

Mustard Seed Property Limited

**Annual Report and Unaudited Financial Statements
Year Ended 30 September 2021**

Registration number: IP30293R

Mustard Seed Property Limited

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Mustard Seed Property Limited

Company Information

Directors M Lowe
D J Brewer
E James
S Clague
S Ackford
A Langer

Company secretary N Smith

Registered office c/o Resonance Limited
The Great Barn
Scarne Court
Launceston
Cornwall
PL15 9LR

Accountants Francis Clark LLP
Lowin House
Tregolls Road
Truro
Cornwall
TR1 2NA

Mustard Seed Property Limited

Directors' Report for the Year Ended 30 September 2021

The directors present their report and the financial statements for the year ended 30 September 2021. The society is registered under the Co-operative and Community Benefit Societies Act 2014.

Directors of the company

The directors who held office during the year were as follows:

M Lowe

P Ashton (ceased 18 February 2021)

D J Brewer

E James

S Clague (appointed 18 February 2021)

S Ackford (appointed 18 February 2021)

A Langer (appointed 18 February 2021)

Business Review

Mustard Seed Property Limited (MSP) remains in a strong position and making good progress. However, as we all know, the knock-on effects of the pandemic have begun to filter through as the economy splutters into life. For MSP we have seen pressures relating to:

- Demand for housing - Cornwall has become one of the hottest property markets in the country with all types of property being snapped up extremely quickly as people have sought to escape to the country in search of space now that 'Work from Home' is the new normal, to accelerate their retirement plans, or to speculatively invest in 'staycation' properties. The three trends together have resulted in some extreme conditions with instances of properties being sold within 24 hours of being marketed. MSP has been both fortunate and careful. We secured our second property ahead of the pandemic - completing the purchase in the first few weeks of lock down 1. And then with the additional funds we raised we were able to be a cash buyer for our third property which will exchange now within weeks. We have in both cases negotiated figures below asking value despite many properties now going for above the asking price.
- Cost of building materials - there has been much coverage of materials shortages and price hikes in recent months and there is no way we can avoid these; however we have managed to secure contractors we trust who are working extremely hard to keep costs down without compromising quality. Working creatively with the design team we managed to unlock some additional space in our property in Redruth which has enabled us to secure 2 additional studio flats into the existing building. This drives up the income from rents significantly and supports the additional cost being quoted.
- Availability of skilled labour - due to the exceptionally active housing market, labour and related services, e.g., planning officers, design support, are in high demand causing delays in the completion of works and readiness of properties for occupation. We have had some contractors and suppliers' approach this opportunistically and quote astronomical prices, but we have a high degree of confidence in the teams we have around us who have commitment to our deeper purpose which has led us to firms that want to work with us because of our ethos as well as our cash.

However, the reality as we end the year is that we do not yet have any of the new income we had expected to be in place, and we believe it is more important to protect investors capital than pay out a share interest coupon without the income to support it. The income we have received from our first property has just about covered our additional operational costs but there is no surplus and whilst it is possible to pay share interest even if MSP makes a loss this effectively erodes our Balance Sheet and ultimately shareholder's own funds.

Mustard Seed Property Limited

Directors' Report for the Year Ended 30 September 2021

There are still some moving parts, but the most significant uncertainties are now behind us, and as a board, we are feeling confident about the future. We have properties purchased and firm fixed priced refurbishment contracts that we are clear we can afford. Latest estimates are now that our Newquay property will be generating over £3,000 of monthly income for MSP by April 2022 and our Redruth property will add over £4,000 on top of this by the start of the new financial year in October 2022.

We have enough capital (with sufficient contingency and reserves) to complete these projects but until they are complete, we are aware that raising new funds will be challenging. The board are therefore suspending all shareholder withdrawals for 1 year. This has been a difficult decision since we value the liquidity we offer our investors and recognise the reality that personal situations change from time to time. Historically we have been able to honour every shareholder withdrawal within the six month notice period and we are proud of our track record on this. However, running out of money at this stage would put everyone's investment avoidably at risk.

MSP is in good health and our ambition is undiminished - we are seeing opportunity and need right across the county. For now, we need to act carefully as we navigate the final stages of getting our two new properties operational.

Small Companies Provision Statement

This report has been prepared in accordance with the special provisions relating to companies subject to the small companies regime within Part 15 of the Companies Act 2006.

