs

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

Spitfire Bespoke Homes Limited

Notes to the financial statements For the year ended 31 December 2019

2. Accounting policies (continued)

2.9 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.

2.10 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 software	-	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.

2.11 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

Spitfire Bespoke Homes Limited

Notes to the financial statements For the year ended 31 December 2019

2. Accounting policies (continued)

2.12 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.

2.13 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.

2.14 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.15 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.

2.16 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/from 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.

Spitfire Bespoke Homes Limited

Notes to the financial statements For the year ended 31 December 2019

2. Accounting policies (continued)

2.16 Financial instruments (continued)

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.

2.17 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.

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 development and arises solely within the United Kingdom.

Spitfire Bespoke Homes Limited

Notes to the financial statements For the year ended 31 December 2019

5. Exceptional items

	2019 £	2018 £
Exceptional restructuring costs	551,476	-

The exceptional restructuring costs relate to the closure of the southern operation.

6. Operating profit

The operating profit is stated after charging:

	2019 £	2018 £
Depreciation of tangible fixed assets	43,070	76,431
Defined contribution pension cost	412,824	379,805
Operating lease payments recognised as an expense	120,036	120,036
Costs of stocks recognised as an expense	59,568,723	61,995,716
Auditor's remuneration:		
- Audit services	39,795	38,000
- Non-audit services	1,995	1,900

7. Employees

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

	2019 £	2018 £
Wages and salaries	6,269,330	6,008,710
Social security costs	708,062	701,481
Cost of defined contribution scheme	412,824	379,805
	<u>7,390,216</u>	<u>7,089,996</u>

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

	2019 No.	2018 No.
Administrative	76	69
Construction	28	29
	<u>104</u>	<u>98</u>

Spitfire Bespoke Homes Limited

Notes to the financial statements For the year ended 31 December 2019

8. Directors' remuneration

	2019 £	2018 £
Directors' emoluments	127,741	321,111
Cost of defined contribution scheme	8,400	23,017
	<u>136,141</u>	<u>344,128</u>

During the year retirement benefits were accruing to 1 director (2018: 2) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £127,741 (2018: £190,217).

The value of the Company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £8,400 (2018: £15,217).

9. Interest receivable and similar income

	2019 £	2018 £
Other interest receivable	<u>2,914</u>	<u>1,394</u>

10. Interest payable and similar charges

	2019 £	2018 £
Bank interest payable	1,222,725	1,454,848
Interest payable to group undertakings	614,118	906,094
Financial arrangement fee	316,876	60,000
Other interest payable	101,735	-
	<u>2,255,454</u>	<u>2,420,942</u>

Spitfire Bespoke Homes Limited

Notes to the financial statements For the year ended 31 December 2019

11. Taxation

	2019 £	2018 £
Corporation tax		
Adjustments in respect of prior periods	(1,141)	(10,803)
Group taxation relief	(113,714)	(289,135)
Total current tax	<u>(114,855)</u>	<u>(299,938)</u>
Deferred tax		
Origination and reversal of timing differences	(823)	(5,028)
Total deferred tax	<u>(823)</u>	<u>(5,028)</u>
Taxation on (loss)/profit	<u><u>(115,678)</u></u>	<u><u>(304,966)</u></u>

Factors affecting tax charge/(credit) for the year

The tax assessed for the year is lower than (2018: lower than) the standard rate of corporation tax in the UK of 19% (2018: 19%). The differences are explained below:

	2019 £	2018 £
(Loss)/profit on ordinary activities before tax	<u>(348,572)</u>	<u>1,326,556</u>
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018: 19%)	(66,228)	252,046
Effects of:		
Expenses not deductible for tax purposes	27,041	23,198
Income not subject to tax	(75,697)	(570,000)
Adjustments to tax charge in respect of prior periods	(1,141)	(10,803)
Impact of different deferred tax rates	347	593
Total tax charge/(credit)	<u><u>(115,678)</u></u>	<u><u>(304,966)</u></u>

Factors that may affect future tax charges

A change to the main UK corporation tax rate, announced in the Budget on 11 March 2020, was substantively enacted on 17 March 2020. The rate applicable from 1 April 2020 now remains at 19%, rather than the previously enacted reduction to 17%. This will increase the Company's future tax charge accordingly.

