Registration number: 00775 505

Tilia Homes Limited
(formerly Kier Living Limited)

Annual Report and Financial Statements

for the Year Ended 30 June 2021

Tilia Homes Limited

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Tilia Homes Limited

Company Information

Directors

N P Greenaway

M J Dilley

A R Hammond

I Bharadwaj

Company secretary

A G Secretarial Limited

Registered office

One St Peter's Square
Manchester
M2 3DE

Bankers

National Westminster Bank
Bedford
81 High Street
Bedford
Bedfordshire
MK40 1YN

Independent Auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
1 Embankment Place
London
WC2N 6RH

Tilia Homes Limited

Strategic Report for the Year Ended 30 June 2021

The directors present their strategic report for Tilia Homes Limited (the "Company" and "Tilia Homes") for the year ended 30 June 2021.

Principal activities

The Company is principally engaged in the building and sale of residential properties in the United Kingdom.

Business model and strategy

Our business is based solely on the building and sale of residential properties, currently in England, excluding London and the South East. We currently operate four regional businesses in Northern, Central, Eastern and the West of England. The business also operates through several joint ventures, with partners including Cross Keys Homes and Homes England.

Business Review

Creating Tilia Homes

On 28 May 2021, the sale of Kier Living by Kier Group plc was completed, and the business was rebranded to Tilia Homes.

This, along with the settlement of the Company's previous overdraft facility has resulted in a materially improved balance sheet and the capability and expertise to grow and evolve the business, headed by a new senior leadership team that has an extensive track record in the UK House Building sector. Tilia Homes endeavours to streamline the way it works, improve operational efficiencies and acquire more sites independently, scaling back joint venture projects over time.

During the year there was continued uncertainty around the impact of COVID-19 and the disruption of two national lockdowns, but thanks to the resilience and hard work of everyone across the business, the Company delivered resilient results, including a profit before tax and exceptional items of £4.7m. Further information on our financial results is provided under the financial review sub header. Operationally, focus has been on core disciplines and effective business processes, which has included the introduction of a new standard house type range and consistency in both sales and build specifications.

We continue to focus hard on delivering a quality product to our customers and are pleased to have achieved a HBF 4* rating for the last two financial years.

Future investment in land will help drive the business forward and the land teams have a clear strategy in place to ensure we secure the right opportunities, at the right price, and commence development in the right way, with the backing of our new owners.

Health and safety remains the number one priority at Tilia and we achieved an AIR (Accident Incident Rate) of 127 at June 21 (60 as at June 20), significantly below the HBF benchmark of 264.

COVID-19

The COVID-19 pandemic continued to impact the economy during the year ended 30 June 2021 with lockdowns continuing to be experienced, along with the disruptive impact of self-isolation requirements. The health and safety of our customers, employees, subcontractors and suppliers has been our number one priority, and whilst we were able to build and sell houses during the period, we continued to use home working and remote working technology where possible.

Despite the ability to build and sell houses in England, the impact of the pandemic on materials and labour supplies and costs continue to create operational challenges for the entire industry including Tilia, but with our strengthened balance sheet and the on-going work to improve business systems and processes, the Company is well placed to manage these macro industry-wide headwinds.

Housing market and UK's departure from EU

The UK housing market has returned to the positive level that it was pre COVID-19, supported by the ongoing significant shortage of housing combined with stronger demand, facilitated by macroeconomic factors and relatively cheap mortgage financing. We have seen selling prices and sales rates continue to be maintained at a strong level.

The UK is still adjusting to the new trading arrangements in place following the departure from the EU on 31 January 2020. Combined with the still present impact of COVID-19, despite the housing market remaining strong, we expect a period of economic uncertainty for the remainder of 2022. The board will ensure close management of the activities of the business and will ensure robust financial controls are in place.

Environmental impact and carbon use disclosures

The Company identifies sustainability as a fundamental aspect to ensure the long-term success of the Company. Being a sustainable business is more important than ever and we continue in the work towards changing mindsets to embrace sustainability so that it becomes embedded within every part of the business.

We are making good progress and can demonstrate our ongoing commitment to sustainability in the reduction of our carbon footprint. Smart meters are now installed in all our new homes and electric charging points can be seen at all our regional offices. Our company car options have been revised in line with our commitment with 40% of the available options being electric vehicles.

Where possible we only purchase timber products delivered with a full chain of custody from a credible, independent certification scheme, approved by the UK Government and we continue to record our waste movements via Smartwaste and are currently reporting over 90% diversion rates from landfill.

In accordance with the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013, we report on our greenhouse gas emissions as part of this Strategic Report.

Our methodology has been based on the principals of the Greenhouse Gas Protocol, taking account of the 2015 amendment which sets out a 'dual reporting' methodology for the reporting of Scope 2 emissions.

Greenhouse Gas Emissions and Intensity Ratio

Emission Type	kWh			CO_2e tonnes (Location Based)		
	2021	2020	Var. %	2021	2020	Var. %
Scope 1: Combustion	8,937,050	11,849,055	(24.6)	2,076.77	2,732.27	(24.0)
Total Scope 1	8,937,050	11,849,055	(24.6)	2,076.77	2,732.27	(24.0)
Scope 2: Purchased Energy	923,626	1,656,045	(44.2)	215.33	386.09	(44.2)
Total Scope 2	923,626	1,656,045	(44.2)	215.33	386.09	(44.2)
Scope 3: Indirect Energy use	3,419,039	2,342,492	46.0	822.52	573.02	43.5
Total Scope 3	3,419,039	2,342,492	46.0	822.52	573.02	43.5
Total	**13,279,715**	**15,847,592**	**(16.2)**	**3,114.62**	**3,691.38**	**(15.6)**

Greenhouse Gas Emissions and Intensity Ratio (continued)

	2021	2020
Number of employees	502	554
Intensity Ratio (tCO2/no of employees)	6.2	6.7

The variance in scope 1 is mostly due to a reduction in natural gas and gas oil usage. The variance in scope 2 relates to a reduce in electricity usage. Both the gas and electricity data are provided for from Eon. During 2021, improvements to the data collection process were made whereby Eon started to provide quarterly data files for electricity and gas, rather than annual.

People

We want the Company to continue to be a great place to work with a flexible, stimulating and supportive environment where people feel recognised and appreciated. We help our people achieve their personal and professional goals and encourage the next generation of talent through internal career progression. Our annual appraisal scheme sets individual objectives and a clear development pathway through tailored training, centralised resources and e-learning. We offer our teams an advanced Employee Assistance Programme and 24-hour access to a GP. The health and wellbeing of our people is extremely important to us. We have a monthly Living-Well newsletter, trained Mental Health First Aiders across the business and access to mental health counselling.

Key recent achievements include: Access to an online hub for information and resources; A focused induction package to support all new joiners; Regular 'Livewire' email updates to update on company news and progress; 'Perks' employee discount platform.

Principal risks and uncertainties

The performance of the business is subject to several risks and the management of these is a key operating component of the Company. The long-term success of the business is impacted by the risk management approach adopted by the Company. The Company has identified, evaluated, and put in place strategies to mitigate the principal risks and uncertainties faced by the business, and these are formally reviewed by the Board.

The principal operating risks of the Company include, but are not limited to, the following areas:

Key risk	Nature of risk	Mitigation
Housing market	Major price or sales volume reductions due to macro market forces	Structural market under-supply lowers long term risk. In short term conservative management, a focus on cash flow, and a strengthened balance sheet will help mitigate
House building and costs	Materials and labour shortages, inflation in cost prices, and understated cost forecasts	Initiatives to mitigate include; Standard house types, increased central procurement, introduction of Group Commercial function, and the post year-end introduction of COINS ERP system.
Land availability	Inability to procure land at satisfactory margins	Initiatives underway to reduce operating costs to improve land affordability
Health and safety	Impact of a major incident on staff, contractors, and reputation	Independent team in place to ensure adherence to our non-negotiable health and safety policies. Training and management disciplines strongly enforced
Personnel retention	Staff turnover and inability to recruit quality personnel	HR Committee in place to review and react to the risk. Remuneration packages continually under review to ensure we remain competitive in the marketplace. New ownership reinforces Company's future growth prospects
COVID-19	Recurrence of lock-downs impacting ability to build and sell	Continue to monitor closely. Action plans implemented previously remain ready to re-introduce if necessary
Customer satisfaction	Poor customer satisfaction impacting reputation and ability to sell	Customer journey simplified, improved build quality reviews being introduced. Standard house types and finishes improving end quality
Separation from Kier	Failure to deliver full separation from Kier IT, HR and finance shared service activities by the end of May 2022 as outlined in the separation agreement, impacting costs and ability to operate.	Strong project management of separation actions in place, with operational Separation Board in place monitoring progress with updates to full Board monthly. Back up options in place.

Principal risks and uncertainties (continued)

Key risk	Nature of risk	Mitigation
Cyber attack and fraud	Risk of damage to data, systems, and reputation as a result of cyber-attacks or fraudulent activities	New post-Kier IT environment being designed with focus on security and fraud prevention first. Strong focus on segregation of duties. Training in place for staff.
Government / regulatory change	Risk of additional costs and complexity arising from changes in legislation and regulation	Close relationship built with HBF and Homes England to understand potential changes and to enable us to escalate and influence.
Uncertainty surrounding Ukraine	Risk of rising costs and impacts on supply chain and lead times for goods.	Ensure sufficient diversifications of supply chain and continued frequent dialogue with key suppliers.

