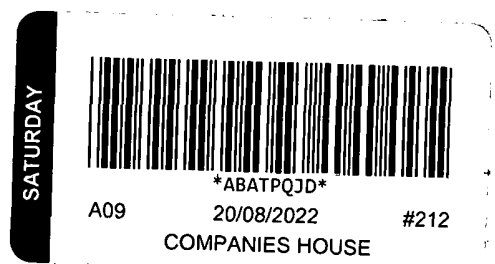


Brookhouse Properties Limited
and subsidiary undertakings

Audited annual report and consolidated financial
statements for the year ended 24 September 2021

Registered number: 03253375



Company information

For the year ended 24 September 2021

Directors

H. Cunningham

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

Beever and Struthers

St. George's House

215 / 219 Chester Road

Manchester

M15 4JE

United Kingdom

Strategic report

For the year ended 24 September 2021

The directors present their strategic report for the year ended 24 September 2021.

Business review

In the year to 24 September 2021 the group recorded a net profit of £54.2 million (2020: loss of £44.7 million). Property and investment income for the year to 24 September 2021 reduced to £26.4 million (2020: £27.2 million), the revaluation of investment properties for the year to 24 September 2021 resulted in a surplus of £37.0 million (2020: deficit of £66.8 million) resulting in a profit before tax for the year of £63.0 million (2020: loss of £47.9 million).

At the balance sheet date, the group had an investment and development property portfolio valued at £328.3 million which has decreased by £21.0 million during the year. The net assets of the group at 24 September 2021 are £315.8 million (2020: £261.6 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 £62.5 million (such proceeds include the assumption by a purchaser of bank debt owed by the group of £45.595M) and the profit recognised on the sale totalled £1.8M. The group used the proceeds from these sales to reduce its third-party debt owed.

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 849% for the year (2020: 671%). 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. At the balance sheet date, the group continues to be faced with an unprecedented set of circumstances caused by COVID-19 and an absence of relevant / sufficient market valuation evidence. The group continues to manage these risks through active asset and tenant management initiatives. In addition, the group is mindful of the ongoing COVID-19 and Brexit uncertainty, but the group is well positioned and financially strong. Whilst it is not possible to predict fully the impacts that COVID-19 and Brexit will have on the groups business and markets, the group has undertaken work to identify and manage the key risks in its business and have considered various COVID-19 and Brexit scenarios as part of its longer-term business planning.

All activities are conducted in sterling.

Strategic report (continued)

For the year ended 24 September 2021

Financial risk management objectives and policies

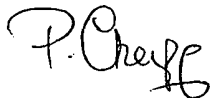
The group's activities expose it to financial risks, primarily relating to changes in interest rates.

The group has external borrowings totalling £38.0 million (2020: £100.0 million) of which £33.1 million (2020: £7.1 million) are described in note 14 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 was hedged through the use of interest rate swap arrangements; however, during the current year the group has terminated its interest rate swap arrangements as it has reduced its third-party debt and therefore is at a greater risk of the financial impact of an interest rate rise. The group however notes that its third-party debt has reduced significantly in the year and consequently such risk has been minimised. Details of the current hedging products in place are shown in note 18 to these financial statements.

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 on 29 December 2021 and signed on its behalf by:



P. Chape
Secretary

Directors' report

For the year ended 24 September 2021

The directors present their annual report on the affairs of the group for the year ended 24 September 2021, 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 the financial risk management policy of the company in the Strategic Report.

Dividends

The company has paid an ordinary dividend during the year totalling £nil (2020: £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) the impact of COVID-19 and BREXIT on the group and its tenants, 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, especially in light of the current COVID-19 pandemic that has had a material impact on the valuations contained within these financial statements and a number of the tenants that the group has let its property to at the year end.

Directors and their interests

The directors who served during the year and up to the date of this report are as shown below.

H. Cunningham (Non-executive)

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 2021

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.

The company has passed an elective resolution dispensing with the requirement to appoint an auditor annually. Beever and Struthers 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 on 29 December 2021 and signed on its behalf by:

A handwritten signature in black ink, appearing to read 'P. Chape', with a stylized flourish at the end.