Approved by the Board on and signed on its behalf by:

.....
M Lowe
Director

Mustard Seed Property Limited

Profit and Loss Account

Year Ended 30 September 2021

	2021 £	2020 £
Turnover	29,156	45,206
Cost of sales	<u>(1,306)</u>	<u>(1,303)</u>
Gross profit	27,850	43,903
Administrative expenses	<u>(29,297)</u>	<u>(32,978)</u>
Operating (loss)/profit	<u>(1,447)</u>	<u>10,925</u>
Other interest receivable and similar income	317	894
Interest payable and similar expenses	<u>(2,714)</u>	<u>(24,542)</u>
	<u>(2,397)</u>	<u>(23,648)</u>
Loss before tax	<u>(3,844)</u>	<u>(12,723)</u>
Loss for the financial year	<u><u>(3,844)</u></u>	<u><u>(12,723)</u></u>

The notes on pages 9 to 14 form an integral part of these financial statements.

Mustard Seed Property Limited

Statement of Comprehensive Income

Year Ended 30 September 2021

	2021 £	2020 £
Loss for the year	<u>(3,844)</u>	<u>(12,723)</u>
Total comprehensive income for the year	<u><u>(3,844)</u></u>	<u><u>(12,723)</u></u>

Mustard Seed Property Limited

Balance Sheet

30 September 2021

	Note	2021 £	2020 £
Fixed assets			
Tangible assets	2	645,756	555,724
Current assets			
Debtors	3	8,235	2,307
Cash at bank and in hand		<u>624,355</u>	<u>137,557</u>
		632,590	139,864
Creditors: Amounts falling due within one year	4	<u>(18,163)</u>	<u>(34,393)</u>
Net current assets		<u>614,427</u>	<u>105,471</u>
Total assets less current liabilities		1,260,183	661,195
Creditors: Amounts falling due after more than one year	4	<u>(91,421)</u>	<u>(98,725)</u>
Net assets		<u><u>1,168,762</u></u>	<u><u>562,470</u></u>
Capital and reserves			
Called up share capital		1,198,111	587,975
Profit and loss account		<u>(29,349)</u>	<u>(25,505)</u>
Shareholders' funds		<u><u>1,168,762</u></u>	<u><u>562,470</u></u>

The notes on pages 9 to 14 form an integral part of these financial statements.

Mustard Seed Property Limited

Balance Sheet

30 September 2021

For the financial year ending 30 September 2021 the company was entitled to exemption from audit under section 477 of the Companies Act 2006 relating to small companies.

Directors' responsibilities:

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

These financial statements have been prepared and delivered in accordance with the special provisions relating to companies subject to the small companies regime within Part 15 of the Companies Act 2006.

Approved and authorised by the Board on and signed on its behalf by:

.....
M Lowe
Director

Mustard Seed Property Limited

Statement of Changes in Equity

Year Ended 30 September 2021

	Share capital £	Profit and loss account £	Total £
At 1 October 2020	587,975	(25,505)	562,470
Loss for the year	-	(3,844)	(3,844)
Total comprehensive income	-	(3,844)	(3,844)
New share capital subscribed	610,136	-	610,136
At 30 September 2021	<u>1,198,111</u>	<u>(29,349)</u>	<u>1,168,762</u>
	Share capital £	Profit and loss account £	Total £
At 1 October 2019	487,901	(12,782)	475,119
Loss for the year	-	(12,723)	(12,723)
Total comprehensive income	-	(12,723)	(12,723)
New share capital subscribed	106,140	-	106,140
Purchase of own share capital	(6,066)	-	(6,066)
At 30 September 2020	<u>587,975</u>	<u>(25,505)</u>	<u>562,470</u>

The notes on pages 9 to 14 form an integral part of these financial statements.

Mustard Seed Property Limited

Notes to the Unaudited Financial Statements

Year Ended 30 September 2021

1 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.

Statement of compliance

These financial statements have been prepared in accordance with Financial Reporting Standard 102 Section 1A - 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and the Companies Act 2006.

Basis of preparation

These financial statements have been prepared using the historical cost convention except that as disclosed in the accounting policies certain items are shown at fair value.

Revenue recognition

Turnover comprises the fair value of the consideration received or receivable for rent and insurance costs in the ordinary course of the company's activities. Turnover is shown net of value added tax, returns, rebates and discounts and after eliminating sales within the company.

The company recognises revenue when:

- * the amount of revenue can be reliably measured;
- * it is probable that future economic benefits will flow to the entity;
- * and specific criteria have been met for each of the company's activities.

Tangible assets

Tangible assets are stated in the balance sheet at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of tangible assets includes directly attributable incremental costs incurred in their acquisition and installation.