Financial Review

Revenue for the year was £68.5m (2020: £55.2m), an increase of 24%. In the year the Company achieved 487 (2020: 307) legal completions. This comprised 325 (2020: 124) open market private completions and 162 (2020: 183) affordable housing equivalent units. The Company operates though a number of joint ventures and of the 1,430 total units, 943 (2020: 746) of these were delivered through the joint ventures.

The Homes England joint venture ("Tilia Community Living") formed in June 2018 contributed 429 plots (2020: 202) and the Cross Keys Homes joint venture ("Tilia Cross Keys"), formed in March 2017, contributed 427 plots in the year (2020: 381).

The Company made a profit before tax and exceptionals of £3.3m (2020: loss of £5.7m). Exceptional items of £62.0m principally include a £48.6m impairment of investment in subsidiaries, a £14.8m cost adjustment as a result of a work in progress cost-alignment exercise and net acquisition-related income of £3.4m.

	Year ended 30 June 2021	Year ended 30 June 2020
Legal completions		
Private	325	124
Affordable	162	183
Joint ventures	943	746
Total	1,430	1,066

Balance Sheet at 30 June 2021

The Company had net assets of £78.9m (2020: £134.2m) and a cash balance of £37.2m (2020: £0.3m) at the year end.

The Company's inventory was £94.5m (2020: £62.0m). The Company also holds an investment of £108.4m (2020: £100.8m) in joint ventures.

At 30 June 2021, the Company had net debt of £53.5m (2020: £14.7m). Loan funding is provided to the Company via a £90.7m loan from its immediate parent Tilia Bidco Ltd. The term of the loan from is five years from 28 May 2021 and the interest rate is 8%.

The Company is currently exploring opportunities to obtain an external banking facility to support working capital requirements.

Approved by the Board on 31 March 2022 and signed on its behalf by:

Mark Dilley
Director

Tilia Homes Limited

Directors' Report for the Year Ended 30 June 2021

The directors present their report and the audited financial statements for the year ended 30 June 2021.

Company secretary

P Higgins (resigned 28 May 21)

A G Secretarial Limited (appointed 9 June 2021)

Directors of the Company

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

N P Greenaway (appointed 21 December 2021)

M J Dilley (appointed 20 December 2021)

A R Hammond (appointed 4 February 2022)

I Bharadwaj (appointed 6 October 2021)

D C Bridges (resigned 12 January 2022)

D Browne (appointed 28 May 2021, resigned 21 December 2021)

M J Coker (appointed 24 July 2020, resigned 4 February 2022)

G B Phillips (appointed 16 October 2020, resigned 15 October 2021)

M R Bessant (resigned 31 December 2020)

S J Cooper (resigned 16 October 2020)

J D Miller (resigned 28 May 2021)

A J Spicer (resigned 28 May 2021)

Financial risk management

Capital risk management

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders by ensuring that the Company maintains sufficient liquidity to sustain its present and forecast operations.

The Company monitors current and forecast cash liquidity to ensure that there is sufficient capacity to meet requirements for the foreseeable future.

Financial risks and management

The Company's principal financial instruments comprise development land payables and cash. The Company has other financial instruments including trade receivables and trade payables, which arise directly from operations.

No trading in financial instruments has been undertaken.

The Company has exposure to a variety of financial risks through the conduct of its operations. The Board reviews and agrees policies for managing risk as well as specific policies and guidelines.

The key financial risks resulting from the Company use of financial instruments are credit risk, liquidity risk and market risk.

Financial risks and management (continued)

(a) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as and when they fall due.

The Company's objective is to manage liquidity by ensuring that it will always have sufficient liquidity to meet its liabilities as they become due. This will be assessed under normal and stress conditions, without incurring losses or risking damage to the Company's reputation.

The Company has rigorous cash management processes. Cash balances are reported daily and variances to short term cash forecasts are analysed as appropriate. Every week the Company prepares a daily rolling cashflow forecast with a forecast period of 20 weeks. These forecasts complement a minimum of four long term quarterly cash forecasts each year which are compared to the annual cash flow budget and to previous quarterly forecasts. These facilitate management's assessments of the Company's expected cash performance.

Key risks to liquidity and cash balances are a decrease in the value of open market sales, a downturn in the UK housing market, deterioration in credit terms obtainable in the market from suppliers and subcontractors, a downturn in the profitability of work, delayed receipt of cash from customers and a general decline in the ability of local authorities to fund urban regeneration projects.

In order to mitigate this risk, the Company continually monitors open market house sales volumes and prices; working capital levels and contract profitability; and both client and supplier credit references and credit terms with clients and suppliers to ensure they continue to be appropriate.

The Company does not have any derivative financial liabilities.

(b) Credit risk

Credit risk is the risk of financial loss to the Company if a customer fails to meet its contractual obligations mainly arising on the Company's trade receivables. The Company's exposure to credit risk is limited for open market housebuilding activities as the Company typically receives cash at the point of legal completion of its sales.

The credit risk on registered provider sales depends on the individual characteristics of the counterparty many of whom are in the public sector or are funded by the public sector such as housing associations. The Board consider that the credit rating of these customers is good and the credit risk on outstanding balances to be low and no provision is held against these balances.

(c) Market risk

Market risk is the risk that changes in market prices such as interest rates, house prices and foreign exchange rates will affect the Company income or the value of the Company's financial instruments.

Interest rate risk

Interest rate risk relates to the impact of interest rate increases on the Company's borrowing. The interest rate on the loan due to immediate parent Tilia Bidco Limited is at 8% based on the loan agreement which is in place until May 2026. The Company has no other interest-bearing financial instruments.

Financial risks and management (continued)

Housing market risk

The Company is fundamentally affected by the level of UK house prices. These in tum are affected by factors such as credit availability, employment levels, interest rates, consumer confidence and supply of land with planning.

Furthermore, Government incentives, such as the "Help to Buy" scheme, have helped to stimulate consumer demand. Whilst these risks are beyond the Company's ultimate control, risk is spread across differing business activities undertaken by the Company and the geographical regions in which it operates.

The UK housing market affects the valuation of the Company's non-financial assets and liabilities and the critical judgements applied by management in these financial statements, including the valuation of land and work-in-progress.

Currency risk

The Company operates entirely in the United Kingdom. All of the Company's revenue is generated in the United Kingdom and is denominated in pounds sterling. Consequently, the Company has very limited exposure to currency risk.

Employment of disabled persons

The Company are equal opportunities employers and consider applications for employment from disabled persons. Facilities, equipment and training are provided to assist disabled employees and, should an employee become disabled during their employment, efforts would be made to retain them in their current role or to explore opportunities for re-deployment in the Company.

Future developments

The Company continues to identify and invest in suitable land for future developments. Concurrently, we continue to work with local housing associations to tender for suitable projects. The business is conscious of the evolving and ongoing situation in Ukraine but as yet is not experiencing any significant impact.

Directors' liabilities

The articles of association of the Company entitle the directors of the Company, to the extent permitted by the Companies Act 2006 and other applicable legislation, to be indemnified out of the assets of the Company in the event that they suffer any expenses in connection with certain proceedings relating to the execution of their duties as directors of the Company.

In addition, insurance is maintained for the directors and officers of the Company to cover certain losses or liabilities to which they may be exposed due to their office

Reappointment of auditors

Under section 487(2) of the Companies Act 2006, PricewaterhouseCoopers LLP will be deemed to have been reappointed as auditors 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the accounts with the registrar, whichever is earlier.

Dividends

There was no dividend declared for the current nor prior year.

Going concern

The directors continue to adopt the going concern basis in preparing the Company's financial statements.

The Company has net assets and cash as at 30 June 2021 of £78.9m and £37.2m respectively. Funding to the Company is provided in the form of a loan from the Company's immediate parent, Tilia Bidco Limited. The principal amount of loan outstanding at 30 June 2021 was £90.7m. The term of the loan is five years from 28 May 2021 and the interest rate is 8%. The Company holds no other forms of debt. The Company has received written confirmation from the company heading the Group, Tilia Group Holdings Limited, that financial support will be provided for at least 12 months from the date of approval of these financial statements.

The Board has reviewed the business's cash flow forecasts for the period to 30 June 2023, based on certain key assumptions which include the level of private sale completions and the price of these sales over that period. The Board has also considered a downside scenario against these forecasts which show that the business can withstand a deterioration in completions and price in line with those experienced during the Global Financial Crisis in 2007-2008, while still maintaining adequate liquidity. The base and downside scenarios forecast, in conjunction with the letter of support provided from the Company's immediate parent, foresee that the business will continue to be able to pay its liabilities as they fall due for a period of at least 12 months from the date of signing these financial statements.

Disclosure of information to the auditors

Under section 418 of the Companies Act, each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditors are unaware.

Tilia Homes Limited

Corporate Governance Section 172 Statement for the Year ended 30 June 2021

The Board is committed to engaging with our people, our stakeholders and the communities in which we operate, and creating a healthy and sustainable culture. The Directors of the Company have had regard for the matters set out in section 172(1) (a)-(f) of the Companies Act when performing their duty under s172. The Directors consider that they have acted in good faith in the way that would be most likely to promote the success of the Company for the benefit of its members as a whole, while also considering the broad range of stakeholders who interact with and are impacted by our business.

The following details how the directors have had regard to the matters set out in s172(1) (a)-(f):

(a) *The likely consequences of any decision in the long term* – the long-term success of the company is always considered in making strategic decisions and this is aligned with the strategy and the risk management procedures within the company.

