

**Brookhouse Properties Limited**  
and subsidiary undertakings

Annual report and financial statements  
for the year ended 24 September 2018

Registered number: 03253375



## Company Information

For the year ended 24 September 2018

### **Directors**

H. Cunningham

R. Dent - resigned 23 September 2018

A. Gardner

E. Hindle

A. Murdoch

### **Secretary**

P. Chape

### **Registered Office**

Prospect House

168-170 Washway Road

Sale

Cheshire

M33 6RH

### **Registered Number**

03253375 (England and Wales)

### **Auditor**

Deloitte LLP

Statutory Auditor

Manchester

United Kingdom

# Strategic Report

For the year ended 24 September 2018

The directors present their strategic report for the year ended 24 September 2018.

## ***Business review***

In the year to 24 September 2018 the group recorded a net profit of £10.3 million (2017: £40.5 million). Property and investment income for the year to 24 September 2018 increased to £27.6 million (2017: £27.4 million), the revaluation of investment properties for the year to 24 September 2018 resulted in a deficit of £10.8 million (2017: £16.4 million surplus) resulting in profit before tax for the year of £12.1 million (2017: £45.1 million).

At the balance sheet date the group had an investment and development property portfolio valued at £435.6 million which has decreased by £17.3 million during the year. The net assets of the group at 24 September 2018 are £323.1 million (2017: £312.8 million).

During the year the group disposed of a small number of its investment properties. The proceeds from the disposal of these properties amounted to £11.3 million and the profit recognised on the sale totalled £1.8 million.

The directors are satisfied with the results of the group for the year which are in line with their expectations and expect the general level of activity to continue to increase in the future.

## ***Key performance indicators***

The key performance indicators that the group measures and seeks to control are rental income, interest payable and asset values, details of which can be found in the profit and loss account and balance sheet of these financial statements. Rental income and interest payable are measured in absolute terms against budget figures and also in relative terms based on an interest cover ratio which is 628% for the year (2017: 620%). Asset values are measured and considered regularly and form the basis of asset management decisions and initiatives. Where appropriate the directors seek professional advice in respect of asset values.

## ***Principal activities***

The principal activities of the group continue to be property development and property investment. The directors do not anticipate this to change in the foreseeable future.

## ***Principal risks and uncertainties***

The ongoing risks associated with the group's activities continue to be the valuation risk associated with the ownership of investment properties and the strength and quality of tenant demand for the properties being developed and held as investments. The group continues to manage these risks through active asset and tenant management initiatives.

All activities are conducted in sterling.

## Strategic Report (continued)

For the year ended 24 September 2017

### ***Financial risk management objectives and policies***

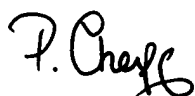
The group's activities expose it to financial risks, primarily relating to changes in interest rates.

The group has external borrowings totalling £134.0 million (2017: £141.3 million) of which £16.4 million (2017: £7.4 million) are described in note 15 to these financial statements as being payable within one year of the Balance Sheet date. Exposure to changes in interest rates charged on these borrowings are hedged through the use of interest rate swap arrangements; consequently the financial impact of an interest rate rise are largely minimised within the group. Details of the current hedging products in place are shown in note 18 to these financial statements. Parts of the group's borrowings are secured by assets owned by subsidiary undertakings.

### ***Future developments***

The directors aim to continue to increase the group's asset value and property and investment income by further developments and lettings.

Approved by the Board and signed on its behalf by:



18.12.2018

P. Chape  
Secretary

## **Directors' report**

For the year ended 24 September 2018

The directors present their annual report on the affairs of the group for the year ended 24 September 2018, together with the audited financial statements, directors' responsibilities statement, strategic report and auditor's report.

Under section 414C (11) of the Companies Act 2006 the directors have opted to disclose information regarding principal activities, future developments and principal risks and uncertainties of the company in the Strategic Report.

### **Dividends**

The company has paid an ordinary dividend during the year totalling £nil (2017: £nil).

### **Going concern**

After considering the income flows available to the group together with the underlying covenant strength of its tenants (including the impact of the uncertainties in the general economy) and its commitments including, in particular, those in relation to the financing of the group for a period of at least 12 months from the date of signing these financial statements, the directors have a reasonable expectation that the company has adequate resources to continue to operate as a going concern for the foreseeable future.

Given the current economic circumstances and the guidance issued by the Financial Reporting Council, additional disclosures are presented in the Statement of accounting policies. These disclosures discuss the basis on which the directors have continued to adopt the going concern basis of accounting in preparing these financial statements.

### **Directors and their interests**

The directors who served during the year and thereafter are as shown below.

H. Cunningham (Non-executive)

R. Dent (Non-executive – Resigned 23 September 2018)

A. Gardner

E. Hindle

A. Murdoch (Non-executive)

### **Directors indemnities**

The company has made qualifying third-party indemnity provisions for the benefit of its directors which remain in force at the date of this report.

## Directors' report (continued)

For the year ended 24 September 2018


### Disclosure of information to auditor

In the case of each of the persons who are directors of the company at the date when this report was approved:

- so far as each of the directors is aware, there is no relevant audit information of which the company's auditor is unaware; and
- each of the directors has taken all the 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 auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006. The company has passed an elective resolution dispensing with the requirement to appoint an auditor annually; Deloitte LLP have expressed their willingness to continue in office as auditor of the company and are therefore deemed to be reappointed for a further term.