Depreciation

Depreciation is charged so as to write off the cost of assets, other than land and properties under construction over their estimated useful lives, as follows:

Asset class	Depreciation method and rate
Plant and machinery	10% on cost

Investment property

Investment properties are carried at fair value, with revaluation gains and losses being processed through the profit and loss account. No depreciation is provided on investment properties.

Mustard Seed Property Limited

Notes to the Unaudited Financial Statements

Year Ended 30 September 2021

Financial instruments

Classification

The company holds the following financial instruments:

- Short term trade and other debtors and creditors;
- Bank loans; and
- Cash and bank balances.

All financial instruments are classified as basic.

Recognition and measurement

The company has chosen to apply the recognition and measurement principles in FRS102.

Financial instruments are recognised when the company becomes party to the contractual provisions of the instrument and derecognised when in the case of assets, the contractual rights to cash flows from the assets expire or substantially all the risks and rewards of ownership are transferred to another party, or in the case of liabilities, when the company's obligations are discharged, expire or are cancelled.

Except for bank loans, such instruments are initially measured at transaction price, including transaction costs, and are subsequently carried at the undiscounted amount of the cash or other consideration expected to be paid or received, after taking account of impairment adjustments.

Bank loans are initially measured at transaction price, including transaction costs, and are subsequently carried at amortised cost using the effective interest method.

Mustard Seed Property Limited

Notes to the Unaudited Financial Statements

Year Ended 30 September 2021

2 Tangible assets

	Investment properties £	Other property, plant and equipment £	Total £
Cost or valuation			
At 1 October 2020	553,930	7,963	561,893
Additions	90,828	-	90,828
At 30 September 2021	<u>644,758</u>	<u>7,963</u>	<u>652,721</u>
Depreciation			
At 1 October 2020	-	6,169	6,169
Charge for the year	-	796	796
At 30 September 2021	<u>-</u>	<u>6,965</u>	<u>6,965</u>
Carrying amount			
At 30 September 2021	<u>644,758</u>	<u>998</u>	<u>645,756</u>
At 30 September 2020	<u>553,930</u>	<u>1,794</u>	<u>555,724</u>

In the Directors' opinion the current market value of the investment property was assessed at £644,758 (2020: £553,930), taking into account tenancies and property maintenance / improvements.

3 Debtors

	2021 £	2020 £
Trade debtors	3,603	593
Prepayments	4,281	1,422
Other debtors	351	292
	<u>8,235</u>	<u>2,307</u>

Mustard Seed Property Limited

Notes to the Unaudited Financial Statements

Year Ended 30 September 2021

4 Creditors

Creditors: amounts falling due within one year

	Note	2021 £	2020 £
Due within one year			
Loans and borrowings	5	7,297	7,032
Trade creditors		2,362	3,935
Accruals and deferred income		8,504	23,426
		<u>18,163</u>	<u>34,393</u>

Creditors: amounts falling due after more than one year

	Note	2021 £	2020 £
Due after one year			
Loans and borrowings	5	<u>91,421</u>	<u>98,725</u>

		2021 £	2020 £
Due after more than five years			
After more than five years by instalments		<u>59,457</u>	<u>67,942</u>

5 Loans and borrowings

		2021 £	2020 £
Loans and borrowings due after one year			
Bank borrowings		<u>91,421</u>	<u>98,725</u>

		2021 £	2020 £
Current loans and borrowings			
Bank borrowings		<u>7,297</u>	<u>7,032</u>

Bank borrowings

A charge has been placed over the property at 19 Godolphin Road, Helston, Cornwall.

Mustard Seed Property Limited

Notes to the Unaudited Financial Statements

Year Ended 30 September 2021

6 Related party transactions

Summary of transactions with other related parties

The board has made the decision not to accrue any shareholder interest for the year ended 30 September 2021, due to delayed projects' progress and to protect the business' current position.

E James
(Director)

Through her shareholding E James was entitled to receive interest of £nil (2020: £219). The interest due from the prior year has been reinvested in share capital. At the balance sheet date the amount due to E James was £nil (2020: £219).

M Lowe
(Director)

Through his shareholding M Lowe was entitled to receive interest of £nil (2020: £181). The interest due from the prior year has been reinvested in share capital. At the balance sheet date the amount due to M Lowe was £nil (2020: £181).

P Ashton
(Director)

Through his shareholding P Ashton was entitled to receive interest of £nil (2020: £18). The interest due from the prior year has been reinvested in share capital. At the balance sheet date the amount due to P Ashton was £nil (2020: £18).