Spitfire Bespoke Homes Limited

Notes to the financial statements For the year ended 31 December 2019

12. Tangible fixed assets

	Motor vehicles £	Computer software £	Office equipment £	Total £
Cost				
At 1 January 2019	56,199	16,750	254,295	327,244
Additions	-	-	23,952	23,952
Disposals	-	-	(65,200)	(65,200)
At 31 December 2019	<u>56,199</u>	<u>16,750</u>	<u>213,047</u>	<u>285,996</u>
Depreciation				
At 1 January 2019	15,518	15,373	196,608	227,499
Charge for the year	14,052	-	29,018	43,070
Disposals	-	-	(40,200)	(40,200)
At 31 December 2019	<u>29,570</u>	<u>15,373</u>	<u>185,426</u>	<u>230,369</u>
Net book value				
At 31 December 2019	<u>26,629</u>	<u>1,377</u>	<u>27,621</u>	<u>55,627</u>
At 31 December 2018	<u>40,681</u>	<u>1,377</u>	<u>57,687</u>	<u>99,745</u>

Spitfire Bespoke Homes Limited

Notes to the financial statements For the year ended 31 December 2019

13. Fixed asset investments

	Investments in subsidiary companies £
Cost or valuation	
At 31 December 2019 and 31 December 2018	<u>226</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
I.M. Property Estates Limited	Ordinary	100%	Property development

The registered office of all subsidiaries is The Gate, International Drive, Solihull, B90 4WA, United Kingdom.

14. Stocks

	2019 £	2018 £
Work in progress	<u>99,109,522</u>	<u>96,222,837</u>

Spitfire Bespoke Homes Limited

Notes to the financial statements For the year ended 31 December 2019

15. Debtors

	2019 £	2018 £
Amounts owed by group undertakings	-	2,385,909
Trade debtors	-	99,902
Other debtors	786,949	1,132,264
Prepayments and accrued income	754,093	685,245
Deferred taxation	21,827	21,004
	<u>1,562,869</u>	<u>4,324,324</u>

Except for the deferred tax asset amounting to £21,827 (2018: £21,004), all amounts shown under debtors fall due for payment within one year.

16. Cash and cash equivalents

	2019 £	2018 £
Cash at bank and in hand	<u>14,625,724</u>	<u>20,098,107</u>

17. Creditors: Amounts falling due within one year

	2019 £	2018 £
Loan from group undertakings	-	20,000,000
Trade creditors	2,677,892	4,521,022
Amounts owed to group undertakings	46,776,407	64,955,729
Other creditors	6,560,130	579,971
Accruals and deferred income	925,045	1,471,354
	<u>56,939,474</u>	<u>91,528,076</u>

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

	2019 £	2018 £
Bank loans (secured)	<u>54,000,000</u>	<u>24,569,776</u>

Spitfire Bespoke Homes Limited

Notes to the financial statements For the year ended 31 December 2019

19. Loans

Analysis of the maturity of loans is given below:

	2019 £	2018 £
Amounts falling due within one year		
Loans from group undertakings	-	20,000,000
Amounts falling due 2-5 years		
Bank loans	54,000,000	24,569,776
	<u>54,000,000</u>	<u>44,569,776</u>

A new external banking facility was agreed with 2 external banks taking affect from 21 June 2019. The loan is secured by way of a fixed and floating charge over certain residential development sites, with a carrying value of £88,418,055 held in "Work in Progress" at year-end. Interest is charged at LIBOR + 1.825%. Repayment is due on maturity of the loan on 20 June 2022 unless extended by the Company, with the available loan measured monthly by reference to the carrying value in Work in Progress of applicable residential development sites.

A previous bank loan facility was repaid as part of the refinancing exercise on 21 June 2019. The loan was secured by way of a fixed charge over certain residential development. Interest was charged at LIBOR +2.25%.

20. Deferred taxation

	2019 £
At beginning of year	21,004
Credited to profit or loss	823
At end of year	<u>21,827</u>

The deferred tax asset is made up as follows:

	2019 £	2018 £
Accelerated depreciation	<u>21,827</u>	<u>21,004</u>

Spitfire Bespoke Homes Limited

Notes to the financial statements For the year ended 31 December 2019

21. Share capital

	2019 £	2018 £
Allotted, called up and fully paid		
75,000 Ordinary A shares of £0.01 each	750	750
12,500 Ordinary B shares of £0.01 each	125	125
	<u>875</u>	<u>875</u>

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.

22. Reserves

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.

23. Contingencies

During the year Spitfire Bespoke Homes Limited entered into a contract to acquire land at Arden Heath Road, Stratford upon Avon for a total consideration of £16,500,000 split into 3 equal tranches of £5,500,000. Tranche 1 was payable upon completion, tranche 2 was subject to a "Put and Call option" that was exercised by Spitfire Bespoke Homes Limited at the time of completion, for payment on 1 March 2020. The discounted amount payable for the exercise of this Option is included in Creditors at 31 December 2019. The third tranche of land is subject to a further "Put and Call" option, but this cannot be exercised before 1 April 2020 and hence remains a contingent liability at the Balance sheet date.