Approved by the Board and signed on its behalf by:



18.12.2018

P. Chape  
Secretary

## Directors' responsibilities statement

For the year ended 24 September 2018

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

# Independent auditor's report

For the year ended 24 September 2018

## Independent Auditor's Report to the members of Brookhouse Properties Limited

### Report on the audit of the financial statements

#### Opinion

In our opinion the financial statements of Brookhouse Properties Limited and its subsidiaries (the 'group'):

- give a true and fair view of the state of the group's and of the parent company's affairs as at 24 September 2018 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated profit and loss account;
- the consolidated statement of comprehensive income;
- the consolidated and parent company balance sheets;
- the consolidated and parent company statements of changes in equity;
- the consolidated cash flow statement;
- the statement of accounting policies; and
- the related notes 1 to 24.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

#### Basis for opinion

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

We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



## Independent auditor's report (continued)

For the year ended 24 September 2018

### Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

### Other information

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

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

We have nothing to report in respect of these matters.

### Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

## Independent auditor's report (continued)

For the year ended 24 September 2018

### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

### Report on other legal and regulatory requirements

#### Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report has been prepared in accordance with applicable legal requirements.

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

#### Matters on which we are required to report by exception

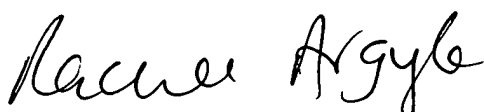
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

We have nothing to report in respect of these matters.

#### Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



**Rachel Argyle (Senior statutory auditor)**

For and on behalf of Deloitte LLP

Statutory Auditor

**Manchester, United Kingdom**

**18 December 2018**

## Consolidated profit and loss account

For the year ended 24 September 2018

	Notes	2018 £'000	2017 £'000
<b>Property and investment income</b>		27,650	27,389
Administrative expenses		(2,681)	(2,477)
Property expenses		(912)	(521)
(Deficit)/surplus on revaluation of investment properties		(10,777)	16,379
<b>Operating profit</b>		<u>13,280</u>	<u>40,770</u>
Share of profit of joint ventures	10	44	50
Profit on sale of tangible fixed assets and investment property	9	1,758	2,182
Interest receivable and similar income	2	1,375	6,865
Interest payable and similar charges	3	(4,403)	(4,772)
<b>Profit before taxation</b>	4	<u>12,054</u>	<u>45,095</u>
Tax on profit	6	(1,800)	(4,594)
<b>Profit for the financial year</b>		<u>10,254</u>	<u>40,501</u>
<b>Profit for the year attributable to:</b>			
Non - controlling interest		340	961
Equity shareholders of the company		9,914	39,540
		<u>10,254</u>	<u>40,501</u>

## Consolidated statement of comprehensive income

For year ended 24 September 2018

	2018 £'000	2017 £'000
<b>Profit for the financial year</b>	<u>10,254</u>	<u>40,501</u>
<b>Other comprehensive income</b>	<u>-</u>	<u>-</u>
<b>Total comprehensive income</b>	<u>10,254</u>	<u>40,501</u>
<b>Total comprehensive income for the year attributable to:</b>		
Non - controlling interest	340	961
Equity shareholders of the company	9,914	39,540
	<u>10,254</u>	<u>40,501</u>

# Consolidated balance sheet

As at 24 September 2018

	Notes	2018 £'000	2017 £'000
<b>Fixed assets</b>			
Intangible assets	8	4	4
Tangible assets	9	435,645	452,928
Joint ventures	10	592	548
Investments	11	-	-
		<u>436,241</u>	<u>453,480</u>
<b>Current assets</b>			
Land and development work in progress	12	935	1,797
Debtors	13	26,419	26,323
Cash at bank and in hand		20,561	4,703
		<u>47,915</u>	<u>32,823</u>
<b>Creditors: Amounts falling due within one year</b>	14	<u>(26,172)</u>	<u>(18,882)</u>
<b>Net current assets</b>		<u>21,743</u>	<u>13,941</u>
<b>Total assets less current liabilities</b>		<u>457,984</u>	<u>467,421</u>
<b>Creditors: Amounts falling due after more than one year</b>	15	<u>(119,040)</u>	<u>(136,306)</u>
<b>Provision for liabilities</b>	16	<u>(15,885)</u>	<u>(18,310)</u>
<b>Net assets</b>		<u>323,059</u>	<u>312,805</u>
<b>Capital and reserves</b>			
Called-up share capital	19	-	-
Reserves		<u>316,562</u>	<u>306,648</u>
<b>Shareholders' funds</b>		<u>316,562</u>	<u>306,648</u>
Non - controlling interest	21	<u>6,497</u>	<u>6,157</u>
<b>Total capital employed</b>		<u>323,059</u>	<u>312,805</u>

The financial statements of Brookhouse Properties Limited registered number 03253375 were approved and authorised for issue by the Board of Directors on 18 December 2018 and were signed on its behalf by:



A. Gardner  
Director

## Company balance sheet

As at 24 September 2018

	Notes	2018 £'000	2017 £'000
<b>Fixed assets</b>			
Investments	11	13,289	13,289
<b>Creditors: Amounts falling due within one year</b>	14	(5,557)	(5,557)
<b>Net current liabilities</b>		(5,557)	(5,557)
<b>Total assets less current liabilities</b>		7,732	7,732
<b>Net assets</b>		7,732	7,732
<b>Capital and reserves</b>			
Called-up share capital	19	-	-
Reserves		7,732	7,732
<b>Shareholders' funds</b>		7,732	7,732

No profit and loss account is presented for Brookhouse Properties Limited as permitted by section 408 of the Companies Act 2006. The company's profit for the financial year before dividends, determined in accordance with the Companies Act 2006, was £nil (2017: £nil). The company paid a dividend during the year totalling £nil (2017: £nil).