P. Chape
Secretary

Directors' responsibilities statement

For the year ended 24 September 2021

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 2021

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

Opinion

We have audited the financial statements of Brookhouse Properties Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 24 September 2021 which comprise the consolidated statement of comprehensive income, consolidated statement of financial position, company statement of financial position, consolidated statement of changes in equity, company statement of changes in equity, consolidated statement of cash flows and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 24 September 2021 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions Relating to Going Concern

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.

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 group's or the parent 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.

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

Independent auditor's report (continued)

For the year ended 24 September 2021

Other Information

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

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

We have nothing to report in this regard.

Opinions on Other Matters Prescribed by the Companies Act 2006

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

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

Matters on Which We are Required to Report by Exception

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

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of Directors

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

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

Independent auditor's report (continued)

For the year ended 24 September 2021

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.

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:

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements based on our understanding of the Company and through discussion with the Directors and other management (as required by auditing standards).

We also had regard to laws and regulations in areas that directly affect the financial statements including financial reporting (including related company legislation) and taxation legislation. We considered the extent of compliance with those laws and regulations as part of our procedures on the related financial statements. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit. Audit procedures performed included:

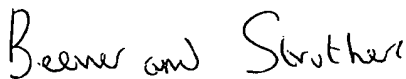
- Discussions with management, inquiring over non-compliance with laws, regulations, and fraud;
- Review of minutes of all Board meetings held in the year and post year end;
- Review of transactions (including journals) using data analytic software; and
- Review of key business processes and evaluation of internal controls.

There are inherent limitations in the audit procedures described above. We did not identify any such irregularities however as with any audit, there remained a higher risk of non-detection of irregularities due to fraud, as these may involve deliberate concealment, collusion, forger, intentional omissions, misrepresentations, or the override of internal controls.

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

Use of our report

This report is made solely to the company's members, as a body, in accordance with chapter 3 of part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state 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.



Iain Round Bsc FCA (Senior Statutory Auditor)

For and on behalf of
Beever and Struthers
St Georges House
215 Chester Rd
Manchester
M15 4JE
29 December 2021

Consolidated statement of comprehensive income
For the year ended 24 September 2021

	Notes	2021 £'000	2020 £'000
Turnover		26,441	27,199
Administrative expenses		(2,957)	(2,697)
Property expenses		(847)	(728)
Surplus / (deficit) on revaluation of investment properties		37,005	(66,814)
Operating profit / (loss)		<u>59,642</u>	<u>(43,040)</u>
Share of profit of joint ventures	10	1,653	53
Profit on sale of tangible fixed assets and investment property	9	1,835	23
Interest receivable and similar income	2	3,152	253
Interest payable and similar charges	3	(3,291)	(5,184)
Profit / (loss) before taxation	4	<u>62,991</u>	<u>(47,895)</u>
Tax on profit / (loss)	6	(8,811)	3,193
Profit / (loss) for the financial year		<u>54,180</u>	<u>(44,702)</u>
Profit / (loss) for the year attributable to:			
Non - controlling interest		842	(424)
Equity shareholders of the company		<u>53,338</u>	<u>(44,278)</u>
		<u>54,180</u>	<u>(44,702)</u>

Consolidated statement of comprehensive income
For year ended 24 September 2021


	2021 £'000	2020 £'000
Profit / (loss) for the financial year	<u>54,180</u>	<u>(44,702)</u>
Other comprehensive income	<u>-</u>	<u>-</u>
Total comprehensive income / (expense)	<u>54,180</u>	<u>(44,702)</u>
Total comprehensive income / (expense) for the year attributable to:		
Non - controlling interest	842	(424)
Equity shareholders of the company	<u>53,338</u>	<u>(44,278)</u>
	<u>54,180</u>	<u>(44,702)</u>

All activities are derived from continuing activities.