(b) *The interests of the company's employees* – we continue to reinforce the culture and values of the company, aimed at creating the right environment to create opportunities for individuals and teams to realise their full potential. Tilia is committed to developing an inclusive workplace, creating an environment which allows its people to thrive and enhancing diversity to deliver more value for our employees, clients and customers. Our values include a fundamental commitment to operate safely in everything we do as a company, and we have a detailed and rigorous health and safety policy in place.

(c) *The need to foster the company's business relationships with suppliers, customers, and others* – stakeholder relationships are a key source of value that helps ensure the company's success is sustainable in the long term. The company seeks to ensure it manages the relationship with its stakeholders through regular communication across a number of media types. We have improved our processes with regard to ensuring delivery a quality product to our customer and continue to identify opportunities to improve. We have some strong relationships with our suppliers and see strong supplier relationships as being critical to our future success. We are implementing new systems which will continue to improve the supplier payment process.

(d) *The impact of the company's operations on the community and the environment* – the impact of the company on the environment and our communities is factored in as a part of the company's decision-making processes. We support multiple charities within the areas we operate. Wherever we seek to undertake developments we undertake rigorous impact assessments of their impact on the environment.

(e) *The desirability of the company maintaining a reputation of high standards of business conduct* – this is at the heart of the culture of the company to ensure high standards of business conduct are maintained with all its stakeholders

(f) *The need to act fairly between stakeholders of the company* – this is at the heart of the culture of the company and all business decisions are made taking into account the effect on all stakeholders, ensuring decisions are fair and appropriate to all

Approved by the Board on 31 March 2022 and signed on its behalf by:

M J Dilley
Director

Tilia Homes Limited

Statement of Directors' Responsibilities

The directors are responsible for preparing the Annual Report and Financial Statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under Company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The directors 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.

Approved by the Board on 31 March 2022 and signed on its behalf by:

M J Dilley
Director

Independent auditors' report to the members of Tilia Homes Limited

Report on the audit of the financial statements

Opinion

In our opinion, Tilia Homes Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the Statement of Financial Position as at 30 June 2021; the Income Statement, the Statement of Comprehensive Income and the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Independent auditors' report to the members of Tilia Homes Limited (continued)

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements

does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

With respect to the Strategic report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the year ended 30 June 2021 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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.

Independent auditors' report to the members of Tilia Homes Limited (continued)

Auditors' 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 auditors' 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to Health and Safety legislation and UK tax legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to increase revenue or reduce expenditure and management bias in accounting estimates. Audit procedures performed by the engagement team included:

- Discussions with management including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- Evaluation of management's controls designed to prevent and detect irregularities;
- Review of the financial statement disclosures to underlying support documentation;
- Challenging assumptions and judgements made by management in its significant accounting estimates, in particular in relation to work-in-progress;
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations, descriptions or posted by senior management.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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

Independent auditors' report to the members of Tilia Homes Limited (continued)

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

Andrew Paynter (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

31 March 2022

Tilia Homes Limited

Income Statement for the Year Ended 30 June 2021

	Note	2021			2020 (restated)		
		Before exceptional items	Exceptional items (note 6)	Total	Before exceptional items	Exceptional items (note 6)	Total
		£000	£000	£000	£000	£000	£000
Revenue	4	68,494	-	68,494	55,182	-	55,182
Cost of sales		(74,252)	(12,016)	(86,268)	(69,658)	(22,260)	(91,918)
Gross loss		**(5,758)**	**(12,016)**	**(17,774)**	**(14,476)**	**(22,260)**	**(36,736)**
Administrative expenses		(12,067)	(46,944)	(59,011)	7,106	(63,710)	(56,604)
Share of joint ventures profit	17	22,149	(3,025)	19,124	5,262	-	5,262
Operating Profit/(loss)	5	**4,324**	**(61,985)**	**(57,661)**	**(2,108)**	**(85,970)**	**(88,078)**
Profit/(loss) before interest and tax		**4,324**	**(61,985)**	**(57,661)**	**(2,108)**	**(85,970)**	**(88,078)**
Finance income	7	1,259	-	1,259	2,000	-	2,000
Finance costs	8	(2,246)	-	(2,246)	(5,564)	-	(5,564)
Net finance cost		**(987)**	-	**(987)**	**(3,564)**	-	**(3,564)**
Profit/(loss) before tax		**3,337**	**(61,985)**	**(58,648)**	**(5,672)**	**(85,970)**	**(91,642)**
Income tax credit	12	3,370	-	3,370	971	-	971
Profit/(loss) for the financial year		**6,707**	**(61,985)**	**(55,278)**	**(4,701)**	**(85,970)**	**(90,671)**

The above results were derived from continuing operations.

See note 30 to the financial statements for detail on the FY20 restatement. In addition, the FY20 comparatives have been represented to show the share of joint venture profits within operating profit as set out in note 2.

The accompanying notes form an integral part of these financial statements.

Tilia Homes Limited

Statement of Comprehensive Income for the Year Ended 30 June 2021

	2021 £ 000	2020 (restated) £ 000
Loss for the financial year	(55,278)	(90,671)
Total comprehensive expense for the year	(55,278)	(90,671)

See note 30 to the financial statements for detail on the FY20 restatement.

The accompanying notes form an integral part of these financial statements.

Tilia Homes Limited
(Registration number: 00775505)

Statement of Financial Position as at 30 June 2021

	Note	2021 £ 000	2020 (restated) £ 000
Non-current assets			
Goodwill		-	-
Intangible assets	13	1,566	3,825
Property, plant and equipment	14	48	39
Right of use assets	15	382	651
Investment in subsidiaries	16	23,368	23,368
Investment in joint ventures	17	108,420	100,815
Deferred tax assets	12	3,505	135
Trade and other receivables	19	2,236	-
		139,525	**128,833**
Current assets			
Inventories	18	94,464	61,977
Trade and other receivables	19	63,371	48,431
Current tax asset	12	-	930
Cash and cash equivalents	20	37,233	285
		195,068	**111,623**
Total assets		**334,593**	**240,456**
Current liabilities			
Trade and other payables	21	(107,726)	(78,926)
Loans and borrowings	22	-	(14,964)
Lease liabilities	23	(252)	(413)
Provisions	24	(3,759)	(2,878)
Income tax liability		-	-
		(111,737)	**(97,181)**
Non-current liabilities			
Trade and other payables	21	(45,385)	(5,652)
Lease liabilities	23	(126)	(260)
Loans and borrowings	22	(90,698)	-
Provisions	24	(7,739)	(3,213)
		(143,948)	**(9,125)**
Total liabilities		**(255,685)**	**(106,306)**
Net assets		**78,908**	**134,150**
Equity			
Called up share capital	26	228,761	228,761
Share premium reserve		6	6
Accumulated losses		**(149,859)**	**(94,617)**
Total equity		**78,908**	**134,150**

Tilia Homes Limited

(Registration number: 00775505)
Statement of Financial Position as at 30 June 2021

See note 30 to the financial statements for detail on the FY20 restatement.

The accompanying notes form an integral part of these financial statements.

The financial statements on pages 18 to 53 were approved by the Board on 31 March 2022 and signed on its behalf by:

M J Dilley
Director

Tilia Homes Limited

Statement of Changes in Equity for the Year Ended 30 June 2021

	Share capital £ 000	Share premium £ 000	Accumulated losses (restated) £ 000	Total (restated) £ 000
At 1 July 2019	65,000	6	(963)	64,043
Prior year restatement (note 30)	-	-	(3,443)	(3,443)
At 1 July 2019 (restated)	**65,000**	**6**	**(4,406)**	**60,600**
Loss for the year	-	-	(88,403)	(88,403)
Prior year restatement (note 30)	-	-	(2,268)	(2,268)
Loss for the year (restated)	-	-	**(90,671)**	**(90,671)**
Total comprehensive expense (restated)	-	-	(90,671)	(90,671)
New share capital subscribed	163,761	-	-	163,761
Share based payment transactions	-	-	460	460
At 30 June 2020 (restated)	**228,761**	**6**	**(94,617)**	**134,150**

	Share capital £ 000	Share premium £ 000	Accumulated losses (restated) £ 000	Total (restated) £ 000
At 1 July 2020 (restated)	**228,761**	**6**	**(94,617)**	**134,150**
Loss for the year	-	-	(55,278)	(55,278)
Total comprehensive expense	-	-	(55,278)	(55,278)
Share based payment transactions	-	-	36	36
At 30 June 2021	**228,761**	**6**	**(149,859)**	**78,908**

See note 30 to the financial statements for detail on the FY20 restatement.

The share-based payment transaction was a capital contribution.

The accompanying notes form an integral part of these financial statements.

Tilia Homes Limited

Notes to the Financial Statements for the Year Ended 30 June 2021

1 General information

The Company is a private Company limited by share capital incorporated and domiciled in England & Wales.

The address of its registered office is:
One St Peter's Square
Manchester
M2 3DE
England

The principal business activity of the Company is housebuilding.

2 Accounting policies

Summary of significant accounting policies and key accounting estimates
The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation
The Company meets the definition of a qualifying entity under FRS 101 issued by the Financial Reporting Council. Accordingly in the year ended 30 June 2016 the Company made a transition from reporting old UK GAAP to FRS101 as issued by the Financial Reporting Council. The financial statements were prepared in accordance with FRS 101 'Reduced Disclosure Framework' as issued by the Financial Reporting Council. The transition was not considered to have a material effect on the financial statements. Statements have been produced in accordance with the Companies Act 2006. Financial reports have been prepared under an historical cost and going concern basis.

