Company Registration No. 02701792 (England and Wales)

MCDERMOTT DEVELOPMENTS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

MCDERMOTT DEVELOPMENTS LIMITED

COMPANY INFORMATION

Directors	S McDermott C Davis R M Kay M Wilkinson B Kemp R Rudkin
Secretary	C Davis
Company number	02701792
Registered office and business address	Jupiter House 1 Mercury Rise Altham Business Park Altham Lancashire BB5 5BY
Auditor	Pierce C A Limited Mentor House Ainsworth Street Blackburn Lancashire BB1 6AY
Bankers	Handelsbanken Wallander House Capricorn Business Park Blakewater Road Blackburn Lancashire BB1 5QR

MCDERMOTT DEVELOPMENTS LIMITED

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MCDERMOTT DEVELOPMENTS LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2018

The directors present the strategic report for the year ended 31 December 2018.

Fair review of the business

During the year the Group has continued to be a residential house builder mainly operating in the North West Region.

The Group trading results for the year are set out in the Consolidated Profit and Loss Account on page 7 with the position of the group at the year end set out in the Consolidated Balance Sheet on page 9.

The results for the year show a profit before taxation of £8,248,918 (2017: £3,853,399) for the year and turnover of £37,044,936 (2017: £16,100,568). No dividend for the year has been paid or is proposed.

The Group Balance Sheet remains strong with net assets of £40,824,721 at the year-end (2017: £34,081,896). Gearing is low with bank loans of £2,000,000 (2017: £2,500,000) secured on gross assets net of land creditors of £48,009,179 (2017: £40,562,621).

Principal risks and uncertainties

The directors have identified the following risks and uncertainties:

- Changes in the general economic and political environment, which could adversely impact the UK housing market by affecting customer confidence and the availability of mortgage finance. Here, the Government Help to Buy Scheme currently remains a positive influence on the housing market, but the planned restriction to first time buyers from April 2021 could impact the market.
- The ability to source good quality land for future development at suitable profit margins and to obtain planning permissions in a timely manner.
- Retaining and expanding our chain of suppliers and subcontractors whilst maintaining control of quality and costs.
- Retaining and recruiting suitably skilled experienced personnel to support the Group's growth.
- Maintaining and improving build quality and customer care standards as the volume of completions increase over the coming years.

The Board and senior management constantly monitor and review the risks and uncertainties affecting the business and update existing strategies to ensure that the business can respond quickly and effectively to such events and challenges as they arise. Mitigating measures to an economic downturn would include restricting investment in land, slowing down construction on sites already in progress and reducing the overheads within the business. In particular, the directors carefully consider all risks and uncertainties when acquiring new land development sites and before starting construction works on new developments.

On behalf of the board

R M Kay
Director
7 June 2019

MCDERMOTT DEVELOPMENTS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2018

The directors present their annual report and financial statements for the year ended 31 December 2018.

Principal activities

The principal activity of the company and group continued to be that of residential property development and building.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

S McDermott
C Davis
R M Kay
M Wilkinson
B Kemp
R Rudkin

Results and dividends

The results for the year are set out on page 7.

No dividends were paid in the year and the directors do not recommend the payment of a final dividend.

Auditor

In accordance with the company's articles, a resolution proposing that Pierce C A Limited be reappointed as auditor of the group will be put at a General Meeting.

Statement of directors' responsibilities

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). 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 group and company, 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 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;
- 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 and company’s transactions and disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

MCDERMOTT DEVELOPMENTS LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the auditor of the company is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the auditor of the company is aware of that information.

On behalf of the board

R M Kay
Director
7 June 2019

MCDERMOTT DEVELOPMENTS LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF MCDERMOTT DEVELOPMENTS LIMITED

Opinion

We have audited the financial statements of McDermott Developments Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2018 which comprise the group profit and loss account, the group statement of comprehensive income, the group balance sheet, the company balance sheet, the group statement of changes in equity, the company statement of changes in equity, the group statement of cash flows, the company statement of cash flows 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 FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2018 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the 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 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.