The financial statements of Brookhouse Properties Limited registered number 03253375 were approved and authorised for issue by the Board of Directors on 18 December 2018 and were signed on its behalf by:



A. Gardner  
Director

Consolidated statement of changes in equity.  
As at 24 September 2018

	Called up share capital £'000	Merger reserve £'000	Retained earnings £'000	Total £'000	Minority interests £'000	Total £'000
<b>At 25 September 2016</b>	-	19,934	247,174	267,108	5,196	272,304
Profit and total comprehensive income for the year	-	-	39,540	39,540	961	40,501
<b>At 24 September 2017</b>	-	19,934	286,714	306,648	6,157	312,805
Profit and total comprehensive income for the year	-	-	9,914	9,914	340	10,254
<b>At 24 September 2018</b>	-	19,934	296,628	316,562	6,497	323,059

Company statement of changes in equity.  
As at 24 September 2018

	Called up share capital £'000	Retained earnings £'000	Total £'000
<b>At 25 September 2016</b>	-	7,732	7,732
Profit and total comprehensive income for the year	-	-	-
<b>At 24 September 2017</b>	-	7,732	7,732
Profit and total comprehensive income for the year	-	-	-
<b>At 24 September 2018</b>	-	7,732	7,732

# Consolidated cash flow statement

For the year ended 24 September 2018

	Note	2018 £'000	2017 £'000
<b>Net cash inflow from operating activities</b>	20	19,062	14,179
<b>Cash flows from investing activities</b>			
Proceeds from sale of tangible fixed assets and investments		11,279	12,113
Interest received		196	6
Purchase of tangible fixed assets		(3,044)	(4,727)
<b>Net cash flows from investing activities</b>		<u>8,431</u>	<u>7,392</u>
<b>Cash flows from financing activities</b>			
Repayment of borrowings		(7,299)	(20,850)
Interest paid		(4,336)	(12,913)
New loans raised		-	8,500
<b>Net cash flows from financing activities</b>		<u>(11,635)</u>	<u>(25,263)</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<u>15,858</u>	<u>(3,692)</u>
<b>Cash and cash equivalents at beginning of year</b>		<u>4,703</u>	<u>8,395</u>
<b>Cash and cash equivalents at end of year</b>		<u>20,561</u>	<u>4,703</u>



## Statement of accounting policies

For the year ended 24 September 2018

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

### General information and basis of accounting

Brookhouse Properties Limited (the company) is a private company limited by shares incorporated in the United Kingdom under the Companies Act 2006 and is registered in England and Wales. The address of the registered office is given on page 1. The nature of the group's operations and its principal activities are set out in the strategic report on pages 2 and 3.

The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value, and in accordance with Financial Reporting Standard 102 (FRS102) issued by the Financial Reporting Council.

The functional currency of the group is considered to be pounds sterling because that is the currency of the primary economic environment in which the company operates.

Brookhouse Properties Limited meets the definition of a qualifying entity under FRS102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements, which are presented alongside the consolidated financial statements. Exemptions have been taken in relation to financial instruments, presentation of a cashflow statement and remuneration of key management personnel.

### Basis of consolidation

The group financial statements consolidate the financial statements of Brookhouse Properties Limited and its subsidiary undertakings drawn up to 24 September each year. The results of subsidiaries acquired or sold are consolidated for the periods from or to the date on which control passed.

No profit and loss account is presented for Brookhouse Properties Limited as permitted by section 408 of the Companies Act 2006. The company's profit for the financial year before dividends, determined in accordance with the Companies Act 2006, was £nil (2017: £nil). The company paid a dividend during the year totalling £nil (2017: £nil).

### Going concern

The financial statements have been prepared on a going concern basis. The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Business Review. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Strategic Report. The Group has granted a number of leasehold interests in its assets that span the year-end and periods thereafter that are subject to upwards only rent reviews on a periodic basis. After considering the income flows available to the Group together with the underlying strength of those income flows, the Directors have the reasonable expectation that the Group has adequate resources to continue to operate as a going concern for the foreseeable future. This position is constantly monitored by the Directors and accordingly the financial statements have been prepared on a going concern basis.

## Statement of accounting policies (continued)

For the year ended 24 September 2018

### Joint ventures

In the group financial statements, investments in joint ventures are accounted for using the equity method. The consolidated profit and loss account includes the group's share of joint ventures' profits less losses while the group's share of the net assets of the joint ventures is shown in the consolidated balance sheet.

### Intangible assets - goodwill

Goodwill arising on the acquisition of subsidiary undertakings and businesses, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and written off on a straight-line basis over its useful economic life, which is between 3 and 20 years. Provision is made for any impairment.

### Intangible fixed assets - other

Intangible fixed assets are shown at a valuation made by the directors. Income is included in the financial statements for the year in which it is receivable.

### Tangible fixed assets

Tangible fixed assets are stated at cost or valuation, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets, other than investment properties and freehold land, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight-line or reducing balance basis over its expected useful life, as follows:

Office equipment	20% per annum
Plant and motor vehicles	20% per annum

Residual value is calculated on prices prevailing at the date of acquisition or revaluation.

Other tangible fixed assets include equity mortgages that are shown at a valuation made by the directors. Income is included in the financial statements for the year in which it is receivable.

### Investments

Fixed asset investments are shown at cost less provision for impairment. For investments in subsidiaries acquired for consideration including the issue of shares qualifying for merger relief, cost is measured by reference to the nominal value only of the shares issued. Any premium is ignored. Provision is made for any impairment.

### Investment properties and development sites

Investment properties for which fair value can be measured reliably without undue cost or effort on an ongoing basis are measured at fair value annually with any change recognised in the profit and loss account.