The Company is a subsidiary undertaking of Tilia Bidco Limited, a company registered in Guernsey.

The largest company in which the results of the Company are consolidated is Tilia Group Holdings Limited, a company registered in Guernsey. The Tilia Group Holdings Limited financial statements are available via the website www.tiliahomes.co.uk. The Company is therefore exempt by virtue of section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements.

Summary of disclosure exemptions
The Company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS101:

IAS 8: Exemption from presenting a statement of financial position as at the beginning of the preceding period when making a retrospective restatement;
IAS 7: Complete exemption from preparing a cash flow statement and related notes;
IFRS 2: Exemption from certain disclosures in respect of share based payments for arrangements involving equity instruments of another group entity;
IAS 8: The listing of new or revised standards that have not been adopted (and information about their likely impact) has been omitted;
IAS 36: Exemption from disclosures for each cash generating unit which contains goodwill, in particular in relation to assumptions and sensitivities;
IFRS 7: Complete exemption from all of the disclosure requirements of IFRS 7, Financial Instruments, other than for those instruments where these disclosures are still required to comply with the law;
IFRS 13: Complete exemption from all of the disclosure requirements of IFRS 13, Fair value measurement;
IAS 24: Exemption from disclosure of related party transactions entered into between two or more members of a group, provided that any subsidiary party to the transaction is wholly owned by such a member;
IAS 24: Exemption from disclosure of compensation for key management personnel and amounts incurred by an entity for the provision of key management personnel services that are provided by a separate management entity;
IAS 1: Exemption from comparatives for movements on property, plant & equipment, intangible assets and share capital;

2 Accounting policies (continued)

IFRS 15: Exemption from certain disclosures in respect of revenue from contracts with customers; and
IFRS 16: Exemption from certain disclosures in respect of leases.

The Company proposes to continue to adopt the reduced disclosure framework of FRS101 in its next financial statements.

Going concern

The directors continue to adopt the going concern basis in preparing the Company's financial statements.

The Company has net assets and cash as at 30 June 2021 of £78.9m and £37.2m respectively. Funding to the Company is provided in the form of a loan from the Company's immediate parent, Tilia Bidco Limited. The principal amount of loan outstanding at 30 June 2021 was £90.7m. The term of the loan is five years from 28 May 2021 and the interest rate is 8%. The Company holds no other forms of debt. The Company has received written confirmation from the company heading the Group, Tilia Group Holdings Limited, that financial support will be provided for at least 12 months from the date of approval of these financial statements.

The Board has reviewed the business's cash flow forecasts for the period to 30 June 2023, based on certain key assumptions which include the level of private sale completions and the price of these sales over that period. The Board has also considered a downside scenario against these forecasts which show that the business can withstand a deterioration in completions and price in line with those experienced during the Global Financial Crisis in 2007-2008, while still maintaining adequate liquidity. The base and downside scenarios forecast, in conjunction with the letter of support provided from the Company's immediate parent, foresee that the business will continue to be able to pay its liabilities as they fall due for a period of at least 12 months from the date of signing these financial statements.

Changes in accounting policy

The following new standards, amendments to standards and interpretations are effective for the financial year ended 30 June 2020 onwards, none of which have had a material impact on the reported results:

• Amendment to IAS 1 'Presentation of financial statements', effective 1 January 2020.

• Amendment to IAS8 'Accounting policies, changes in accounting estimates and errors', effective 1 January 2020.

• Amendment to IFRS3, 'Definition of a business', effective 1 January 2020.

The following amendments to standards and interpretations are effective for annual periods beginning after 1 January 2021, which are not expected to have a material impact on reported results and have not been early adopted in preparing these financial statements:

• Amendment to IFRS16 'Leases', effective 1 June 2020.

Functional and presentational currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates ('the functional currency'). The financial statements are presented in 'Pounds Sterling' (£) which is also the Company's functional currency.

Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company operates and generates taxable income.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements and on unused tax losses or tax credits in the Company. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

2 Accounting policies (continued)

The carrying amount of deferred tax assets are reviewed at each reporting date and a valuation allowance is set up against deferred tax assets so that the net carrying amount equals the highest amount that is more likely than not to be recovered based on current or future taxable profit.

Property, plant and equipment and depreciation

Land is not depreciated. Property, plant and equipment is stated in the statement of financial position at cost, less any subsequent accumulated depreciation.

The cost of property, plant and equipment includes directly attributable incremental costs incurred in their acquisition and installation.

Depreciation is charged to write off the cost of assets in equal annual instalments over the period of their estimated economic lives, which are principally as follows:

Leasehold buildings and improvements	Period of lease
Plant and equipment (including vehicles)	3-12 years

Investment in subsidiaries

Investment in subsidiaries are held at cost less accumulated impairment losses.

Investments in joint ventures

Investments in joint ventures are accounted for at the cost of the initial capital contribution and profits recognised via equity accounting shown in the financial statement under share of joint ventures profits. Joint ventures are fundamental to the Company's operations and therefore the share of post-tax results of joint ventures is presented within operating profit and the prior year figure has also been represented.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Trade receivables

Trade receivables are amounts due from customers for stock sold or services performed in the ordinary course of business.

Trade receivables are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment.

The Company applies the IFRS 9 expected credit and losses method to estimate the provision for impairment for trade receivables at year end.

2 Accounting policies (continued)

Inventories

The cost of finished goods and work in progress comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. The inventory balance is dependent on the equalised margin approach based on expected site-wide profit. At each reporting date, inventories are assessed for impairment. If inventory is impaired, the carrying amount is reduced to its selling price less costs to complete and sell; the impairment loss is recognised immediately in profit or loss.

Contract work in progress is stated at costs incurred, less those transferred to the profit and loss account, after deducting foreseeable losses and payments on account not yet matched with turnover. Speculative housing land, stock plots and work in progress, which includes attributable overheads, is stated at the lower of cost or net realisable value. Part exchange stock is stated at the lower of cost or net realisable value.

Provisions

Provisions are recognised when the Company has a present or legal constructive obligation as a result of a past event, and where it is probably that an outflow will be required to settle the obligation and the amount can be reliably estimated. Provisions held by the Company are currently limited to onerous contract provisions.

Employee benefit expense

A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

Borrowings

All borrowings are initially recorded at the amount of proceeds received, net of transaction costs. Borrowings are subsequently carried at amortised cost, with the difference between the proceeds, net of transaction costs, and the amount due on redemption being recognised as a charge to the income statement over the period of the relevant borrowing.

Interest expense is recognised on the basis of the effective interest method and is included in finance costs.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

Dividends

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholder.

2 Accounting policies (continued)

Revenue and profit recognition

Recognition

The principles in IFRS are applied to revenue recognition criteria using the following 5 step model:

1. Identify the contracts with the customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognise revenue when or as the entity satisfies its performance obligations

Provision is made for any unavoidable future net losses arising from contract obligations, as soon as they become apparent.

Additional consideration for contract modifications (variations) is only included in revenue (or the forecast contract out-turn) if the scope of the modification has been approved by the customer. If the scope of the modification has been approved but the parties have not yet determined the corresponding change in the contract price, an estimate of the change to the transaction price is made and included in calculating revenue to the extent that any increase in price is highly probable not to reverse.

Variable consideration amounts (gain-share amounts, KPI bonuses, milestone bonuses, compensation event claims, etc.) are included in revenue (or forecasts to completion) only to the extent that it is highly probable that a significant reversal of the amount in cumulative revenue recognised will not occur.

Refund liabilities (liquidated damages, pain-share amounts, KPI penalties, etc.) are accounted for as a reduction in revenue (or in forecasting contract out-turns) as soon as it is expected that the Company will be required to refund some or all of the consideration it has received from the customer.

Claims against third-parties (such as insurance recoveries and claims for cost reimbursements) outside of normal supplier price adjustments are recognised only when the realisation of income is virtually certain. The associated income is accounted for as reduction in costs rather than revenue.

Contract mobilisation is not considered to be a separate performance obligation in most situations, as the customer receives little or no benefit from mobilisation activities. Any consideration received from the customer in relation to the mobilisation phase of a contract is deferred and recognised as additional revenue relating to the performance obligations in the contract that benefit the customer.

If the timing of payments agreed with the customer provides the Company or the customer with a significant benefit of financing the transfer of goods or services, the amount of consideration is adjusted for the effects of the time value of money. The Company does not make an adjustment for the time value of money in the following circumstances:

• When the Company expects, at contract inception, that the period between the entity transferring a good or service and the customer paying for it will be one year or less; or

• Where the timing of the payments is for commercial rather than financing reasons, e.g. construction contract retentions.

Revenue and profit recognition policies are applied as follows:

Revenue from housing sales is recognised at the fair value of the consideration received or receivable on legal completion, being the point that control is deemed to pass to the customer.

2 Accounting policies (continued)

Profit is recognised on the sale of each housing plot by reference to the estimated cost of that plot based on an allocation from the expected overall cost out-turn for the development site. The principal estimation technique used by the Company in attributing profit on sites to a particular period is the preparation of forecasts of costs to complete on a site-by-site basis. Consistent review procedures are in place in respect of site forecasting.

Revenue from land sales and land exchanges is recognised on the unconditional exchange of contracts.