Consolidated statement of financial position
As at 24 September 2021

	Notes	2021 £'000	2020 £'000
Fixed assets			
Intangible assets	8	4	4
Tangible assets	9	328,272	349,301
Joint ventures	10	2,351	698
		<u>330,627</u>	<u>350,003</u>
Current assets			
Land and development work in progress	12	4	4
Debtors	13	30,811	33,833
Cash at bank and in hand		17,636	11,283
		<u>48,451</u>	<u>45,120</u>
Creditors: Amounts falling due within one year	14	<u>(44,097)</u>	<u>(20,306)</u>
Net current assets		<u>4,354</u>	<u>24,814</u>
Total assets less current liabilities		<u>334,981</u>	<u>374,817</u>
Creditors: Amounts falling due after more than one year	15	<u>(4,940)</u>	<u>(100,239)</u>
Provision for liabilities	16	<u>(14,233)</u>	<u>(12,950)</u>
Net assets		<u>315,808</u>	<u>261,628</u>
Capital and reserves			
Called-up share capital	19	-	-
Reserves		<u>308,674</u>	<u>255,336</u>
Shareholders' funds		<u>308,674</u>	<u>255,336</u>
Non - controlling interest	21	<u>7,134</u>	<u>6,292</u>
Total capital employed		<u>315,808</u>	<u>261,628</u>

The financial statements of Brookhouse Properties Limited registered number 03253375 were approved and authorised for issue by the Board of Directors on 29 December 2021 and were signed on its behalf by:



A. Gardner
Director

Company statement of financial position
As at 24 September 2021

	Notes	2021 £'000	2020 £'000
Fixed assets			
Investments	11	13,289	13,289
Creditors: Amounts falling due within one year	14	(5,557)	(5,557)
Net current liabilities		(5,557)	(5,557)
Total assets less current liabilities		7,732	7,732
Net assets		7,732	7,732
Capital and reserves			
Called-up share capital	19	-	-
Profit and loss account		7,732	7,732
Shareholders' funds		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 (2020: £nil). The company paid a dividend during the year totalling £nil (2020: £nil).

The financial statements of Brookhouse Properties Limited registered number 03253375 were approved and authorised for issue by the Board of Directors on 29 December 2021 and were signed on its behalf by:


A. Gardner
Director

Consolidated statement of changes in equity.
For the year ended 24 September 2021

	Called up share capital	Merger reserve	Retained earnings	Total	Minority interests	Total
	£'000	£'000	£'000	£'000	£'000	£'000
At 25 September 2019	-	19,934	279,680	299,614	6,691	306,305
(Loss) and total comprehensive expense for the year	-	-	(44,278)	(44,278)	(424)	(44,702)
New share capital subscribed for	-	-	-	-	25	25
At 24 September 2020	-	19,934	235,402	255,336	6,292	261,628
Profit and total comprehensive Income for the year	-	-	53,338	53,338	842	54,180
At 24 September 2021	-	19,934	288,740	308,674	7,134	315,808

Company statement of changes in equity.
For the year ended 24 September 2021

	Called up share capital £'000	Profit and loss account £'000	Total £'000
At 25 September 2019	-	7,732	7,732
Profit and total comprehensive income for the year	-	-	-
At 24 September 2020	-	7,732	7,732
Profit and total comprehensive income for the year	-	-	-
At 24 September 2021	-	7,732	7,732

Consolidated cash flow statement
For the year ended 24 September 2021

	Note	2021 £'000	2020 £'000
Net cash inflow from operating activities	20	18,227	17,751
Cash flows from investing activities			
Proceeds from sale of tangible fixed assets and investments		16,897	13,767
Interest received		191	254
Purchase of tangible fixed assets and investments		(2,643)	(4,981)
Net cash flows from investing activities		<u>14,445</u>	<u>9,040</u>
Cash flows from financing activities			
Repayment of borrowings		(18,899)	(35,628)
Interest paid and swap instruments		(7,420)	(4,023)
New loans raised		-	17,500
New share capital subscribed for		-	25
Net cash flows from financing activities		<u>(26,319)</u>	<u>(22,126)</u>
Net increase in cash and cash equivalents		<u>6,353</u>	<u>4,665</u>
Cash and cash equivalents at beginning of year		<u>11,283</u>	<u>6,618</u>
Cash and cash equivalents at end of year		<u>17,636</u>	<u>11,283</u>

Statement of accounting policies

For the year ended 24 September 2021

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 (FRS 102) 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 FRS 102 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 (2020: £nil). The company paid a dividend during the year totalling £nil (2020: £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. During the year a number of the premises owned by the Group were closed during lockdown's imposed as part of the UK restrictions in place to combat the effects of COVID-19. During these closures a number of tenants of the Group either refused to and / or struggled to pay their rent due to the Group. Where possible the Group has sought arrangements with tenants to repay these rents and / or extended lease terms and / or removed break clauses with a view to assisting such tenants through difficult trading periods. Therefore, after considering the income flows available to the Group, the historic and future effects of COVID-19 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 2021

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 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 2021

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 clarified 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 2021

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.