Development sites relate to land and properties under development which the directors intend to complete as investment properties. Additions to development sites comprise construction costs including attributable interest incurred, whilst the sites are under development, in bringing a project to its present state of completion.

Reclassifications between investment properties, other fixed assets and stocks are made at the lower of net book value and net realisable value.

## Statement of accounting policies (continued)

For the year ended 24 September 2018

### Financial instruments

Financial assets and financial liabilities are recognised when the group becomes a party to contractual provisions of the instrument.

#### (i) Financial assets and liabilities

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except those financial assets classified at fair value through profit or loss, which are initially measured at fair value (which is normally transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the balance sheet when, and only when there exists a legally enforceable right to set off the recognised amounts and the group intends to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Debt instruments are measured at amortised cost using the effective interest method.

Debt instruments that are classified as payable or receivable within one year on initial recognition are measured at the undiscounted amounts of the cash or other consideration expected to be paid or received, net of impairment.

Financial assets are derecognised when and only when (a) the contractual rights to the cashflows from the financial asset expire or are settled, (b) the group transferred to another party substantially all of the risks and rewards of ownership of the financial asset, or (c) the group, despite having retained some control, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

#### (ii) Derivative financial instruments

The group uses derivative financial instruments to reduce exposure to interest rate movements. The group does not hold or issue derivative financial instruments for speculative purposes.

Derivatives are initially recognised at fair value at the date the derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in the profit and loss immediately.

#### (iii) Fair value measurement

The best evidence of a fair value is a quoted price for an identical asset in an active market. When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If the market is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, the fair value is estimated using a valuation technique.

### Land and development work in progress

Land and development work in progress held for resale are stated at the lower of cost and net realisable value. Cost includes a proportion of direct operating expenses where appropriate but excludes interest incurred in relation to the financing of each individual project. Net realisable value is based on estimated normal selling price, less further costs expected to be incurred in completion and disposal.

## Statement of accounting policies (continued)

For the year ended 24 September 2018

### Profit on sale of tangible fixed assets

Sales of tangible fixed assets are accounted for in the period in which contracts are completed. The profit on sale of tangible fixed assets represents sales proceeds less disposal costs and the carrying value of the asset at the time of disposal.

### Taxation

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

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the group's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of the timing difference. Deferred tax relating to property, plant and equipment measured using the revaluation model and investment property is measured using the tax rates and allowances that apply to the sale of the asset.

Where items recognised in other comprehensive income or equity are chargeable to or deductible for tax purposes, the resulting current or deferred tax expense or income is presented in the same component of comprehensive income or equity as the transaction or other event that resulted in tax expenses or income.

### Property and investment income

Property and investment income comprises the returns received from the following activities excluding VAT and intra-group transactions:

- rental income from properties; and
- income from sale of trading properties.

Rental income from properties is recognised in the period to which it relates in accordance with the lease terms. Rent invoiced in advance is recognised in the profit and loss account in the following accounting period and treated as deferred income at the year end.

All revenue is generated in the UK except for the income from equine activities which is generated in Europe (2018: £nil, 2017: £20,000).

Rent increases arising from rent reviews are taken into account when such reviews have been settled with tenants. Lease incentives are amortised on a straight-line basis over the period from the date of lease commencement to the end of the lease term. On new leases with rent free periods, rental income is allocated on a systematic basis over the period from the date of lease commencement to the lease end date.

## Statement of accounting policies (continued)

For the year ended 24 September 2018

### Property and investment income (continued)

Income from the sale of trading properties is recognised in the period in which contracts are completed.

Service charge residual costs (arising from voids or inclusive rental arrangements) which are not recovered from tenants are included within other operating expenses.

### Pension costs

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

### Operating leases

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis.

### Finance costs

Finance costs of financial liabilities are recognised in the profit and loss account over the term of such instruments at a constant rate of the carrying amount.

Finance costs which are directly attributable to the construction of tangible fixed assets are capitalised as part of the cost of those assets. The commencement of capitalisation begins when both finance costs and expenditures for the assets are being incurred and activities that are necessary to get the asset ready for use are in progress. Capitalisation ceases when substantially all the activities that are necessary to get the asset ready for use are complete.

### Bank borrowings

Interest-bearing loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in the profit and loss account using the effective interest method and are added to the carrying value of the instrument to the extent that they are not settled in the period in which they arise.

## Notes to financial statements

For the year ended 24 September 2018

### 1 Critical accounting adjustments and key sources of estimation uncertainty

In the application of the group's accounting policies which are described in the Statement of Accounting Policies, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following is the critical judgement and key source of estimation uncertainty that the directors have encountered in the process of applying the group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

#### *Valuation of investment properties*

A key source of estimation uncertainty relates to the valuation of investment properties, where a valuation is determined annually as at 24 September by the Group's directors. The evidence to support these valuations is based primarily on recent, comparable market transactions on an arm's length basis. However, the assumptions applied are inherently subjective and so are subject to a degree of uncertainty. Property valuations are one of the principal uncertainties of the group.

The value of investment property assessed at year end was £435,471,000 (2017: £452,752,000) and are shown in note 9 of these financial statements.