Other information

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

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

We have nothing to report in this regard.

MCDERMOTT DEVELOPMENTS LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF MCDERMOTT DEVELOPMENTS LIMITED

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of our 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 group and the parent 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 where the Companies Act 2006 requires us to report to you if, in our opinion:

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

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 Financial Reporting Council's website at: http://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's 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.

MCDERMOTT DEVELOPMENTS LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)
TO THE MEMBERS OF MCDERMOTT DEVELOPMENTS LIMITED

Linda Wilkinson (Senior Statutory Auditor)
for and on behalf of Pierce C A Limited

7 June 2019

Statutory Auditor

Mentor House
Ainsworth Street
Blackburn
Lancashire
BB1 6AY

MCDERMOTT DEVELOPMENTS LIMITED

GROUP PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018 £	2017 £
Turnover	2	37,044,935	16,100,568
Cost of sales		(28,324,551)	(12,699,524)
Release of exceptional writedowns	3	-	766,330
Gross profit		8,720,384	4,167,374
Administrative expenses		(1,507,982)	(1,539,426)
Other operating income		1,183,178	1,360,253
Operating profit	4	8,395,580	3,988,201
Interest receivable and similar income	8	-	11
Interest payable and similar expenses	9	(146,662)	(134,813)
Profit before taxation		8,248,918	3,853,399
Tax on profit	10	(1,506,093)	(579,018)
Profit for the financial year		6,742,825	3,274,381

Profit for the financial year is all attributable to the owners of the parent company.

MCDERMOTT DEVELOPMENTS LIMITED

GROUP STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018

	2018	2017
	£	£
Profit for the year	6,742,825	3,274,381
Other comprehensive income	-	-
Total comprehensive income for the year	6,742,825	3,274,381

Total comprehensive income for the year is all attributable to the owners of the parent company.

MCDERMOTT DEVELOPMENTS LIMITED

GROUP BALANCE SHEET

AS AT 31 DECEMBER 2018

	Notes	2018 £	2018 £	2017 £	2017 £
Fixed assets					
Tangible assets	12		289,929		246,087
Current assets					
Stocks	16	46,909,141		44,261,171	
Debtors	17	6,132,010		1,136,171	
Cash at bank and in hand		535,659		1,187,059	
		53,576,810		46,584,401	
Creditors: amounts falling due within one year	18	(13,042,018)		(10,248,592)	
Net current assets			40,534,792		36,335,809
Total assets less current liabilities			40,824,721		36,581,896
Creditors: amounts falling due after more than one year	19		-		(2,500,000)
Net assets			40,824,721		34,081,896
Capital and reserves					
Called up share capital	22		370,000		370,000
Other reserves			25,000		25,000
Profit and loss reserves			40,429,721		33,686,896
Total equity			40,824,721		34,081,896

The financial statements were approved by the board of directors and authorised for issue on 7 June 2019 and are signed on its behalf by:

C Davis
Director

R M Kay
Director

MCDERMOTT DEVELOPMENTS LIMITED

COMPANY BALANCE SHEET

AS AT 31 DECEMBER 2018

	Notes	2018 £	2018 £	2017 £	2017 £
Fixed assets					
Tangible assets	12		289,929		246,087
Investments	13		460,701		460,701
			750,630		706,788
Current assets					
Stocks	16	27,869,447		20,482,473	
Debtors	17	8,550,988		11,300,449	
Cash at bank and in hand		530,398		1,098,913	
		36,950,833		32,881,835	
Creditors: amounts falling due within one year	18	(12,288,508)		(9,346,464)	
Net current assets			24,662,325		23,535,371
Total assets less current liabilities			25,412,955		24,242,159
Creditors: amounts falling due after more than one year	19		-		(2,500,000)
Net assets			25,412,955		21,742,159
Capital and reserves					
Called up share capital	22		370,000		370,000
Profit and loss reserves			25,042,955		21,372,159
Total equity			25,412,955		21,742,159

As permitted by s408 Companies Act 2006, the company has not presented its own profit and loss account and related notes. The company's profit for the year was £3,670,796 (2017 - £174,042 profit).