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 and / or the date when the lease incentive was provided 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 2021

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 2021

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. At the balance sheet date, the group continues to be faced with an unprecedented set of circumstances caused by COVID-19 and an absence of relevant / sufficient market valuation evidence. Property valuations are one of the principal uncertainties of the group. The value of investment property assessed at year end was £328,148,000 (2020: £349,163,000) and are shown in note 9 of these financial statements.

2 Interest receivable and similar income

	2021 £'000	2020 £'000
Related party interest receivable	185	213
Fair value gain on interest rate derivatives	2,961	-
Other interest receivable and similar income	6	40
	<u>3,152</u>	<u>253</u>

3 Interest payable and similar charges

	2021 £'000	2020 £'000
Bank loans and overdrafts	2,651	3,399
Fair value losses on interest rate derivatives	-	951
Bank charges	5	1
Related party interest payable – refer note 23	382	487
Amortisation of finance costs – refer note 15	204	269
Amortisation of finance costs – RCF – refer note 14	49	77
	<u>3,291</u>	<u>5,184</u>

Notes to financial statements (continued)

For the year ended 24 September 2021

4 Profit / (loss) before taxation

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

	2021 £'000	2020 £'000
Operating lease rentals – motor vehicles	36	40
Operating lease rentals – property	86	86
Surplus / (deficit) on revaluation of investment properties	37,005	(66,814)
Cost of stock charged as an expense	11	60
Depreciation and amortisation	20	25
Auditor remuneration for audit services		
- Group	6	5
- Subsidiaries	52	48
Staff costs (see note 5)	<u>2,475</u>	<u>2,142</u>

Non-audit fees in relation to tax compliance work were paid to the auditor of £nil (2020: £2,000).

5 Staff costs

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

	2021 £'000	2020 £'000
Wages and salaries	2,068	1,772
Social security costs	259	219
Other pension costs	<u>138</u>	<u>151</u>
	<u>2,465</u>	<u>2,142</u>

The group had an average monthly number of employees during the year of 22 (2020: 23). 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:

	2021 £'000	2020 £'000
Emoluments	683	545
Fees paid to third party for services of director	14	25
Group contributions to money purchase pension schemes	<u>60</u>	<u>52</u>
	<u>757</u>	<u>622</u>

Notes to financial statements (continued)

For the year ended 24 September 2021

5 Staff costs (continued)

Pensions

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

	2021 Number	2020 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:

	2021 £'000	2020 £'000
Emoluments	653	516
Group contributions to money purchase pension schemes	<u>4</u>	<u>8</u>
	<u>657</u>	<u>524</u>

Notes to financial statements (continued)

For the year ended 24 September 2021

6 Tax on profit

The tax charge comprises:

	2021 £'000	2020 £'000
Current tax		
UK corporation tax	3,767	3,544
Adjustments in respect of prior years	-	(376)
Total current tax	3,767	3,168
Deferred tax		
Adjustment in respect of prior years	292	129
Change of rate from 19% to 25% (2020: from 17% to 19%)	2,570	1,090
Origination and reversal of timing differences	3,866	(7,580)
Change of rate to 0% on sale of subsidiary company	(1,684)	-
Total deferred tax (see note 16)	5,044	(6,361)
Total tax on profit / (loss)	8,811	(3,193)

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:

	2021 £'000	2020 £'000
Profit / (loss) before tax	62,991	(47,895)
Tax on group loss at standard UK corporation tax rate of 19% (2020: 19%)	11,968	(9,100)
Effects of:		
Amounts not deductible / (taxable) for tax purposes (net)	(3,228)	34
Effect of indexation on deferred tax	(1,069)	5,050
Sundry	(38)	(20)
Change of deferred tax rate from 19% to 25%	2,570	1,090
Change of deferred tax rate to 0% on sale of subsidiary company	(1,684)	-
Adjustment in respect of prior years	292	(247)
Total tax charge for year	8,811	(3,193)

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% (2020: 19%).