### 2 Interest receivable and similar income

	2018 £'000	2017 £'000
Fair value gains on interest rate derivatives	1,179	6,859
Related party interest receivable	144	-
Other interest receivable and similar income	52	6
	<u>1,375</u>	<u>6,865</u>

### 3 Interest payable and similar charges

	2018 £'000	2017 £'000
Bank loans and overdrafts	4,102	4,416
Amortisation of finance costs	301	356
	<u>4,403</u>	<u>4,772</u>

## Notes to financial statements (continued)

For the year ended 24 September 2018

### 4 Profit before taxation

Profit before taxation is stated after charging/(crediting):

	2018 £'000	2017 £'000
Operating lease rentals – motor vehicles	33	40
Operating lease rentals – property	75	75
Deficit/(surplus) deficit on revaluation of investment properties	10,777	(16,379)
Cost of stock charged as an expense	875	730
Depreciation and amortisation	29	28
Auditor remuneration for audit services		
- Group	5	5
- Subsidiaries	71	69
Staff costs (see note 5)	<u>2,063</u>	<u>1,789</u>

Non-audit fees in relation to tax compliance work were paid to the auditor of £85,000 (2017: £125,000).

### 5 Staff costs

Employee costs (including directors) during the year amounted to:

	2018 £'000	2017 £'000
Wages and salaries	1,664	1,450
Social security costs	204	178
Other pension costs	195	161
	<u>2,063</u>	<u>1,789</u>

The group had an average monthly number of employees during the year of 21 (2017: 20). The company had no employees in either period.

The group maintains non-contributory defined contribution pension schemes for directors and employees. The schemes are managed on behalf of the company by external life assurance schemes.

#### *Directors' remuneration*

Directors' remuneration in respect of directors of the company was as follows:

	2018 £'000	2017 £'000
Emoluments	480	419
Fees paid to third party for services of director	22	24
Group contributions to money purchase pension schemes	86	73
	<u>588</u>	<u>516</u>

## Notes to financial statements (continued)

For the year ended 24 September 2018

### 5 Staff costs (continued)

#### *Pensions*

The number of directors who were members of pension schemes was as follows:

	2018 Number	2017 Number
Money purchase schemes	<u>3</u>	<u>3</u>

#### *Highest paid director*

The above amounts for remuneration include the following in respect of the highest paid director:

	2018 £'000	2017 £'000
Emoluments	440	387
Group contributions to money purchase pension schemes	<u>10</u>	<u>7</u>
	<u>450</u>	<u>394</u>

The above amounts for remuneration include the following in respect of the highest paid director:



## Notes to financial statements (continued)

For the year ended 24 September 2018

### 6 Tax on profit

The tax charge comprises:

	2018 £'000	2017 £'000
<b>Current tax</b>		
UK corporation tax	3,168	3,140
Adjustments in respect of prior years	(665)	(360)
Total current tax	2,503	2,780
<b>Deferred tax</b>		
Adjustment in respect of prior years	623	(1,127)
Origination and reversal of timing differences	(1,326)	2,941
Total deferred tax (see note 16)	(703)	1,814
<b>Total tax on profit</b>	<b>1,800</b>	<b>4,594</b>

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

	2018 £'000	2017 £'000
<b>Profit before tax</b>	<b>12,054</b>	<b>45,095</b>
Tax on group profit at pro-rated standard UK corporation tax rate of 19% (2017: 19.5%)	2,290	8,794
Effects of:		
Amounts not deductible for tax purposes (net)	342	65
Capital allowances in excess of depreciation	-	(284)
Effect of indexation on deferred tax	(834)	-
Effect of different tax rates for current year tax (19%) and deferred tax (17%)	44	-
Adjustment in respect of capital items sold (including effect of previous revaluation surpluses and indexation)	-	(425)
Changes to tax losses carried forward	-	290
Alternative tax base cost for investment properties	-	(2,359)
Adjustment in respect of prior years	(42)	(1,487)
<b>Total tax charge for year</b>	<b>1,800</b>	<b>4,594</b>

The group earns its profits in the UK, therefore the tax rate used for tax on profit is the standard rate for UK corporation tax, currently 19% (2017: pro-rated 19.5%).

During the year beginning 25 September 2018, the net reversal of deferred tax assets and liabilities is expected to change the corporation tax charge for the year by £nil.

## Notes to financial statements (continued)

For the year ended 24 September 2018

### 6 Tax on profit (continued)

Finance Act 2016, which was substantively enacted on 6 September 2016, included provisions to reduce the rate of corporation tax to 17% from 1 April 2020. Accordingly, deferred tax balances have been revalued to the lower rate of 17% in these accounts. To the extent that the deferred tax reverses before 1 April 2020 then the impact on the net deferred tax asset will be reduced.

### 7 Dividends on equity shares

Amounts recognised as distributions to equity holders in the year:

	2018 £'000	2017 £'000
Final dividend for the year ended 24 September 2018 of £nil (2017: £nil) per ordinary share	-	-
	<u>-</u>	<u>-</u>

### 8 Intangible fixed assets

The movement on intangible fixed assets was:

	Goodwill £'000	Chief and ground rents £'000	Total £'000
<b>Group</b>			
<b>Cost or valuation</b>			
Beginning and end of year	<u>330</u>	<u>4</u>	<u>334</u>
<b>Amortisation</b>			
Beginning and end of year	<u>330</u>	<u>-</u>	<u>330</u>
<b>Net book value</b>			
End of year	<u>-</u>	<u>4</u>	<u>4</u>
Beginning of year	<u>-</u>	<u>4</u>	<u>4</u>

The intangible fixed assets other than goodwill (which is held at cost less amortisation) are held at a directors' valuation. The original cost of the revalued assets is the same as the revalued amount.