The Company constructs and sells residential properties and undertakes associated development activities under long-term contracts with customers. Such contracts are entered into before construction of residential properties or associated development activities begin. Under the terms of the contracts, the Company has an enforceable right to payment for work done. Revenue from construction of residential properties and associated development activities is therefore recognised over time based on a certified monthly valuation of work performed or the assessed physical stage of completion at the balance sheet date. The directors consider that this method is an appropriate measure of the progress towards completed satisfaction of these performance obligations under IFRS 15.

The Company reports the net contract position for each contract as either an asset or a liability. A contract represents an asset where costs incurred plus recognised profits (less recognised losses) exceeds progress billings; a contract represents a liability where the opposite is the case.

Where plots are sold part-way through construction (e.g. affordable housing plots acquired by a housing association), subsequent revenue is recognised over time based on the stage of completion reflecting the transfer of benefit to the customer. If it is not possible to establish an accurate allocation of cost from the overall site costs and therefore not possible to establish the stage of completion based on actual costs, external valuations are used to estimate the percentage of completion.

2 Accounting policies (continued)

Share based payments

The Company operates an equity-settled, share-based compensation plan, under which the entity receives services from employees as consideration for equity instruments (options) of the entity. The fair value of the employee services received is measured by reference to the estimated fair value at the grant date of equity instruments granted and is recognised as an expense over the vesting period. The estimated fair value of the option granted is calculated using the Black Scholes option pricing model. The total amount expensed is recognised over the vesting period, which is the period over which all the specified vesting conditions are to be satisfied.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

Following the sale of the Company from Kier Group plc, the awarding of new share-based payments ceased.

Intangible assets

Goodwill arising on the acquisition of an entity represents the excess of the cost of acquisition over the Company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the entity recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill is held in the currency of the acquired entity and revalued to the closing rate at each reporting period date.

Goodwill is not subject to amortisation but is tested for impairment.

Costs associated with maintaining computer software programmes are recognised as expenses as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Company are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use;
- management intends to complete the software and use it;
- there is an ability to use the software;
- it can be demonstrated how the software will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use the software are available; and
- the expenditure attributable to the software during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software include the software development employee costs.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Computer software development costs recognised as assets are amortised on a straight line basis over their estimated useful lives, which does not exceed 7 years. A reassessment of the useful life of the CRM system has been made during the year resulting in a reduction from 7 years to 4 years (see note 6 for more detail on the adjustment made).

The line item of the income statement in which amortisation of intangible assets is included is administrative expenses.

2 Accounting policies (continued)

Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

Leases

As required under IFRS16, assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

• Fixed payments (including in-substance fixed payments), less any lease incentives receivable;
• Variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
• Amounts expected to be payable by the Company under residual value guarantees;
• The exercise price of a purchase option if the Company is reasonably certain to exercise that option; and
• Payments of penalties for terminating the lease, if the lease term reflects the Company exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Company, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

The Company is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

• The amount of the initial measurement of lease liability;
• Any lease payments made at or before the commencement date less any lease incentives received;
• Any initial direct costs; and
• Any restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

The Company has elected to use the following recognition exemptions, as permitted by the standard:

• Leases of low-value items - The Company has defined low value items as assets that have a value when new of less than c£5,000. Low value items comprise IT equipment and small items of plant.
• Short-term leases - Leases with a lease term of less than 12 months at inception.

For leases in the above categories, a lease liability or right-of-use asset is not recognised. Instead, the Company recognises the related lease payments as an expense on a straight-line basis over the lease term.

2 Accounting policies (continued)

Contracts may contain both lease and non-lease components. The Company allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

Leased properties that meet the definition of investment properties are presented within 'investment properties' rather than 'right-of-use assets' on the balance sheet.

Exceptional items

An adjusted profit before exceptional items measure has been presented for the first time as the directors conclude that this provides a stronger understanding of financial performance.

Exceptional items are items that are material either individually or, if of a similar type, in aggregate and which, due to their nature or the infrequency of the events giving rise to them, are presented separately to enhance understanding of the financial performance of the Company. Such items are presented in a separate column on the face of the income statement because they are not considered to be representative of the trading performance of the Company during the year. The directors have reassessed the prior year results to determine the items that meet this definition and these have been classified accordingly.

3 Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies, making a judgement on the recoverability of inventory and judgement over the treatment of joint ventures. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed below.

Other sources of estimation uncertainty

Cost allocation

In order to determine the profit that the Company is able to recognise on its developments in a specific period, the Company has to allocate site-wide development costs between units built in the current year and in future years. It also has to estimate costs to complete, including those driven by climate related regulation, on such developments, and make estimates relating to future sales price margins on those developments and units. In making these assessments, there is a degree of inherent uncertainty.

Critical accounting judgements

Joint Ventures

In accordance with IFRS11 joint ventures are identified where the control of an arrangement is shared and decisions around activities require unanimous consent if the action significantly affects the investees return. The key judgement involved in determining joint control is that the board structure does not give any one party majority control over relevant activities, regardless of the economic split between partners.

Tilia Homes Limited

Notes to the Financial Statements for the Year Ended 30 June 2021 (continued)

4 Revenue

The analysis of the Company's revenue for the year from continuing operations is as follows:

	2021 £ 000	2020 £ 000
Sale of goods	68,494	55,182

The Company has only one operating segment as residential property.

5 Operating profit

Arrived at after charging:

	Note	2021 £ 000	2020 £ 000
Amortisation expense	13	669	-
Depreciation expense	14	25	738
Depreciation of right of use assets	15	389	629
Exceptional items	6	61,985	85,970

6 Exceptional items

Included in the Income Statement are the following items:

	Narrative reference	2021 £ 000	2020 £ 000
Impairment of investment in subsidiaries	i	48,555	693
Work in progress cost-alignment exercise	ii	14,793	-
Acquisition-related income/expenses	iii	(3,430)	-
Impairment of intangible asset	iv	1,819	
Impairment of intercompany loan	vi	-	50,000
Restructuring cost	x	-	2,197
COVID-related cost	ix	-	4,389
Costs incurred exiting fixed price build contracts	v, vii	248	22,260
Impairment of land inventory	viii	-	5,522
Impairment of property, plant and equipment	xi	-	140
Impairment of goodwill	xi	-	769
		61,985	85,970

6 Exceptional items (continued)

Exceptional item presentation is a new disclosure in the year. The directors conclude that this provides a stronger understanding of underlying performance.

Exceptional items are items that are material either individually or, if of a similar type, in aggregate and which, due to their nature or the infrequency of the events giving rise to them, are presented separately to enhance understanding of the financial performance of the Company. Such items are presented in a separate column on the face of the income statement because they are not considered to be representative of the trading performance of the Company during the year. The directors have reassessed the prior year results to determine the items that meet this definition and these have been classified accordingly.
Further detail on each item is presented as part of the narrative below:

FY21 exceptional items

(i) *Impairment of investment in subsidiaries*
During the year the Company impaired investments of £48.6m in subsidiaries Tilia Homes Caledonia Limited and Tilia Partnership Homes Limited (£32.8m and £15.8m respectively). Immediately prior to the sale of business, overdrafts held within these subsidiaries due to Kier Group Plc were cleared by the Company. This gave rise to an investment recognised by the Company in respect of these subsidiaries which, given the lack of recoverability, was immediately impaired.

(ii) *Work in progress cost-alignment exercise*
Following the acquisition of the company by Terra Firma, a commercial review of the Northern regional business identified additional works required to several sites, the cost of which, in addition to inflationary pressures expected in completion of these sites, have led to a significant reduction in expected margins across these sites. This has resulted in a charge of £14.8m being recorded in the year, of which £3.0m relates to sites held within joint ventures.

(iii) *Acquisition-related income/expenses*
The Company received £5.1m of working capital assets that were novated to the Company under Homes England's Delivery Partner Panel 2 ("DPP2") for £Nil consideration. This resulted in an exceptional gain which the directors deem outside of the normal course of trading. Furthermore, a provision of £1.4m has been made against other assets for which recoverability is uncertain. Finally, separation costs of £0.3m, predominantly in relation to rebranding and marketing, were incurred during the year. These costs are not deemed part of the business' trading but nevertheless essential as a result of the rebranding from Kier Living to Tilia Homes.

(iv) *Impairment of intangible asset*
The estimated useful life of the Marble CRM system intangible asset has been reassessed. The original useful life of the asset was 7 years and it would have been fully amortised by March 2026. The outcome of the reassessment is an impairment of £1.8m in order for the asset to be fully written down at June 2023 at which point the asset is not expected to have any residual value to the Company.

(v) Costs incurred exiting fixed price build contracts
During the prior year the Company reviewed its exposure to fixed price build contracts with a decision made to exit this market and focus on mixed tenure development. During the current year the Company incurred £0.2m (2020: £22.3m) of costs associated with the exit of these contracts.

Tilia Homes Limited

Notes to the Financial Statements for the Year Ended 30 June 2021 (continued)

6 Exceptional items (continued)

FY20 exceptional items

(vi) *Impairment of intercompany loan*
A one-off non-cash intercompany loan of £50.0m to its wholly owned subsidiary, Tilia Homes Caledonia, was fully impaired at 30 June 2020 due to Tilia Homes Caledonia not having sufficient assets to repay the debt.