The financial statements were approved by the board of directors and authorised for issue on 7 June 2019 and are signed on its behalf by:

C Davis
Director

R M Kay
Director

Company Registration No. 02701792

MCDERMOTT DEVELOPMENTS LIMITED

GROUP STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018

	Share capital	Other reserves	Profit and loss reserves	Total
	£	£	£	£
Balance at 1 January 2017	370,000	25,000	30,412,515	30,807,515
Year ended 31 December 2017:				
Profit and total comprehensive income for the year	-	-	3,274,381	3,274,381
Balance at 31 December 2017	370,000	25,000	33,686,896	34,081,896
Year ended 31 December 2018:				
Profit and total comprehensive income for the year	-	-	6,742,825	6,742,825
Balance at 31 December 2018	370,000	25,000	40,429,721	40,824,721

MCDERMOTT DEVELOPMENTS LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018

	Share capital	Profit and loss reserves	Total
	£	£	£
Balance at 1 January 2017	370,000	21,198,117	21,568,117
Year ended 31 December 2017:			
Profit and total comprehensive income for the year	-	174,042	174,042
Balance at 31 December 2017	370,000	21,372,159	21,742,159
Year ended 31 December 2018:			
Profit and total comprehensive income for the year	-	3,670,796	3,670,796
Balance at 31 December 2018	370,000	25,042,955	25,412,955

MCDERMOTT DEVELOPMENTS LIMITED

GROUP STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018 £	2018 £	2017 £	2017 £
Cash flows from operating activities					
Cash generated from operations	**25**		724,227		826,724
Interest paid			(146,662)		(134,813)
Income taxes paid			(622,660)		(1,112,926)
Net cash outflow from operating activities			(45,095)		(421,015)
Investing activities					
Purchase of tangible fixed assets		(141,755)		(197,991)	
Proceeds on disposal of tangible fixed assets		35,450		5,200	
Interest received		-		11	
Net cash used in investing activities			(106,305)		(192,780)
Financing activities					
Proceeds of new bank loans		-		1,300,000	
Repayment of bank loans		(500,000)		-	
Net cash (used in)/generated from financing activities			(500,000)		1,300,000
Net (decrease)/increase in cash and cash equivalents			(651,400)		686,205
Cash and cash equivalents at beginning of year			1,187,059		500,854
Cash and cash equivalents at end of year			535,659		1,187,059

MCDERMOTT DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies

Company information

McDermott Developments Limited ("the company") is a private limited company domiciled and incorporated in England and Wales. The registered office is Jupiter House, 1 Mercury Rise, Altham Business Park, Altham, Lancashire, BB5 5BY.

The group consists of McDermott Developments Limited and all of its subsidiaries.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

1.2 Basis of consolidation

The consolidated financial statements incorporate those of McDermott Developments Limited and all of its subsidiaries (ie entities that the group controls through its power to govern the financial and operating policies so as to obtain economic benefits).

On 27 March 2009 the company acquired the entire share capital of Suncrest Properties Limited for a consideration of £100.

The 'acquisition' of Suncrest Properties Limited has been accounted for using the merger accounting method in the consolidation. The directors considered that the introduction of a new parent company, McDermott Developments Limited, did not alter the relative rights of the individual shareholders.

Allegro Corporation Limited and McDermott Homes Limited have been included in the group financial statements using the purchase method of accounting. The purchase consideration has been allocated to the assets and liabilities on the basis of fair value at the date of acquisition.

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

All financial statements are made up to 31 December 2018. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the group.

1.3 Going concern

The group finances its operations by means of a bank facility. The directors are not aware of any reason why this facility will not be maintained at its current level. As a result the directors have continued to adopt the going concern basis in preparing the financial statements.