S Ackford
(Director)

S Ackford is a Trustee of Mumme-Ackford Charitable Trust. Through the shareholding Mumme-Ackford Charitable Trust was entitled to receive interest of £nil. At the balance sheet date the amount due to Mumme-Ackford Charitable Trust was £nil.

Resonance Limited

(D Brewer, director of Mustard Seed Property Limited is a director / shareholder of Resonance Limited)

Through the shareholding Resonance Limited was entitled to receive interest of £nil (2020: £142). At the balance sheet date the amount due to Resonance Limited was £nil (2020: £142).

Mustard Seed Property Limited

Notes to the Unaudited Financial Statements

Year Ended 30 September 2021

7 Share capital

Allotted, called up and fully paid shares

	No.	2021 £	No.	2020 £
Withdrawable interest bearing shares of £1 each	<u>1,198,111</u>	<u>1,198,111</u>	<u>587,975</u>	<u>587,975</u>

New Shares allotted

During the year, 610,136 withdrawable interest bearing shares were allotted and none were withdrawn, resulting in the allotment of a net aggregate nominal value of £610,136 for an aggregate consideration of £610,136.

Mustard Seed Property Limited

Detailed Profit and Loss

Year Ended 30 September 2021

	2021	2020
	£	£
Turnover		
Feed in tariff	812	744
Rent receivable	28,344	29,502
Grants and subsidies	-	14,960
	<u>29,156</u>	<u>45,206</u>
Cost of sales		
Property management	<u>(1,306)</u>	<u>(1,303)</u>
Gross profit	27,850	43,903
Gross profit (%)	95.52%	97.12%
Administrative expenses		
Administrative expenses	<u>(29,297)</u>	<u>(32,978)</u>
Operating (loss)/profit	<u>(1,447)</u>	<u>10,925</u>
Other interest receivable and similar income		
Interest income on bank deposits	317	894
Interest payable and similar charges		
Interest on bank overdrafts and borrowings	(3,589)	(3,961)
Shareholder interest	<u>875</u>	<u>(20,581)</u>
	<u>(2,714)</u>	<u>(24,542)</u>
Loss before tax	<u><u>(3,844)</u></u>	<u><u>(12,723)</u></u>

Mustard Seed Property Limited

Detailed Profit and Loss

Year Ended 30 September 2021

	2021 £	2020 £
Administration costs		
Light, heat and power	1,067	357
Insurance	1,714	3,004
Trade subscriptions	100	-
Sundry expenses	151	271
Council Tax	3,357	2,245
Accountancy	1,910	2,270
Legal and professional	20,179	24,021
Bank charges	23	14
Depreciation of other property, plant and equipment	796	796
	<u>29,297</u>	<u>32,978</u>

Chartered Accountants' Report to the Board of Directors on the Preparation of the Unaudited Statutory Accounts of Mustard Seed Property Limited

Year Ended 30 September 2021

In order to assist you to fulfil your duties under the Co-operative and Community Benefit Societies Act 2014, we have prepared for your approval the accounts of Mustard Seed Property Limited for the year ended 30 September 2021 as set out on pages 4 to 14 from the company's accounting records and from information and explanations you have given us.

As a practising member firm of the Institute of Chartered Accountants in England and Wales (ICAEW), we are subject to its ethical and other professional requirements which are detailed at <http://www.icaew.com/en/membership/regulations-standards-and-guidance/>.

This report is made solely to the Board of Directors of Mustard Seed Property Limited, as a body, in accordance with the terms of our engagement letter. Our work has been undertaken solely to prepare for your approval the accounts of Mustard Seed Property Limited and state those matters that we have agreed to state to the Board of Directors of Mustard Seed Property Limited, as a body, in this report in accordance with ICAEW Technical Release 07/16 AAF. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Mustard Seed Property Limited and its Board of Directors as a body for our work or for this report.

It is your duty to ensure that Mustard Seed Property Limited has kept adequate accounting records and to prepare statutory accounts that give a true and fair view of the assets, liabilities, financial position and loss of Mustard Seed Property Limited. You consider that Mustard Seed Property Limited is exempt from the statutory audit requirement for the year.

We have not been instructed to carry out an audit or a review of the accounts of Mustard Seed Property Limited. For this reason, we have not verified the accuracy or completeness of the accounting records or information and explanations you have given to us and we do not, therefore, express any opinion on the statutory accounts.

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Francis Clark LLP
Lowin House
Tregolls Road
Truro
Cornwall
TR1 2NA

Date:.....