Spitfire Bespoke Homes Limited

Notes to the financial statements For the year ended 31 December 2019

24. Operating leases

At 31 December 2019 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2019 £	2018 £
Land and buildings		
Not later than 1 year	120,036	120,036
Later than 1 year and not later than 5 years	40,122	159,819
	<u>160,158</u>	<u>279,855</u>

25. Related party disclosures

Until January 2019, I.M. Properties Plc had an indirect holding of 85.7% in Spitfire Bespoke Homes Limited. In January 2019, I.M. Properties Plc acquired the remaining 14.3% holding in Spitfire Bespoke Homes Limited.

During the year, the Company borrowed funds from I.M. Properties Plc in order to finance the acquisition and development of properties as well as provide working capital. On 21 June 2019, this funding arrangement was formalised in an agreement between I.M. Properties Plc and Spitfire Bespoke Homes Limited to provide a £75m revolving credit facility. This internal facility will be treated as equity for assessing divisional performance and as a result there is no interest charge, although the facility provides the ability for interest to be charged in the future should it be deemed appropriate. Up to 21 June 2019 notional interest was charged on the financing element of the loan at a rate of 3.75% (2018: 3.75%) resulting in an interest charge of £307,059 (2018: £906,094) for the period. The working capital element was repayable on demand and was interest free. At the end of the year, the amount owed by the Company was £43,350,335 (2018: £62,643,258).

Up until 21 June 2019, the Company borrowed funds from I.M. Group Limited in order to finance the acquisition and development of properties. As part of the refinancing of the Company, this loan was repaid on 21 June 2019. Interest was charged on this loan at a rate of 3.75% (2018: 3.75%) resulting in an interest charge of £307,059 for the period (2018: £750,000). At the end of the prior year, the amount owed by the Company was £20,205,675.

The Company acts as banker to its subsidiary undertakings, Spitfire Properties (Newhall) Limited and I.M. Property Estates Limited. At the end of the year the amount owed by the Company to I.M. Property Estates Limited was £1,914,067 (2018: £2,312,471) and to Spitfire Properties (Newhall) Limited was £720,802 (2018: £2,065,909 owed by the Company).

During the year, management fees of £752,434 (2018: £359,090) were charged to Spitfire Bespoke Homes Limited by I.M. Group Limited.

During the prior year, Spitfire Bespoke Homes Limited sold a land plot at a residential development to a director for consideration of £320,000. The consideration remained unpaid at 31 December 2018.

During the prior year Spitfire Bespoke Homes Ltd entered into 2 development agreements with a director of the Company and a key management individual of I.M. Group Limited and its subsidiaries for consideration of £1,543,593 total (2017: £nil) for the construction of residential properties at 2 developments. No payments had been received by the Company at 31 December 2018 and the value of the construction work undertaken on the 2 plots is reported in Work in progress at that date.

Spitfire Bespoke Homes Limited

Notes to the financial statements For the year ended 31 December 2019

25. Related party disclosures (continued)

During the year, a key management individual of I.M. Group Limited and its subsidiaries paid £591,683 under the terms of a development agreement to Spitfire Bespoke Homes Limited following practical completion of the building project for a residential property on a Spitfire Bespoke Homes Limited development.

26. Ultimate parent company and parent undertaking of larger group

The ultimate parent company is IMG Jersey Holdings Limited, a company incorporated in Jersey.

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.

27. Post balance sheet events

Since the year end the Company has seen unprecedented measures taken by the Government and the Bank of England in response to the COVID-19 global pandemic. Whilst the objective of these measures was to save lives by limiting the spread of the virus, the impact on the economy has been severe with the UK GDP expected to contract by in excess of 20% in the second quarter of 2020, following a 2% contraction in Q1.

It is anticipated that the effect of the deep recession will be felt by the Company through reduced house completions and a reduction in sales values as consumers seek to defer major decisions on house moving. House completions to date have held up well however with reserved plot sales completing during the lockdown period and strong online interest as we emerge from the lockdown. Sales outlets on developments have started to re-open from early May, and since then reservations have been ahead of expectations and pricing has held steady at pre-lockdown forecast prices. The UK government's decision to cut stamp duty on property until April 2021 will also provide a positive boost to sales for the remainder of 2020.