1.4 Turnover

Turnover represents amounts receivable for goods and services net of VAT and trade discounts, where the sale of residential property is recognised on legal completion and the sale of development land and commercial property is recognised on exchange of unconditional contracts. Sales of part exchange houses are included in turnover.

MCDERMOTT DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies **(Continued)**

1.5 Intangible fixed assets - goodwill

Goodwill represents the excess of the cost of acquisition of a business over the fair value of net assets acquired. It is initially recognised as an asset at cost and is subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is considered to have a finite useful life and is amortised on a systematic basis over its expected life, which is five years.

For the purposes of impairment testing, goodwill is allocated to the cash-generating units expected to benefit from the acquisition. Cash-generating units to which goodwill has been allocated are tested for impairment at least annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit.

1.6 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Plant and equipment	5 - 6 years straight line
Fixtures and fittings	4 years straight line
Motor vehicles	4 years straight line

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in the profit and loss account.

1.7 Fixed asset investments

Equity investments are measured at fair value through profit or loss, except for those equity investments that are not publicly traded and whose fair value cannot otherwise be measured reliably, which are recognised at cost less impairment until a reliable measure of fair value becomes available.

In the parent company financial statements, investments in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses.

A subsidiary is an entity controlled by the group. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

1.8 Impairment of fixed assets

At each reporting period end date, the group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The carrying amount of the investments accounted for using the equity method is tested for impairment as a single asset. Any goodwill included in the carrying amount of the investment is not tested separately for impairment.

MCDERMOTT DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies **(Continued)**

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.9 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

1.10 Cash at bank and in hand

Cash at bank and in hand are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.11 Financial instruments

The group has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the group's balance sheet when the group becomes party to the contractual provisions of the instrument.

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

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

MCDERMOTT DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies **(Continued)**

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the group transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

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

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

MCDERMOTT DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies **(Continued)**

Other financial liabilities

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value though profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Derecognition of financial liabilities

Financial liabilities are derecognised when the group's contractual obligations expire or are discharged or cancelled.

1.12 Equity instruments

Equity instruments issued by the group are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the group.

1.13 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The group’s liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

MCDERMOTT DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies **(Continued)**

1.14 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.15 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

1.16 Leases

Rental income from operating leases is recognised on a straight line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight line basis over the lease term.

2 Turnover and other revenue

	2018	2017
	£	£
Turnover analysed by class of business		
Residential property development and building	37,044,935	16,100,568

	2018	2017
	£	£
Other revenue		
Interest income	-	11

	2018	2017
	£	£
Turnover analysed by geographical market		
United Kingdom	37,044,935	16,100,568

3 Exceptional income

	2018	2017
	£	£
Release of exceptional writedowns	-	766,330

During the year to 31 December 2017 the group released provisions made in previous years to write down stocks to the lower of cost and net realisable value.

The total of the provisions released above has been included in arriving at the operating profit for that year.

MCDERMOTT DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

4 Operating profit

	2018	2017
	£	£
Operating profit for the year is stated after charging/(crediting):		
Depreciation of owned tangible fixed assets	91,656	73,408
Profit on disposal of tangible fixed assets	(29,193)	(5,200)
Cost of stocks recognised as an expense	27,600,150	12,052,633
Release of exceptional writedowns	-	(766,330)

5 Auditor's remuneration

	2018	2017
Fees payable to the company's auditor and associates:	£	£
For audit services		
Audit of the financial statements of the group and company	18,900	9,150
Audit of the financial statements of the company's subsidiaries	9,200	6,830
	28,100	15,980
For other services		
All other non-audit services	1,020	-

6 Employees

The average monthly number of persons (including directors) employed by the group and company during the year was:

	Group 2018	2017	Company 2018	2017
	Number	Number	Number	Number
Property development and building	50	45	50	45

Their aggregate remuneration comprised:

	Group 2018	2017	Company 2018	2017
	£	£	£	£
Wages and salaries	1,648,116	1,498,919	1,390,986	1,116,979
Social security costs	235,991	204,046	235,991	204,046
Pension costs	161,562	156,202	161,562	156,202
	2,045,669	1,859,167	1,788,539	1,477,227

MCDERMOTT DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

7 Directors' remuneration

	2018	2017
	£	£
Remuneration for qualifying services	366,060	445,246
Company pension contributions to defined contribution schemes	78,158	73,422
	444,218	518,668

Remuneration disclosed above includes the following amounts paid to the highest paid director:

	2018	2017
	£	£
Remuneration for qualifying services	96,000	85,000
Company pension contributions to defined contribution schemes	8,000	35,612

8 Interest receivable and similar income

	2018	2017
	£	£
Interest income		
Other interest income	-	11

9 Interest payable and similar expenses

	2018	2017
	£	£
Interest on bank overdrafts and loans	145,067	130,167
Other interest	1,595	4,646
Total finance costs	146,662	134,813

MCDERMOTT DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

10 Taxation

	2018	2017
	£	£
Current tax		
UK corporation tax on profits for the current period	1,524,755	589,769
Adjustments in respect of prior periods	(18,662)	(10,751)
Total current tax	1,506,093	579,018

The actual charge for the year can be reconciled to the expected charge for the year based on the profit or loss and the standard rate of tax as follows:

	2018	2017
	£	£
Profit before taxation	8,248,918	3,853,399
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2017: 19.25%)	1,567,294	741,779
Tax effect of expenses that are not deductible in determining taxable profit	950	1,378
Unutilised tax losses carried forward	-	(147,003)
Adjustments in respect of prior years	(18,662)	(10,751)
Effect of change in corporation tax rate	-	(5,040)
Permanent capital allowances in excess of depreciation	(17,493)	(19,911)
Other non-reversing timing differences	(19,346)	18,566
Land remediation relief	(6,650)	-
Taxation charge	1,506,093	579,018

MCDERMOTT DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

11 Intangible fixed assets

Group	**Goodwill**	**Negative goodwill**	**Total**
	£	**£**	**£**
Cost			
At 1 January 2018 and 31 December 2018	107,235	(221,174)	(113,939)
Amortisation and impairment			
At 1 January 2018 and 31 December 2018	107,235	(221,174)	(113,939)
Carrying amount			
At 31 December 2018	-	-	-
At 31 December 2017	-	-	-

The company had no intangible fixed assets at 31 December 2018 or 31 December 2017.

Negative goodwill relates to the purchase in 1997 of 87.5% of the issued share capital of Allegro Corporation Limited and represents the excess of the fair value of the assets acquired over the consideration price. The full amount of the negative goodwill has been written back to profit in previous years.

MCDERMOTT DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

12 Tangible fixed assets

Group	Plant and equipment	Fixtures and fittings	Motor vehicles	Total
	£	£	£	£
Cost				
At 1 January 2018	154,639	143,491	197,136	495,266
Additions	113,840	25,915	2,000	141,755
Disposals	(93,332)	-	(23,151)	(116,483)
At 31 December 2018	175,147	169,406	175,985	520,538
Depreciation and impairment				
At 1 January 2018	109,074	62,086	78,019	249,179
Depreciation charged in the year	16,700	34,123	40,833	91,656
Eliminated in respect of disposals	(93,332)	-	(16,894)	(110,226)
At 31 December 2018	32,442	96,209	101,958	230,609
Carrying amount				
At 31 December 2018	142,705	73,197	74,027	289,929
At 31 December 2017	45,565	81,405	119,117	246,087

Company	Plant and equipment	Fixtures and fittings	Motor vehicles	Total
	£	£	£	£
Cost				
At 1 January 2018	154,639	143,491	197,136	495,266
Additions	113,840	25,915	2,000	141,755
Disposals	(93,332)	-	(23,151)	(116,483)
At 31 December 2018	175,147	169,406	175,985	520,538
Depreciation and impairment				
At 1 January 2018	109,074	62,086	78,019	249,179
Depreciation charged in the year	16,700	34,123	40,833	91,656
Eliminated in respect of disposals	(93,332)	-	(16,894)	(110,226)
At 31 December 2018	32,442	96,209	101,958	230,609
Carrying amount				
At 31 December 2018	142,705	73,197	74,027	289,929
At 31 December 2017	45,565	81,405	119,117	246,087