Notes to financial statements (continued)

For the year ended 24 September 2021

6 Tax on profit (continued)

During the year, changes to the UK corporation tax rate were substantively enacted as part of Finance Bill 2021 increasing the corporation tax rate from 19% to 25% from 1 April 2023. Deferred tax balances at the balance sheet date have been measured using the rate of 19% for differences expected to reverse before 1 April 2023 and using the rate of 25% for differences expected to reverse after 1 April 2023 within these financial statements.

During the year the Group disposed of a subsidiary company (refer note 11) to a UK-REIT. Entry to the UK-REIT regime results in, subject to continuing relevant UK-REIT criteria being met, the profits of that subsidiary company's rental business, comprising both income and capital gains, being exempt from UK taxation. Accordingly, on entering into a contract to sell the subsidiary company, its deferred tax balances were remeasured at 0% being the rate of corporation tax at which it expects its timing differences to reverse – this has resulted in a credit to the tax charge in the year of £1,684,000 (2020: £nil). In addition, any current year revaluation surpluses attributable to that subsidiary company were remeasured at 0% being the rate of corporation tax at which it expects this timing difference to reverse – this has resulted in amounts not being taxable in the current year of £3,246,000 (2020: £nil).

7 Dividends on equity shares

No dividends have been paid or proposed following the year end in either the current or previous year.

8 Intangible fixed assets

The movement on intangible fixed assets was:

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

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 2021

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
Cost or valuation					
Beginning of year	324,135	25,028	91	605	349,859
Additions	2,681	(44)	-	6	2,643
Transfer	362	(362)	-	-	-
Disposals	(60,657)	-	-	-	(60,657)
Revaluation	34,954	2,051	-	-	37,005
End of year	<u>301,475</u>	<u>26,673</u>	<u>91</u>	<u>611</u>	<u>328,850</u>
Depreciation					
Beginning of year	-	-	-	558	558
Charge	-	-	-	20	20
End of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>578</u>	<u>578</u>
Net book value					
End of year	<u>301,475</u>	<u>26,673</u>	<u>91</u>	<u>33</u>	<u>328,272</u>
Beginning of year	<u>324,135</u>	<u>25,028</u>	<u>91</u>	<u>47</u>	<u>349,301</u>

Accumulated interest capitalised included in the total cost or valuation amounts to £3,289,000 (2020: £3,372,000).

Proceeds (net of costs) from the disposal of tangible fixed assets during the year were £62,492,000 (2020: £13,767,000) realising a profit on sale of £1,835,000 (2020: £23,000) – this consideration (2020: £nil) included the assumption by a purchaser of bank debt owed by the Group of £45.595M. 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 £213 million (2020: £235 million) have been pledged to secure borrowings of the group.

Investment properties were revalued at 24 September 2021 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.

Notes to financial statements (continued)

For the year ended 24 September 2021

9 Tangible fixed assets (continued)

If tangible fixed assets had not been revalued, they would have been included at the following historical cost amounts:

	2021 £'000	2020 £'000
Freehold investment and development properties	268,668	294,116
Long leasehold investment properties	29,751	29,796
	<u>298,419</u>	<u>323,912</u>

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

	2021 £'000	2020 £'000
Within one year	23,929	27,573
Between one and five years	88,417	102,944
After five years	149,558	162,097
	<u>261,904</u>	<u>292,614</u>

10 Joint ventures

	Group £'000
Cost	
Beginning of year	698
Share of retained profit for the year	1,653
End of year	<u>2,351</u>
Net book value	
End of year	<u>2,351</u>
Beginning of year	<u>698</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. The share of retained profit for the year includes £1,636,000 in respect of a surplus on revaluation of investment properties held by Oldham Property LLP.

11 Fixed asset investments

	Group		Company	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Subsidiary undertakings	-	-	13,289	13,289

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 2021

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 Property Investments Ltd was sold during the year for an amount equal to its Net Asset Value (£0.5M) and the assumption by the purchaser of the debt owed by Brookhouse Property Investments Ltd of £45.595M.

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 group has an option to acquire these shares from Oldham Metropolitan Borough Council for £3M.

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 2021

12 Land and development work in progress

	Group	
	2021	2020
	£'000	£'000
Land and development work in progress	4	4

The replacement cost of land and development work in progress is £4,000 (2020: £4,000).

