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Grant Thornton

# Financial statements
# Brookgate Limited

**For the Year Ended** 31 October 2013



**Company No.** 07057863

# Company information

| | |
|---|---|
| **Company registration number** | 07057863 |
| **Registered office** | Thirty Eight Station Road<br>Cambridge<br>CB1 2JH |
| **Directors** | C Rutherford<br>S Topel<br>J Wooles |
| **Secretary** | J Wooles |
| **Auditor** | Grant Thornton UK LLP<br>Chartered Accountants<br><br>Registered Auditors<br>101 Cambridge Science Park<br>Milton Road<br>Cambridge<br>Cambridgeshire<br>CB4 0FY |

# Contents

# Report of the directors

The directors present their report and the financial statements of the group for the year ended 31 October 2013.

## Directors

The directors who served the company during the year were as follows:
Mr C Rutherford
Mr S Topel
Mr J Wooles

## Directors' responsibilities statement

The directors are responsible for preparing the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the 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 judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the 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.

## Provision of information to Auditor

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the company's auditor in connection with preparing its report and to establish that the company's auditor is aware of that information.

# Report of the directors (continued)

**Auditor**

Grant Thornton UK LLP having expressed their willingness to continue in office, will be deemed reappointed for the next financial year in accordance with section 487(2) of the Companies Act 2006 unless the company receives notice under section 488(1) of the Companies Act 2006.

ON BEHALF OF THE BOARD

J. C. Wooles

J Wooles
Secretary
20 December 2013

# Strategic Report

### Principal activities and strategic report

The principal activities of the group during the year were property development and the provision of housing services under a PFI contract.

During the year the group has added value for its shareholders and realised liquidity for funders in accordance with the agreed strategy for the group, the main highlights are set out below.

**Brookgate cb1 Limited**

Brookgate cb1 Limited had another successful year;

- Completion of the sale of the Northern Residential part of the cb1 Masterplan land to Skanska Residential in November 2012.
- Completion of a new office for Microsoft Research in December 2012.
- Completion of sale of land to provide the second phase of student housing on the southern half of the site to the Downing Group in February 2013.
- Securing a Planning Committee Resolution to Grant Planning permission for an office in Station Square and a 231 Key hotel and 3,000 space multi-storey cycle park in June 2013
- Entering into an Agreement to Lease, Forward Funding Agreement and Construction Contract for the redevelopment of 22 Station Road in July 2013.

**Roselead**
Roselead has had a successful year delivering PFI housing services under a contract with the Ministry of Defence. The company in now 30% of the way through a five year programme of refurbishment for the kitchens and bathrooms in the housing stock that it uses to provide housing services.

**Brookgate Land**
Brookgate Land Limited continues to negotiate a land promotion agreement to provide development potential in future years.

**Brookgate Homes**
Brookgate Homes Limited has a number of sites under consideration, and is looking for opportunities to enable it to trade profitably.

### Key performance indicators

| | **31 October 2013** | 31 October 2012 | 31 October 2011 |
|---|---|---|---|
| | **£** | £ | £ |
| **Net Asset Value** | **37,689,361** | 34,756,606 | 28,986,952 |
| Cash & Group Borrowing | | | |
| Cash at Bank | **9,730,007** | 7,159,807 | 6,409,874 |
| Short term | **(500,000)** | (500,000) | (6,250,000) |
| Long term | **(56,921,000)** | (56,921,000) | (49,796,000) |
| **Net Borrowing** | **(47,690,993)** | (50,261,193) | (49,636,126) |

### Results, dividends and capital reduction

# Strategic Report (continued)

The profit for the year after taxation amounted to £21.9m.

Net borrowings decreased by £2.6m during the year and net asset value increased by £2.9m.

During the year there was a redemption of preference share capital totalling £19m

The directors have not recommended a dividend.

### Financial risk management policies and objectives

The Group uses various financial instruments which include loans, cash and various items, such as trade debtors and trade creditors that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the Group's operations.

All transactions in derivatives are undertaken only to manage the risks arising from underlying business activities and no transactions of a speculative nature are undertaken. The main risks arising from the Group's financial instruments are market risk, cash flow interest rate risk, credit risk and liquidity risk.

The directors review and agree policies for managing each of these risks and they are summarised below. These financial instruments expose the Group to a number of financial risks, which are described in more detail below. In order to manage the Group's exposure to those risks, in particular the Group's exposure to interest rate risk (arising from the repricing of the Group's floating rate liabilities), the Group enters into a number of derivative transactions including, but not limited to, variable to fixed interest rate swaps and interest rate option contracts. Hedging policies in Group companies reflect the underlying needs of each business.

### Market risk

Market risk encompasses three types of risk, being currency risk, fair value interest rate risk and price risk. In this instance there is no exposure to currency risk as the Group does not enter into any foreign currency transactions. The Group's policies for managing fair value interest rate risk are considered along with those for managing cash flow interest rate risk and are set out in the subsection entitled "interest rate risk" below.