(vii) *Costs incurred exiting fixed price build contracts*
The Company reviewed its exposure to fixed price build contracts with a decision made to exit this market and focus on mixed tenure development, with the remaining contracting schemes substantially traded out in the year. The company incurred £22.3m of costs associated with the ongoing exit of these contracts.

(viii) *Impairment of land inventory*
The Company rationalised its geographical operations resulting in the exit of certain regions and reduction in investments in others. Across Cornwall, Wales, and the North an impairment of £5.5m was recorded against land where decisions were made to halt or exit development.

(ix) *COVID-related cost*
The results were negatively impacted by COVID-19, including the impact of non-productive site overhead costs and costs relating to the implementation of COVID-19 safe working procedures and health and safety precautions. The direct costs identified relating to COVID-19 recognised in the income statement totalled £4.4m.

(x) *Restructuring cost*
A full review of the Company's overhead base was undertaken, resulting in a decrease of 52 heads, and commitments resulting in a further 111 head reduction shortly after the June 2020 year-end. These actions resulted in a redundancy cost in the year of £2.2m.

(xi) *Impairment of property, plant and equipment and goodwill*
There was an impairment of plant, property and equipment of £0.1m for the Leeds office, and a further £0.8m to fully impair the goodwill on the acquisition of Southdale Ltd, part of the Northern region.

7 Finance income

	2021 £ 000	2020 £ 000
Interest income on bank deposits	507	-
Other finance income	752	2,000
	1,259	2,000

8 Finance costs

	2021 £ 000	2020 £ 000
Interest on bank overdrafts and borrowings	1,268	3,948
Interest on loan due to immediate parent	676	-
Other finance costs	302	1,616
Total	2,246	5,564

9 Staff costs

The aggregate payroll costs (including directors' remuneration) were as follows:

	2021 £ 000	2020 £ 000
Wages and salaries	25,650	19,565
Social security costs	2,826	2,444
Pension costs, defined contribution scheme	1,891	1,290
Share-based payment expenses	36	460
	30,403	23,759

The average monthly number of persons employed by the Company (including directors) during the year, analysed by category was as follows:

	2021 No.	2020 No.
Production	318	351
Administration and support	64	72
Sales, marketing and distribution	120	131
	502	554

10 Directors' remuneration

	2021 £ 000	2020 £ 000
Remuneration	2,246	1,054

There was £44,000 paid to a director in respect of loss of office.

During the year the number of directors who were receiving benefits and share incentives was as follows:

	2021 No.	2020 No.
Accruing benefits under money purchase pension scheme	7	7

In respect of the highest paid director:

	2021 £ 000	2020 £ 000
Remuneration	660	263

11 Auditors' remuneration

	2021 £ 000	2020 £ 000
Statutory audit services	183	69

12 Income tax expense

Tax charged/(credited) in the income statement:

	2021 £ 000	2020 £ 000
Current taxation		
UK corporation tax adjustment to prior periods	-	(920)
UK corporation tax on profits for the period	-	-
Total current taxation	-	(920)
Deferred taxation		
Arising from origination and reversal of temporary differences	(2,241)	606
Arising from changes in tax rates and laws	(44)	(78)
Arising from previously unrecognised tax loss, tax credit or temporary difference of prior periods	(1,085)	(579)
Total deferred taxation	(3,370)	(51)
Tax credit in the income statement	(3,370)	(971)

The tax on profit before tax for the year is lower than the standard rate of corporation tax in the UK (2020: lower than the standard rate of corporation tax in the UK) of 19% (2020: 19%). The differences are reconciled below:

12 Income tax expense (continued)

	2021 £ 000	2020 £ 000
Loss before taxation	(58,648)	(89,374)
Corporation tax at standard rate of 19% (2020: 19%)	(11,143)	(16,981)
Decrease in current tax from adjustment for prior periods	(1,085)	(1,498)
Increase from effect of expenses not deductible in determining taxable profit/tax loss	556	19
Tax decrease from group relief for nil payment	-	8,067
Intercompany impairments not deductible	8,346	9,500
Deferred tax credit relating to changes in tax rates or laws	(44)	(78)
Total tax credit	(3,370)	(971)

The deferred tax balance as at the year end has been recognised at 19% (2020: 19%) which is the enacted corporation tax rate that will be effective from 1 April 2023.

Deferred tax

Deferred tax movement during the year:

	At 1 July 2020 £ 000	Recognised in profit & loss £ 000	At 30 June 2021 £ 000
Losses	-	3,321	3,321
Accelerated tax depreciation	135	49	184
Net tax assets	135	3,370	3,505

Deferred tax movement during the prior year:

	At 1 July 2019 £ 000	Recognised in profit & loss £ 000	At 30 June 2020 £ 000
Accelerated tax depreciation	83	52	135
Net tax assets	83	52	135

Current tax

Current tax movement during the year:

	At 1 July 2020 £ 000	Receipts for group relief £ 000	At 30 June 2021 £ 000
Receipts/(payments) for group relief	930	(930)	-
Net tax assets	930	(930)	-

12 Income tax expense (continued)

Current tax movement during the prior year:

	At 1 July 2019 £ 000	Recognised in profit & loss £ 000	At 30 June 2020 £ 000
Receipts for group relief	-	930	930
Net tax assets	-	930	930

13 Intangible assets

	CRM system £ 000	Assets under construction £ 000	Total £ 000
Cost			
At 1 July 2020 (restated)	4,661	-	4,661
Additions	-	229	229
At 30 June 2021	4,661	229	4,890
Impairment			
At 1 July 2020	-	-	-
Charge for the year	1,819	-	1,819
At 30 June 2021	1,819	-	1,819
Accumulated amortisation			
At 1 July 2020 (restated)	836	-	836
Charge for the year	669	-	669
At 30 June 2021	1,505	-	1,505
Carrying amount			
At 30 June 2021	1,337	229	1,566
At 30 June 2020 (restated)	3,825	-	3,825

The £1,819,000 impairment is a result of the reassessment of the CRM system useful life from 7 years to 4 years.

14 Property, plant and equipment

	Total £ 000
Cost	
At 1 July 2020 (restated)	546
Additions	34
At 30 June 2021	580
Impairment	
At 1 July 2020	140
Charge for the year	-
At 30 June 2021	140
Accumulated Depreciation	
At 1 July 2020 (restated)	367
Charge for the year	25
At 30 June 2021	392
Carrying amount	
At 30 June 2021	48
At 30 June 2020 (restated)	39

15 Right of use assets

	Land and buildings £ 000	Motor vehicles £ 000	Total £ 000
Carrying amount			
At 30 June 2020	3	648	651
Additions	69	527	596
Disposals	-	(476)	(476)
Depreciation charge for the year	(37)	(352)	(389)
At 30 June 2021	35	347	382

16 Investment in subsidiaries

	£ 000
Carrying amount	
At 30 June 2020 and 30 June 2021	23,368

Investments' carrying values are supported by their recoverable amounts as wholly owned subsidiaries with the relevant intercompany balances.

During the year, immediately prior to the sale of the business to Terra Firma, the Company transferred cash to two subsidiaries (Tilia Homes Caledonia Ltd and Tilia Partnership Homes) to clear overdrafts of £32,751,000 and £15,804,000 respectively. These additions to investments were immediately impaired as they were not recoverable.

Details of the subsidiaries as at 30 June 2021 are as follows:

Name of subsidiary	Principal activity	Registered office	Proportion of ownership interest and voting rights held 2021	2020
Allison Homes Eastern Limited*	Dormant	One St Peter's Square, Manchester, England, M2 3DE	100% / 100%	100% / 100%
Balaam Wood Management Company Limited*	Management Company	154-155 Great Charles Street, Queensway, Birmingham, England, B3 3LP	100% / 100%	100% / 100%
Bellwinch Homes Limited	Dormant	One St Peter's Square, Manchester, England, M2 3DE	100% / 100%	100% / 100%
Bellwinch Homes (Western) Limited	Dormant	One St Peter's Square, Manchester, England, M2 3DE	100% / 100%	100% / 100%
Bellwinch Limited*	Dormant	One St Peter's Square, Manchester, England, M2 3DE	100% / 100%	100% / 100%
Connect 21 Community Limited	Management Company	Queensway House, 11 Queensway, New Milton, Hampshire, England, BH25 5NR	100% / 100%	100% / 100%
Elsea Park Bourne Management Company Limited	Management Company	86A The Maltings, Roydon Road, Stanstead Abbotts, Herts, SG12 8UU England	100% / 100%	100% / 100%

16 Investment in subsidiaries (continued)

Name of subsidiary	Principal activity	Registered office	Proportion of ownership interest and voting rights held 2021	2020
Heatherwood (Thetford) Management Company Limited	Management Company	86A The Maltings, Roydon Road, Stanstead Abbotts, Herts, SG12 8UU	100% / 100%	100% / 100%
Hugh Bourn Developments (Wragby) Limited (dissolved 30 September 2020)	Dissolved	KPMG LLP 15 Canada Square Canary Wharf London E14 5GL	100% / 100%	100% / 100%
Javelin Construction Company Limited (dissolved 18th August 2020)	Dissolved	1 More London Place, London SE1 2AF	100% / 100%	100% / 100%
Tilia Homes Caledonia Limited (formerly Kier Homes Caledonia Limited) *	Residential development	One St Peter's Square, Manchester, England, M2 3DE	100% / 100%	100% / 100%
Tilia Homes Northern Limited (formerly Kier Homes Northern Limited) *	Dormant	One St Peter's Square, Manchester, England, M2 3DE	100% / 100%	100% / 100%
Tilia Land Limited (formerly Kier Land Limited) *	Dormant	One St Peter's Square, Manchester, England, M2 3DE	100% / 100%	100% / 100%
Tilia Living Developments Limited (formerly Kier Living Developments Limited) *	Dormant	One St Peter's Square, Manchester, England, M2 3DE	100% / 100%	100% / 100%
Tilia Partnership Homes Limited (formerly Kier Partnership Homes Limited) *	Residential Housebuilding	One St Peter's Square, Manchester, England, M2 3DE	100% / 100%	100% / 100%
Tempsford Cedars Limited*	Non-trading	One St Peter's Square, Manchester, England, M2 3DE	100% / 100%	100% / 100%