## Notes to financial statements (continued)

For the year ended 24 September 2018

### 9 Tangible fixed assets

Group	Freehold investment & development properties £'000	Long leasehold investment properties £'000	Equity mortgages £'000	Office equipment, Plant and motor Vehicles £'000	Total £'000
<b>Cost or valuation</b>					
Beginning of year	430,304	22,448	106	539	453,397
Additions	2,957	60	-	27	3,044
Transfer	371	(371)	-	-	-
Disposals	(9,521)	-	-	-	(9,521)
Revaluation	(10,849)	72	-	-	(10,777)
End of year	<u>413,262</u>	<u>22,209</u>	<u>106</u>	<u>566</u>	<u>436,143</u>
<b>Depreciation</b>					
Beginning of year	-	-	-	469	469
Charge	-	-	-	29	29
End of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>498</u>	<u>498</u>
<b>Net book value</b>					
End of year	<u>413,262</u>	<u>22,209</u>	<u>106</u>	<u>68</u>	<u>435,645</u>
Beginning of year	<u>430,304</u>	<u>22,448</u>	<u>106</u>	<u>70</u>	<u>452,928</u>

Accumulated interest capitalised included in the total cost or valuation amounts to £3,372,000 (2017: £3,372,000).

Proceeds (net of costs) from the disposal of tangible fixed assets during the year were £11,279,000 (2017: £12,113,000) realising a profit on sale of £1,758,000 (2017: £2,182,000). The tax charge at note 6 to these financial statements includes the effects of this disposal. Freehold land and buildings with a carrying amount of £322 million (2017: £335 million) have been pledged to secure borrowings of the group.

Investment properties were revalued at 24 September 2018 by the Group's directors at open market value. To complete this process the directors use external professional valuers and agents qualified by RICS to help them determine the relevant amounts. The primary source of evidence for the property valuations is recent, comparable market transactions on an arms-length basis. Equity mortgages are held at a directors' valuation. If tangible fixed assets had not been revalued, they would have been included at the following historical cost amounts:

	2018 £'000	2017 £'000
Freehold investment and development properties	297,165	300,106
Long leasehold investment properties	21,750	21,690
	<u>318,915</u>	<u>321,796</u>

## Notes to financial statements (continued)

For the year ended 24 September 2018

### 9 Tangible fixed assets (continued)

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

	2018 £'000	2017 £'000
Within one year	27,423	27,879
Between one and five years	105,076	104,805
After five years	198,315	204,398
	<u>330,814</u>	<u>337,082</u>

### 10 Joint ventures

Cost	Group £'000
Beginning of year	548
Share of retained profit for the year	44
End of year	<u>592</u>
<b>Net book value</b>	
End of year	<u>592</u>
Beginning of year	<u>548</u>

The company's joint venture relates to a 50% interest in Oldham Property LLP, an entity registered in England and Wales whose principal activity is investment and property letting. The registered address of Oldham Property LLP is Prospect House, 168-170 Washway Road, Sale, Cheshire, M33 6RH.

### 11 Fixed asset investments

	Group		Company	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Subsidiary undertakings	<u>-</u>	<u>-</u>	<u>13,289</u>	<u>13,289</u>

The company's subsidiary undertakings are all unlisted and are registered in England and Wales.

## Notes to financial statements (continued)

For the year ended 24 September 2018

### 11 Fixed asset investments (continued)

The subsidiaries are as follows:

	<u>Principal activity</u>
Brookhouse Retail Limited	Investment and property letting
Brookhouse Builders Limited	Property management services
Brookhouse Property Investments Limited	Investment and property development
Brookhouse Stud Limited	Equine activities
Brookhouse Northern Limited	Investment and property management
Oldham Property Partnerships Limited *	Property dealing and development
O.P.P. Investments Limited *	Investment and property letting
O.P.P. (Westhulme) Limited *	Investment and property letting
O.P.P. (Chadderton) Limited*	Investment and property letting
Brookhouse Estates Limited	Investment and property letting
Brookhouse (Prescot) Limited	Investment and property letting
Brookhouse (Preston) Limited	Investment and property letting
Brookhouse Leasing Limited	Investment and property letting
Brookhouse Residential Developments Limited	Investment and property letting
Brookhouse (Bradford) Limited	Investment and property letting
Brookhouse (Helsby) Limited	Investment and property letting
Brookhouse Swindon Limited	Investment and property letting
Brookhouse (Manchester) Limited	Investment and property letting
Brookhouse (Chichester) Limited	Investment and property letting
Brookhouse (Dumfries) Limited	Investment and property letting
Brookhouse Property Holdings Limited	Investment and property letting
Brookhouse (Lowestoft) Limited	Investment and property letting
Brookhouse (Ashford) Limited	Investment and property letting
Brookhouse (Christchurch) Limited	Investment and property letting
Brookhouse Services Limited	Property management service
Brookhouse (Hamilton) Limited	Investment and property letting
Brookhouse Group Limited	Investment and property letting
Doubletable Limited	Non trading company
Brookhouse Swindon (Leasing) Limited	Property investment and management
Brookhouse Homes (Number 1) Limited	Non trading company
Brookhouse (Lowestoft) Nominees V Limited	Investment holding company
Brookhouse (Lowestoft) Nominees VI Limited	Investment holding company
BHG Nominee Co (2) Limited	Group finance company
Brookhouse Helsby (Retail) Limited	Investment and property letting
Brookhouse (Ystalyfera) Limited	Investment and property management
Brookhouse (Alexandra) Limited	Investment and property letting
Brookhouse (Leigh) Limited	Investment and property letting
Brookhouse (Peterborough) Limited	Investment and property letting
Arthur Kershaw Funeral Services Limited	Funeral services

Brookhouse Properties Limited owns 100% of the ordinary share capital of all of the above subsidiaries except for Oldham Property Partnerships Limited, O.P.P. Investments Limited, O.P.P. (Westhulme) Limited and O.P.P. (Chadderton) Limited. Those entities are collaborative ventures where the group acts in partnership with Oldham Metropolitan Borough Council for the purpose of property dealing and development. The group has an interest of 81% in the ordinary shares of these entities.