MCDERMOTT DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

13 Fixed asset investments

	Notes	Group 2018 £	2017 £	Company 2018 £	2017 £
Investments in subsidiaries	14	-	-	460,701	460,701

Movements in fixed asset investments
Company

	Shares in group undertakings £
Cost or valuation	
At 1 January 2018 and 31 December 2018	460,701
Carrying amount	
At 31 December 2018	460,701
At 31 December 2017	460,701

14 Subsidiaries

Details of the company's subsidiaries at 31 December 2018 are as follows:

Name of undertaking	Registered office	Nature of business	Class of shares held	% Held
Allegro Corporation Limited	See below	Residential property development and building	Ordinary	100
McDermott Homes Limited	See below	Residential property development and building	Ordinary	100
Suncrest Properties Limited	See below	Residential property development and building	Ordinary	100

The registered office address of the above companies is:

Jupiter House
1 Mercury Rise
Altham Business Park
Altham
Lancashire
BB5 5BY

MCDERMOTT DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

14 Subsidiaries **(Continued)**

The individual company accounts for Suncrest Properties Limited have not been subject to audit. Suncrest Properties Limited is entitled to the exemption from audit under Section 479A of the Companies Act 2006 relating to subsidiary companies.

McDermott Developments Limited has guaranteed all the outstanding liabilities which Suncrest Properties Limited is subject to, at 31 December 2018, until such liabilities are satisfied in full. The amount of these liabilities at the balance sheet date was £345,460.

15 Financial instruments

	Group 2018 £	2017 £	Company 2018 £	2017 £
Carrying amount of financial assets				
Debt instruments measured at amortised cost	5,942,833	869,787	8,380,689	11,053,488
Carrying amount of financial liabilities				
Measured at amortised cost	11,595,721	12,202,308	11,356,321	11,723,999

16 Stocks

	Group 2018 £	2017 £	Company 2018 £	2017 £
Land and property stocks	46,783,222	44,261,171	27,869,447	20,482,473

17 Debtors

Amounts falling due within one year:	Group 2018 £	2017 £	Company 2018 £	2017 £
Trade debtors	654,295	690,404	611,547	526,960
Corporation tax recoverable	458	-	-	-
Amounts owed by group undertakings	-	-	2,500,478	10,350,334
Other debtors	5,431,471	316,387	5,400,569	311,363
Prepayments and accrued income	45,786	129,380	38,394	111,792
	6,132,010	1,136,171	8,550,988	11,300,449

MCDERMOTT DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

18 Creditors: amounts falling due within one year

		Group		Company	
		2018	2017	2018	2017
	Notes	£	£	£	£
Bank loans and overdrafts	20	2,000,000	-	2,000,000	-
Trade creditors		2,117,074	2,200,789	2,117,074	2,200,789
Land creditors		5,857,560	6,267,867	5,857,560	6,267,867
Corporation tax payable		1,347,087	463,196	832,977	39,377
Other taxation and social security		99,210	83,088	99,210	83,088
Other creditors		164,319	210,805	17,566	21,303
Accruals and deferred income		1,456,768	1,022,847	1,364,121	734,040
		13,042,018	10,248,592	12,288,508	9,346,464

19 Creditors: amounts falling due after more than one year

		Group		Company	
		2018	2017	2018	2017
	Notes	£	£	£	£
Bank loans and overdrafts	20	-	2,500,000	-	2,500,000

MCDERMOTT DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

20 Loans and overdrafts

	Group 2018 £	2017 £	Company 2018 £	2017 £
Bank loans	2,000,000	2,500,000	2,000,000	2,500,000
Payable within one year	2,000,000	-	2,000,000	-
Payable after one year	-	2,500,000	-	2,500,000

The bank loan is secured by:

i) a debenture over the assets of the group; and

ii) a right of set-off over the group bank account credit balances.