16 Investment in subsidiaries (continued)

Name of subsidiary	Principal activity	Registered office	Proportion of ownership interest and voting rights held 2021	2020
Twigden Homes Limited*	Dormant	One St Peter's Square, Manchester, England, M2 3DE	100% / 100%	100% / 100%
Twigden Homes Southern Limited	Dormant	One St Peter's Square, Manchester, England, M2 3DE	100% / 100%	100% / 100%
Sea Place Management Limited	Dormant	Queensway House, 1 Queensway, New Milton, Hampshire, BH25 5NR	100% / 100%	100% / 100%

* indicates direct investment of the Company

17 Investment in joint ventures

	£ 000
Investment in JVs	
At 1 July 2020 (restated)	100,815
Share of post-tax results of joint ventures	19,124
Dividends received	(7,127)
Loan repayments	(4,392)
At 30 June 2021	108,420
Carrying amount	
At 30 June 2021	108,420
At 30 June 2020 (restated)	100,815
At 30 June 2019 (restated)	114,916

17 Investment in Joint Ventures (continued)

Details of the joint ventures as at 30 June 2021 are as follows:

Name of joint venture	Principal activity	Registered office	Proportion of ownership interest and voting rights held 2021	2020
Black Rock Devco LLP	Residential development	One St Peters Square, Manchester, England, M2 3DE	50%	50%
Black Rock Holdco 1 LLP	Investment holding Company	One St Peters Square, Manchester, England, M2 3DE	50%	50%
Black Rock Holdco 2 LLP	Investment holding Company	One St Peters Square, Manchester, England, M2 3DE	50%	50%
Driffield Devco LLP	Residential Development	One St Peters Square, Manchester, England, M2 3DE	50%	50%
Driffield Holdco 1 LLP	Investment holding Company	One St Peters Square, Manchester, England, M2 3DE	50%	50%
Driffield Holdco 2 LLP	Investment holding Company	One St Peters Square, Manchester, England, M2 3DE	50%	50%
Easingwold Devco LLP	Residential Development	One St Peters Square, Manchester, England, M2 3DE	50%	50%
Easingwold Holdco 1 LLP	Investment holding Company	One St Peters Square, Manchester, England, M2 3DE	50%	50%
Easingwold Holdco 2 LLP	Investment holding Company	One St Peters Square, Manchester, England, M2 3DE	50%	50%
Farington Moss Devco LLP (dissolved on 13 October 2020)	Dissolved	81 Fountain Street, Manchester, England, M2 2EE	10%	10%
Farington Moss Holdco 1 LLP (dissolved on 13 October 2020)	Dissolved	81 Fountain Street, Manchester, England, M2 2EE	10%	10%
Farington Moss Holdco 2 LLP (dissolved on 13 October 2020)	Dissolved	81 Fountain Street, Manchester, England, M2 2EE	10%	10%
Tilia Cross Keys Dev LLP (formerly Kier Cross Keys Dev LLP)	Residential development	One St Peters Square, Manchester, England, M2 3DE	90%	90%
Tilia Cross Keys Holdco 1 LLP (formerly Kier Cross Keys Holdco 1 LLP)	Investment holding Company	One St Peters Square, Manchester, England, M2 3DE	90%	90%

17 Investment in Joint Ventures (continued)

Name of joint venture	Principal activity	Registered office	Proportion of ownership interest and voting rights held	
			2021	2020
Tilia Cross Keys Holdco 2 LLP (formerly Kier Cross Keys Holdco 2 LLP)	Investment holding Company	One St Peters Square, Manchester, England, M2 3DE	90%	90%
Tilia Community Living LLP (formerly Kier Community Living LLP)	Residential Development	One St Peters Square, Manchester, England, M2 3DE	69%	69%
Tilia Community Living Holdco 1 LLP (formerly Kier Community Living Holdco 1 LLP)	Investment holding Company	One St Peters Square, Manchester, England, M2 3DE	69%	69%
Tilia Community Living Holdco 2 LLP (formerly Kier Community Living Holdco 2 LLP)	Investment holding Company	One St Peters Square, Manchester, England, M2 3DE	69%	69%
Tilia Community Living Topco 1 LLP (formerly Kier Community Living Topco 1 LLP)	Investment holding Company	One St Peters Square, Manchester, England, M2 3DE	69%	69%
Tilia Community Living Topco 2 LLP (formerly Kier Community Living Topco 2 LLP)	Investment holding Company	One St Peters Square, Manchester, England, M2 3DE	69%	69%
TCK Peterborough Devco LLP (formerly KCK Peterborough Devco LLP)	Residential Development	One St Peters Square, Manchester, England, M2 3DE	90%	90%
TCK Peterborough Holdco 1 LLP (formerly KCK Peterborough Holdco 1 LLP)	Investment holding Company	One St Peters Square, Manchester, England, M2 3DE	90%	90%
TCK Peterborough Holdco 2 LLP (formerly KCK Peterborough Holdco 2 LLP)	Investment holding Company	One St Peters Square, Manchester, England, M2 3DE	90%	90%

17 Investment in Joint Ventures (continued)

Name of joint venture	Principal activity	Registered office	Proportion of ownership interest and voting rights held 2021	2020
Tilia Sovereign LLP	Residential Development	One St Peters Square, Manchester, England, M2 3DE	50%	50%
Notaro Kier LLP	Residential Development	One St Peters Square, Manchester, England, M2 3DE	50%	50%
Stokesley LLP	Residential Development	One St Peters Square, Manchester, England, M2 3DE	50%	50%
Stokesley Holdco 1 LLP	Investment holding Company	One St Peters Square, Manchester, England, M2 3DE	50%	50%
Stokesley Holdco 2 LLP	Investment holding Company	One St Peters Square, Manchester, England, M2 3DE	50%	50%

Black Rock Devco LLP

The Company indirectly holds 50% ownership and voting rights in Black Rock Devco LLP which is incorporated in England and Wales with the principal activity of residential development. The investment is held in the form of a unsecured loan note, repayable on demand. Total carrying value of Investment is £147,000 (2020: £644,000). There was £36,000 (2020: £346,000) of trading profit in the financial year.

Driffield Devco LLP

The Company indirectly holds 50% ownership and voting rights in Driffield Devco LLP which is incorporated in England and Wales with the principal activity of residential development. The investment is held in the form of an unsecured, zero coupon, repayable on demand loan note. Total carrying value of investment is £3,060,000 (2020: £2,794,000). There was £266,000 (2020: £133,000) of trading profit in the year.

Easingwold Devco LLP

The Company indirectly holds 50% ownership and voting rights in Easingwold Devco LLP which is incorporated in England and Wales with the principal activity of residential development. The investment is funded by an unsecured, zero coupon, repayable on demand loan note. Total carrying value of the investment is £4,946,000 (2020: £4,704,000). There was a trading profit of £241,000 (2020: £10,000) for the financial year.

Tilia Cross Keys Dev LLP

The Company indirectly holds 90% beneficial interest and 50% voting rights in Tilia Cross Keys Dev LLP which is incorporated in England and Wales with the principal activity of residential development. The investment is held in the form of an unsecured, zero coupon, repayable on demand loan note. Please see note 30 for details of a prior year restatement of £6,345,000 (Company share £5,711,000) affecting cost of sales and inventory. The total carrying value of investment is £56,243,000 (2020 Restated: £47,351,000). Trading profit in the year was £15,312,000 (2020 Restated: £3,213,000). Included within the total investment there is £2,651,000 of further investment (2020: £3,110,000) relating to 90% of the retained value of existing assets transferred into the joint venture, this value is unwound as the assets are traded out into the joint venture. The value unwound this year was £482,000 (2020: £1,600,000).

17 Investment in Joint Ventures (continued)

Tilia Community Living LLP

The Company indirectly holds 69% ownership and voting rights in Tilia Community Living LLP which is incorporated in England and Wales with the principal activity of residential development. the Investment is held in the form of unsecured, zero rated, repayable on demand loan. Total carrying amount of investment is £36,943,000 (2020: £33,615,000). There were trading profits in the year of £3,289,000 (2020: trading loss £806,000).

TCK Peterborough Devco LLP

The Company indirectly holds 90% beneficial interest and 50% voting rights in TCK Peterborough Devco LLP which is incorporated in England and Wales with the principal activity of residential development. Total carrying amount of Investment is £260,000 (2020: £354,000). Tilia Homes proportion of trading loss in the year of £65,000 (2020: Trading loss £703,000).

Tilia Sovereign LLP

The Company indirectly holds 50% ownership and voting rights in Tilia Sovereign LLP which is incorporated in England and Wales with the principal activity of residential development. The investment is held in the form of an unsecured, zero coupon, repayable on demand loan. Total carrying amount of Investment is £61,000 (2020: £198,000). Trading profit in the year was £118,000 (2020: £691,000).