The registered address of all of the subsidiaries is Prospect House, 168-170 Washway Road, Sale, Cheshire, M33 6RH.

## Notes to financial statements (continued)

For the year ended 24 September 2018

### 12 Land and development work in progress

	Group	
	2018	2017
	£'000	£'000
Land and development work in progress	935	1,797

The replacement cost of land and development work in progress is £935,000 (2017: £1,797,000).

### 13 Debtors

	Group	
	2018	2017
	£'000	£'000
Amounts falling due within one year:		
Trade debtors	234	206
Deferred tax asset	4,517	6,239
Other debtors	1,921	1,521
Amounts due from related parties (note 23)	5,939	3,946
VAT receivable	3	8
Prepayments	13,805	14,403
	26,419	26,323

### 14 Creditors: Amounts falling due within one year

	Group		Company	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Bank loans and overdrafts (note 15)	16,389	7,395	-	-
Loans from director (note 15)	275	481	-	-
Trade creditors	335	415	-	-
Amounts due to fellow group undertakings	-	-	5,557	5,557
Corporation tax	1,457	1,221	-	-
Tax and social security	50	44	-	-
Other creditors	1,317	2,374	-	-
VAT payable	930	1,613	-	-
Accruals and deferred income	5,419	5,339	-	-
	26,172	18,882	5,557	5,557

The company has the benefit of a Revolving Credit Facility ("RCF") of £20,750,000 of which £nil (2017: £6,000,000) has been drawn at the year end. Under the terms of the RCF funds drawn are repayable on a quarterly basis and can be re-drawn provided that the company is not in breach of its facility obligations.

The group's loan facilities shown above are repayable in full in January 2019 and carry interest at a fixed margin above LIBOR of 1.95%. The bank loan and overdraft facilities are secured by first legal charges on specific properties of the group. The bank loans and overdrafts are shown net of deferred bank fees of £6,000 (2017: £nil).

Loans from director are unsecured, repayable on demand and carry interest at the HMRC Beneficial Loan Interest Rate.

## Notes to financial statements (continued)

For the year ended 24 September 2018

### 15 Creditors: Amounts falling due after more than one year

	Group	
	2018 £'000	2017 £'000
Bank loans	117,320	133,407
Derivative financial instruments (note 18)	1,720	2,899
	<u>119,040</u>	<u>136,306</u>

Bank loans are analysed as follows:

	2018 £'000	2017 £'000
Bank loans	117,911	134,305
Deferred bank fees	(591)	(898)
	<u>117,320</u>	<u>133,407</u>

In the previous year debt issuing costs totalling £1,068,000 were capitalised against bank loans and are being amortised over the term of the Bank Loans. The amortisation charge for the current year totals £301,000 (2017: £356,000).

Borrowings are repayable as follows:

	2018 £'000	2017 £'000
<b>Bank loans and overdrafts</b>		
Between one and two years	1,395	1,395
Between two and five years	115,925	132,012
After five years	-	-
	<u>117,320</u>	<u>133,407</u>
On demand or within one year	16,389	7,395
	<u>133,709</u>	<u>140,802</u>
<b>Loans from directors</b>		
On demand or within one year	275	481
<b>Total borrowings</b>		
Between one and two years	1,395	1,395
Between two and five years	115,925	132,012
After five years	-	-
	<u>117,320</u>	<u>133,407</u>
On demand or within one year	16,664	7,876
	<u>133,984</u>	<u>141,283</u>

The bank loan and overdraft facilities are secured by first legal charges on specific properties of the group.

## Notes to financial statements (continued)

For the year ended 24 September 2018

### 16 Provision for liabilities

Deferred taxation is recognised as follows:

	Group	
	2018	2017
	£'000	£'000
Accelerated capital allowances	(3,673)	(3,476)
Deferred tax asset arising in relation to revaluation losses	1,003	1,175
Deferred tax liability arising in relation to revaluation gains	(11,624)	(14,286)
Tax losses available	1,911	2,816
Deferred tax asset arising in relation to interest and derivatives	1,603	2,249
Other timing differences	(588)	(549)
	<u>(11,368)</u>	<u>(12,071)</u>
	2018	2017
	£'000	£'000
Beginning of year	(12,071)	(10,257)
Charged / (credited) to profit and loss account – current year (note 6)	1,326	(2,941)
(Credited) / charged to profit and loss account – adjustment in respect of prior years (note 6)	(623)	1,127
End of year	<u>(11,368)</u>	<u>(12,071)</u>
	2018	2017
	£'000	£'000
Deferred tax asset (note 13)	4,517	6,239
Deferred tax liability	(15,885)	(18,310)
End of year	<u>(11,368)</u>	<u>(12,071)</u>

Deferred tax balances have been provided at 17% in these financial statements.



## Notes to financial statements (continued)

For the year ended 24 September 2018

### 17 Financial instruments

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

<b>Financial assets</b>	2018 £'000	2017 £'000
Measured at fair value through profit or loss		
• Investment properties (note 9)	435,470	452,752
Measured at undiscounted amount receivable		
• Trade and other debtors (note 13)	21,902	20,084
	<u>457,372</u>	<u>472,836</u>
<b>Financial liabilities</b>	2018 £'000	2017 £'000
Measured at fair value through profit or loss		
• Derivative financial liability (note 18)	1,720	2,899
Measured at amortised cost		
• Loans payable (note 14 & 15)	133,984	141,283
Measured at undiscounted amount payable		
• Trade and other creditors (note 14)	9,508	11,006
	<u>145,212</u>	<u>155,188</u>