21 Retirement benefit schemes

Defined contribution schemes	2018 £	2017 £
Charge to profit or loss in respect of defined contribution schemes	161,562	156,202

A defined contribution pension scheme is operated for all qualifying employees. The assets of the scheme are held separately from those of the group in an independently administered fund.

MCDERMOTT DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

22 Share capital

	Group and company	
	2018	**2017**
Ordinary share capital	**£**	**£**
Issued and fully paid		
15,000 A1 Ordinary shares of £1 each	15,000	15,000
15,000 A2 Ordinary shares of £1 each	15,000	15,000
10,000 B Ordinary shares of £1 each	10,000	10,000
10,000 C Ordinary shares of £1 each	10,000	10,000
10,000 D Ordinary shares of £1 each	10,000	10,000
10,000 E Ordinary shares of £1 each	10,000	10,000
5,000 F Ordinary shares of £1 each	5,000	5,000
12,500 H1 Ordinary shares of £1 each	12,500	12,500
12,500 H2 Ordinary shares of £1 each	12,500	12,500
	100,000	100,000
Preference share capital		
Issued and fully paid		
270,000 Redeemable preference equity shares of £1 each	270,000	270,000
Preference shares classified as equity	270,000	270,000
Total equity share capital	370,000	370,000

The A1, A2, B, C, D, E, F, H1 and H2 ordinary shares have equal rights with regards to voting at company meetings, on sharing surplus assets on a winding up or liquidation and rights to dividends, except that the directors may declare dividends of different amounts and at different times to each class of ordinary share and that a baseline value applies to the F ordinary shares on any capital exit.

The holders of the preference shares are not entitled to vote at any general meeting of the company.

In a winding up of the company the profits and assets available for distribution shall be applied in the following order:

i) In repayment to the holders of the ordinary shares of the capital paid or credited as paid up thereon.
ii) In repayment to the holders of the preference shares of the capital paid or credited as paid up thereon.
iii) Any surplus shall be paid to the holders of the ordinary shares and the holders of the preference shares shall not be entitled to any further participation in the profits or assets of the company.

The company shall be entitled at any time to redeem at par all or any of the preference shares for the time being issued and outstanding upon giving to the holder(s) thereof not less than seven days notice in writing (which shall be irrevocable) of such redemption.

The company may declare and pay dividends at different rates in respect of ordinary shares and preference shares and may declare a dividend on the ordinary shares without declaring a dividend on the preference shares and vice versa.

MCDERMOTT DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

23 Capital commitments

Amounts contracted for but not provided in the financial statements:

	Group 2018 £	2017 £	Company 2018 £	2017 £
Acquisition of tangible fixed assets	84,352	-	84,352	-

24 Related party transactions

Remuneration of key management personnel

The remuneration of key management personnel, who are also the directors of McDermott Developments Limited, is as follows:

	2018 £	2017 £
Aggregate compensation	444,218	518,668

All of the directors of McDermott Developments Limited are considered to be key management personnel by virtue of their authority and responsibility for planning, directing and controlling the activities of the group.

25 Cash generated from group operations

	2018 £	2017 £
Profit for the year after tax	6,742,825	3,274,381
Adjustments for:		
Taxation charged	1,506,093	579,018
Finance costs	146,662	134,813
Investment income	-	(11)
Gain on disposal of tangible fixed assets	(29,193)	(5,200)
Depreciation and impairment of tangible fixed assets	91,656	73,408
Movements in working capital:		
(Increase) in stocks	(2,647,970)	(9,774,185)
(Increase) in debtors	(4,989,452)	(809,833)
(Decrease)/increase in creditors	(96,394)	7,354,333
Cash generated from operations	724,227	826,724