Notaro Tilia LLP

The Company holds 50% ownership and voting rights in Notaro Kier LLP which is incorporated in England and Wales with the principal activity of residential development. Investment is held in the form of an unsecured, zero coupon, repayable on demand loan. Total carrying amount of investment is £26,000 (2020: £913,000). Trading profit for the year was £563,000 (2020: £371,000).

Stokesley LLP

The Company indirectly holds 50% ownership and voting rights in Stokesley Devco LLP which is incorporated in England and Wales with the principal activity of residential development. The investment is held in the form of an unsecured, zero coupon, repayable on demand loan note. Total carrying value of investment is £3,946,000 (2020: £3,980,000). There were trading losses of £34,000 (2020: trading loss £171,000) in the year.

18 Inventories

	2021 £ 000	2020 £ 000
Work in progress	94,464	61,977

Following the acquisition of the company by Terra Firma, a commercial review of the Northern regional business identified additional works required to several sites, the cost of which, in addition to inflationary pressures observable by the completion of these accounts, have led to a significant reduction in expected margins across these sites. This resulted in an impairment to work in progress of £4,169,000. This cost was charged to cost of sales.

The cost of inventories expensed in the year and included within cost of sales was £86,268,000 (2020: £91,918,000).

The directors consider all inventories to be essentially current in nature although the Company's operational cycle is such that a proportion of inventories will not be realised with 12 months. It is not possible to accurately determine when specific inventory will be realised as this is subject to several issues including consumer demand and planning permission.

Included within inventories are £985,000 of part exchange properties.

19 Trade and other receivables

	2021 £ 000	2020 £ 000
Current		
Trade receivables	7,646	5,633
Receivables from related parties	51,124	40,176
Prepayments	1,324	1,481
Contract assets	2,383	-
Other receivables	894	1,141
Total current trade and other receivables	63,371	48,431

	2021 £ 000	2020 £ 000
Non-current		
Receivables from related parties	2,236	-

Balances for related parties include normal trading balances which will be settled in accordance with normal business trading.

Contract assets has been disaggregated from other receivables in 2021 to provider the user with a more detailed understanding of receivables.

Other receivables are presented net of a provision of £1,452,000 which is included due to uncertain recoverability.

The Company's exposure to credit and market risks, including maturity analysis, relating to trade and other receivables is disclosed in the financial risk review note.

20 Cash and cash equivalents

	2021 £ 000	2020 £ 000
Cash on hand	37,233	285

21 Trade and other payables

Current	2021 £ 000	2020 £ 000
Trade payables	21,070	26,038
Accrued expenses	34,365	28,265
Amounts due to related parties	47,367	20,075
Contract liabilities	1,922	-
Social security and other taxes	2,285	-
Other payables	717	4,548
Total current trade and other payables	107,726	78,926

Non-current	2021 £ 000	2020 £ 000
Total non-current trade and other payables	45,385	5,652

Balances for related parties include normal trading balances which will be settled in accordance with normal business trading.

Contract liabilities and social security and other taxes have been disaggregated in the current year.

Please see note 30 for details of the £5,652,000 reclassified from current to non-current liabilities in 2020.

22 Loans and borrowings

	2021 £ 000	2020 £ 000
Current loans and borrowings		
Bank overdrafts	-	14,964
Non-current loans and borrowings		
Loan payable to immediate parent	90,698	-

The term of the loan is 5 years from 28 May 2021 and the interest rate is 8%.

23 Lease liabilities

Leases included in liabilities

	2021 £ 000	2020 £ 000
Current	252	413
Non-current	126	260
Total lease liabilities	378	673

Lease liabilities maturity analysis

Future minimum lease payments as at 30 June 2021 are as follows:

	2021 £ 000	2020 £ 000
Less than one year	272	430
One to two years	92	183
Two to three years	40	65
Three to four years	2	19
Four to five years	-	1
Total gross payments	406	698
Impact of finance expenses	(28)	(25)
Carrying amount of liability	378	673

Total cash outflows related to leases

	2021 £ 000	2020 £ 000
Principal elements of lease payments	415	627
Interest	20	35
Total cash outflow	435	662

24 Provisions

	2021 £ 000	2020 £ 000
At the beginning of the year	6,091	-
Charged to the income statement in the period	7,847	6,091
Utilised in the period	(2,440)	-
Total provisions	11,498	6,091

	2021 £ 000	2020 £ 000
Due within one year	3,759	2,878
Due after one year	7,739	3,213
Total	11,498	6,091

This provision relates to costs associated with onerous fixed price build contracts.

25 Contract balances

In relation to contracts in progress at the balance sheet date:

	2021 £ 000	2020 £ 000
Net customer contract position	461	-
Total	461	-

Revenue recognised for the year on open contracts amounts to £18,033,000 (2020: £19,519,000). During the year costs of £19,074,000 (2020: £23,783,000) have been recognised within costs of sales in respect of contract assets.

26 Called up share capital

Allotted, called up and fully paid shares

	2021 No.	2021 £ 000	2020 No.	2020 £ 000
Ordinary shares of £1 each	228,760,639	228,761	228,760,639	228,761

27 Share-based payments

Long Term Incentive Plan (LTIP)

Scheme description

Certain employees are beneficiaries of the Kier Group plc 2010 Long Term Incentive Plan (LTIP), the Kier Group plc 2006 Sharesave scheme and the Kier Group Sharesave scheme 2016, which are equity settled instruments under IFRS2. The charge in the year is £36,000 (2020: £460,000).

28 Related party transactions

Tilia Homes Limited operates through several joint ventures with which it holds trading balances. Further details can be found in note 17.

Guy Hands, the ultimate controlling party of the Company, is a director and sole shareholder of Terra Firma Investments Limited. During the year ended 30 June 2021, the Company accrued advisory fees of £136,000 in respect of Terra Firma Investments Limited. This amount was outstanding at 30 June 2021.

The Company's immediate parent is Tilia Bidco Limited. During the year ended 30 June 2021, the Company accrued loan interest of £676,000 in respect of the loan payable to Tilia Bidco Limited. Both the principal loan amount of £90,698,000 and the interest were outstanding at 30 June 2021. The term of the loan is 5 years from 28 May 2021 and the interest rate is 8%.

29 Parent of group in whose consolidated financial statements the Company is consolidated

The Company is subsidiary undertaking of Tilia Bidco Limited, a company registered in Guernsey.

The largest company in which the results of the Company are consolidated is Tilia Group Holdings Limited, a company registered in Guernsey. The Tilia Group Holdings Limited financial statements are available via the website www.tiliahomes.co.uk.

The directors consider the ultimate controlling party to be Guy Hands.

30 Prior year restatement

The prior year comparatives have been restated to reflect work in progress that built up in prior periods and had not been recorded as an expense within joint venture Tilia Cross Keys Dev LLP. This resulted in a decrease of £5,711,000 in the investment in joint ventures balance (Statement of Financial Position) in the FY20 comparative figures. There is also a decrease in share of joint ventures profit (Income Statement and Statement of Comprehensive Income) of £2,268,000 in FY20, with £3,443,000 impacting accumulated losses at 1 July 2019. The Statement of Changes in Equity has also been restated to reflect these changes. The below tables illustrate the impact of this adjustment on the financial statements.

30 Prior year restatement (continued)

	2020 £ 000	Prior year restatement £ 000	2020 (restated) £ 000
Statement of Financial Position			
Investment in joint ventures	106,526	(5,711)	100,815
Accumulated losses	(88,906)	(5,711)	(94,617)
Income Statement and Statement of Comprehensive Income			
Share of joint ventures profit	7,530	(2,268)	5,262

	1 July 2019 £ 000	Prior year restatement £ 000	1 July 2019 (restated) £ 000
Statement of Financial Position			
Investment in joint ventures	118,359	(3,443)	114,916
Accumulated losses	(963)	(3,443)	(4,406)

Intangible assets in relation to the Marble CRM system have been transferred from 'Property, plant and equipment' to 'Intangible assets'. The below tables illustrate the impact of this adjustment on the financial statements.

	2020 £ 000	Prior year restatement £ 000	2020 (restated) £ 000
Statement of Financial Position			
Intangible assets	-	3,825	3,825
Property, plant and equipment	3,864	(3,825)	39

	1 July 2019 £ 000	Prior year restatement £ 000	1 July 2019 (restated) £ 000
Statement of Financial Position			
Intangible assets	-	4,494	4,494
Property, plant and equipment	4,594	(4,494)	100

30 Prior year restatement (continued)

Development land payables within 'trade and other payables' have been reclassified from current liabilities to non-current liabilities.

	2020 £ 000	Prior year restatement £ 000	2020 (restated) £ 000
Statement of Financial Position			
Trade and other payables current	(84,578)	5,652	(78,926)
Trade and other payables non-current	-	(5,652)	(5,652)

	1 July 2019 £ 000	Prior year restatement £ 000	1 July 2019 (restated) £ 000
Statement of Financial Position			
Trade and other payables current	(169,504)	6,019	(163,485)
Trade and other payables non-current	-	(6,019)	(6,019)

31 Post balance sheet event

On 6 October 2021 and 3 March 2022, the Company received further loan funding of £7,300,000 and £5,300,858 respectively from its immediate parent Tilia Bidco Limited. These are non-adjusting events and consequently there have been no changes made to the FY21 financial statements.