13 Debtors

	Group	
	2021	2020
	£'000	£'000
Amounts falling due within one year:		
Trade debtors	822	1,632
Deferred tax asset	6,424	10,185
Other debtors	-	104
Amounts due from related parties (note 23)	9,631	7,972
VAT receivable	3	-
Prepayments	13,931	13,940
	<u>30,811</u>	<u>33,833</u>

14 Creditors: Amounts falling due within one year

	Group		Company	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Bank loans and overdrafts (note 15)	33,106	7,067	-	-
Loans from director (note 15 / 23)	3,871	6,195	-	-
Trade creditors	424	432	-	-
Amounts due to fellow group undertakings	-	-	5,557	5,557
Corporation tax	58	162	-	-
Tax and social security	56	51	-	-
Other creditors	1,245	1,714	-	-
VAT payable	1,228	704	-	-
Accruals and deferred income	4,109	3,981	-	-
	<u>44,097</u>	<u>20,306</u>	<u>5,557</u>	<u>5,557</u>

The company had the benefit of a Revolving Credit Facility ("RCF") of £15,000,000 (2020: £35,750,000) of which £nil (2020: £nil) has been drawn at the year end. In previous years, debt issuing costs were capitalised and included in prepayments for these facilities. The amortisation charge for the current year totals £49,000 (2019: £60,000). The group's loan facilities shown above are repayable in full in the year to 24 September 2022 and carry interest at a weighted average fixed margin above LIBOR at the balance sheet date of 1.82% (2020: 1.75%). 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 £44,000 (2019: £8,000).

Loans from director / fellow group undertakings are unsecured, repayable on demand and carry interest at 8.00% / interest free (2020: 8.00% / interest free).

Notes to financial statements (continued)

For the year ended 24 September 2021

15 Creditors: Amounts falling due after more than one year

	Group	
	2021 £'000	2020 £'000
Bank loans	4,940	93,042
Derivative financial instruments (note 18)	-	7,197
	<u>4,940</u>	<u>100,239</u>

Bank loans are analysed as follows:

	2021 £'000	2020 £'000
Bank loans	5,000	93,245
Deferred bank fees	(60)	(203)
	<u>4,940</u>	<u>93,042</u>

In previous years debt issuing costs were capitalised against bank loans and are being amortised over the term of the Bank Loans. In the current year debt issuing costs of £96,000 (2020: £153,000) have been incurred. The amortisation charge for the current year totals £204,000 (2020: £269,000).

Borrowings are repayable as follows:

	2020 £'000	2019 £'000
Bank loans and overdrafts		
Between one and two years	500	93,042
Between two and five years	4,440	-
After five years	-	-
	<u>4,940</u>	<u>93,042</u>
On demand or within one year	33,106	7,067
	<u>38,046</u>	<u>100,109</u>
Loans from directors		
On demand or within one year	3,871	6,195
	<u>3,871</u>	<u>6,195</u>
Total borrowings		
Between one and two years	500	93,042
Between two and five years	4,440	-
After five years	-	-
	<u>4,940</u>	<u>93,042</u>
On demand or within one year	36,977	13,262
	<u>41,917</u>	<u>106,304</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 2021

16 Provision for liabilities

Deferred taxation is recognised as follows:

	Group	
	2021 £'000	2020 £'000
Accelerated capital allowances	(5,857)	(4,274)
Deferred tax asset arising in relation to revaluation losses	5,812	6,257
Deferred tax liability arising in relation to revaluation gains	(7,137)	(7,829)
Tax losses available	452	1,578
Deferred tax asset arising in relation to interest and derivatives	160	2,350
Other timing differences	(1,239)	(847)
	<u>(7,809)</u>	<u>(2,765)</u>
	2021 £'000	2020 £'000
Beginning of year	(2,765)	(9,126)
Charged to profit and loss account – current year (note 6)	(3,866)	7,580
Credited to profit and loss account – adjustment in respect of prior years (note 6)	(292)	(129)
Change of deferred tax rate (note 6)	(886)	(1,090)
End of year	<u>(7,809)</u>	<u>(2,765)</u>
	2021 £'000	2020 £'000
Deferred tax asset (note 13)	6,424	10,185
Deferred tax liability	<u>(14,233)</u>	<u>(12,950)</u>
End of year	<u>(7,809)</u>	<u>(2,765)</u>

During the year, changes to the UK corporation tax rate were substantively enacted as part of Finance Bill 2021 increasing the corporation tax rate from 19% to 25% from 1 April 2023. Deferred tax balances at the balance sheet date have been measured using the rate of 19% for differences expected to reverse before 1 April 2023 and using the rate of 25% for differences expected to reverse after 1 April 2023 within these financial statements.