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

	2018 £'000	2017 £'000
<b>Interest income and expense</b>		
Total interest expense for financial liabilities at amortised cost (note 3)	(4,102)	(4,416)
<b>Fair value gains and losses</b>		
On financial assets measured at fair value through profit and loss (note 4)	(10,777)	16,379
On derivative financial liabilities measured at fair value through profit and loss (note 2)	1,179	6,859
	<u>(13,700)</u>	<u>18,822</u>

### 18 Derivative financial instruments

	Current		Non-current	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
<b>Liabilities</b>				
Interest rate swaps	-	-	1,720	2,899

## Notes to financial statements (continued)

For the year ended 24 September 2018

### 18 Derivative financial instruments (continued)

Interest rate swaps are valued at the present value of future cashflows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

#### Interest rate swap contracts

The following table details the national principle amounts and remaining terms of interest rate swap contracts outstanding at the reporting date:

#### Outstanding receive floating pay fixed contracts

	Average contract fixed interest rate		National principal value		Fair value	
	2018 %	2017 %	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Between 2 and 5 years	2.00	2.00	50,000	50,000	1,720	2,899

The interest rate swaps settle on a quarterly basis. The floating rate on the interest rate swaps is three month's LIBOR. The group will settle the difference between the fixed and floating interest rate on a net basis.

### 19 Called-up share capital and reserves

	Group and company 2018 £	Group and company 2017 £
Authorised		
1,000 ordinary shares of £1 each	1,000	1,000
Allotted, called-up and fully paid	£	£
218 ordinary shares of £1 each	218	218

The group and company's other reserves are as follows:

The profit and loss reserve represents cumulative profits or losses, including unrealised profit on the remeasurement of investment properties, net of dividends paid and other adjustments.

The merger reserve represents the premium that arose on the issue of shares by the company to acquire shares in subsidiary undertakings as permitted by section 131-134 of the Companies Act 1985.

## Notes to financial statements (continued)

For the year ended 24 September 2018

### 20 Cash flow statement

#### Reconciliation of operating profit to cash generated by operations:

	2018 £'000	2017 £'000
Operating profit	13,280	40,770
Decrease/(increase) in fair value of investment property	10,777	(16,379)
Depreciation and amortisation	29	28
Operating cash flow before movement in working capital	24,086	24,419
Decrease in land and work in progress	861	729
Increase in debtors	(1,817)	(7,824)
Decrease in creditors	(1,799)	(297)
Cash generated by operations	21,331	17,027
Income tax	(2,269)	(2,848)
<b>Cash generated by operations</b>	<b>19,062</b>	<b>14,179</b>

### 21 Non-controlling interest

	2018 £'000	2017 £'000
Beginning of year	6,157	5,196
Minority interests' share of profit	340	961
End of year	6,497	6,157

The group has been granted an option to purchase the shares held by the minority interest for £3 million.

### 22 Guarantees and other financial commitments

a) Total future minimum lease payments under non-cancellable operating leases are as follows:

	2018		2017	
	Land & buildings £'000	Other £'000	Land & buildings £'000	Other £'000
Within one year	37	22	75	33
Between one and five years	-	7	37	25
After five years	-	-	-	-
	<b>37</b>	<b>29</b>	<b>112</b>	<b>58</b>

b) The group had capital commitments of £36,000 at 24 September 2018 (2017: £0.8 million).

## Notes to financial statements (continued)

For the year ended 24 September 2018

### 23 Related party transactions

The following transactions arose during the year:

i) The group has loans due to E. Hindle (director) as disclosed in note 14. The outstanding amount due to E. Hindle at 24 September 2018 totalled £81,000 (2017: £481,000). The group has loans due to A Gardner (director) as disclosed in note 14. The outstanding amount due to A. Gardner at 24 September 2018 totalled £194,000 (2017: £nil).

ii) Historically, the group entered into a number of building contracts with Brookhouse Developments Limited, a company whose directors include A. Gardner.

The group has amounts due to Brookhouse Developments Limited of £359,000 (2017: £911,000).

iii) BHGW Venture Holdings Limited is related to the group by virtue of a common director being A. Gardner. BHGW Venture Holdings Limited performs the central treasury function for Brookhouse Developments Limited and Brookhouse Homes Limited. Whilst the group has not transacted directly with BHGW Venture Holdings Limited some of the transactions reported above have flowed through this treasury function as a result of this structure. Amounts owed to BHGW Venture Holdings Limited at the year ended totalled £nil (2017: £623,000).

iv) Lancet Homes Limited is related to the group by virtue of common directors being A. Gardner and E. Hindle. The group funded the activities of Lancet Homes Limited totalling £7,281,000 (2016: £4,265,000). At the balance sheet date £5,939,000 was due from Lancet Homes Limited (2017: £3,946,000).

The group has sold development sites to Lancet Homes Limited for proceeds of £nil (2017: £1,464,000).

The amount of interest charged to Lancet Homes Limited during the year was £144,000 (2017: £83,000).

During the year the group charged Lancet Homes Limited £64,000 (2017: £nil) in respect of services that it provided to Lancet Homes Limited.

The group has sought external advice and uses external resources to manage and monitor contracts where appropriate to ensure that the transactions reported above are done so on an arm's length basis.

### 24 Ultimate parent and controlling party

The company's immediate and ultimate parent company is Aggregate Company S.a.r.l., a company incorporated in Luxembourg. The ultimate controlling party of that company is the Aggregate Trust.

The smallest and largest group in which the results of the company are consolidated is that headed by Brookhouse Properties Limited incorporated in the UK. Copies of the financial statements are available from the registered office at Prospect House, 168-170 Washway Road, Sale, Cheshire, M33 6RH.