Notes to financial statements (continued)

For the year ended 24 September 2021

17 Financial instruments

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

	2021 £'000	2020 £'000
Financial assets		
Measured at undiscounted amount receivable		
• Trade and other debtors (note 13)	24,387	23,648
	<u>24,387</u>	<u>23,648</u>
Financial liabilities		
Measured at fair value through profit or loss		
• Derivative financial liability (note 15)	-	7,197
Measured at amortised cost		
• Loans payable (note 14 & 15)	41,917	106,304
Measured at undiscounted amount payable		
• Trade and other creditors (note 14)	7,120	7,044
	<u>49,037</u>	<u>120,545</u>

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

	2021 £'000	2020 £'000
Interest income and expense		
Total interest expense for financial liabilities at amortised cost (note 3)	(2,651)	(3,399)
Fair value gains and losses		
On financial assets measured at fair value through profit and loss (note 4)	37,005	(66,814)
On derivative financial liabilities measured at fair value through statement of comprehensive income (note 3)	2,961	(951)
	<u>37,315</u>	<u>(71,164)</u>

18 Derivative financial instruments

	Current		Non-current	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Liabilities				
Interest rate swaps	-	-	-	7,197

Notes to financial statements (continued)

For the year ended 24 September 2021

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	
	2021 %	2020 %	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Between 2 and 5 years	0.00	2.00	-	40,000	-	7,197

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 2021 £	Group and company 2020 £
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 2021

20 Cash flow statement

Reconciliation of operating profit to cash generated by operations:

	2021 £'000	2020 £'000
Operating profit / (loss)	59,642	(43,040)
(Increase) / decrease in fair value of investment property	(37,005)	66,814
Depreciation and amortisation	20	25
Operating cash flow before movement in working capital	22,657	23,799
Decrease in land and work in progress	-	43
(Increase) / decrease in debtors	(740)	41
Increase / (decrease) in creditors	181	(1,238)
Cash generated by operations	22,098	22,645
Corporation tax	(3,871)	(4,894)
Cash generated by operations	18,227	17,751

21 Non-controlling interest

	2021 £'000	2020 £'000
Beginning of year	6,292	6,691
Minority interests' share of profit / (loss)	842	(424)
New share capital subscribed for	-	25
End of year	7,134	6,292

The group has been granted an option to purchase the shares held by the minority interest for £3 million (2020 - £3 million).

22 Guarantees and other financial commitments

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

	2021		2020	
	Land & buildings £'000	Other £'000	Land & buildings £'000	Other £'000
Within one year	86	19	86	37
Between one and five years	342	15	342	21
After five years	192	-	277	-
	620	34	705	58

b) The group had capital commitments of £nil at 24 September 2021 (2020: £1,481,000) in relation to ongoing construction activities on the Group's investment properties

Notes to financial statements (continued)

For the year ended 24 September 2021

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 and her family at 24 September 2021 totalled £3,660,000 (2020: £5,997,000). The group has loans due to A. Gardner (director) as disclosed in note 14. The outstanding amount due to A. Gardner at 24 September 2021 totalled £211,000 (2020: £198,000). Interest was charged on these loans for the year totalling £374,000 (2020: £478,000).

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 £329,000 (2020: £326,000) that is included within other creditors in note 14. Interest was charged on this loan for the year totalling £8,000 (2020: £9,000).

iii) 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 £10,511,000 (2020: £6,668,000). At the balance sheet date £9,632,000 was due from Lancet Homes Limited (2020: £7,972,000). The amount of interest charged to Lancet Homes Limited during the year on this loan was £185,000 (2020: £213,000).

During the year the group charged Lancet Homes Limited £297,000 (2020: £274,000) 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.