### Liquidity risk & going concern

The Group seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs. This is managed by way of detailed business planning and cashflow forecasts which underpin all business operations. Loan facilities are matched with cashflow forecasts of the individual business units to provide a stable platform. Short term flexibility is achieved within facilities provided to companies within the Group.

The majority of working capital requirements are financed by borrowing in Brookgate CB1 Limited.

This company's loan facility was repaid in November 2011, at which time Brookgate CB1 Limited entered into a new three year facility with Santander Corporate Bank.

The directors have prepared forecasts for the group which show that the group will be able to operate within the bank facilities which the directors expect to be available. On this basis the directors are of the opinion that it is appropriate to prepare the financial statements on a going concern basis.

# Strategic Report (continued)

### Interest rate risk

The Group finances its operations through retained profits, and fixed and floating rate bank borrowings. It is Group policy for directors to actively monitor global economic events and market interest rate risks with a view to optimising financial performance within a sensible and prudent strategy of interest rate risk management. The extent to which the Group's outstanding floating rate obligations are exposed to interest rate risks is kept under close review and is agreed at regular board meetings. The Group uses a wide range of medium and long term interest rate derivatives to hedge interest rate risk in compliance with the policy which has been agreed from time to time by the board.

Where long term hedging instruments are no longer required by the group the hedges are disposed of in the market.

### Future developments

The Group's future strategy is to:-

- complete the development and sale of the Cambridge cb1 site,
- seek strategic development opportunities through Brookgate Land
- develop residential sites through Brookgate Homes
- continue to provide housing services for the period of Roselead's PFI contract

ON BEHALF OF THE BOARD

J C Wooles

J Wooles
Secretary
20 December 2013

# Report of the independent auditor to the members of Brookgate Limited

We have audited the financial statements of Brookgate Limited for the Year Ended 31 October 2013 which comprise the principal accounting policies, group profit and loss account, group balance sheet, company balance sheet, group cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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.

## Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on pages 5 and 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

## Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on APB's website at www.frc.org.uk/abp/scope/private.cfm.

## Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the company's affairs as at 31 October 2013 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

## Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Report of the directors and the Strategic Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

# Report of the independent auditor to the members of Brookgate Limited (continued)

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

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

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

Grant Thornton UK LLP

**Paul Naylor**
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
CAMBRIDGE
20 December 2013

# Principal accounting policies

### Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards under the historical cost convention, as modified by the revaluation of investment properties and land and properties under development. They comply with Financial Reporting Standards issued or adopted by the Accounting Standards Board.

The directors have prepared forecasts for the group, which show that the group will be able to operate within the bank facilities provided by Santander. On this basis, the directors are of the opinion that it is appropriate to prepare the financial statements on a going concern basis.

### Consolidation

The consolidated financial statements incorporate the financial statements of the company and all group undertakings. These are adjusted, where appropriate, to conform to group accounting policies. Acquisitions are accounted for under the acquisition method and goodwill on consolidation is capitalised and amortised over an appropriate period. In the circumstances of the acquisition during the year, the majority of the goodwill on consolidation has been immediately written off. The results of companies acquired or disposed of are included in the group profit and loss account after or up to the date that control passes respectively. As a consolidated group profit and loss account is published, a separate profit and loss account for the parent company is omitted from the group financial statements by virtue of section 408 of the Companies Act 2006.

### Turnover

Turnover is the total amount receivable by the group for goods supplied and services provided during the year, excluding VAT. Turnover includes rental income. Rental income from operating leases is recognised on a straight line basis over the period of the lease.

Sales of land and property are recognised upon completion of contracts. Revenue is recognised once a right to consideration is achieved.

Where the group has sold land, and also entered into development contracts in respect of land, the land sale and development contract are accounted for separately provided the full rights and rewards of ownership are transferred on the land sale and appropriate arm's length terms and fair values are applied to each contract.

### Development contracts

Profit on development contracts is taken as the work is carried out, provided the final outcome can be assessed with reasonable certainty. The profit is calculated on a prudent basis to reflect the proportion of the work that is carried out at the year end, by recording turnover and related costs as contract activity progresses. Turnover is calculated as that proportion of the total contract value which has been completed to date. Full provision is made for losses on all contracts in the year in which they are first for seen.

# Principal accounting policies (continued)

### Land and properties under development

Land and properties in the course of development that will be retained once their development has been completed, are stated at open market value as determined by independent valuation. The open market value includes development value and takes into account whether planning consents have been achieved. Land acquisitions, costs of construction, legal, finance and planning fees incurred within the construction of the investment properties have been capitalised in the balance sheet.

The master plan for Cambridge cb1 referred to in the Directors' Report continues to evolve as part of the planning process. Consequently the directors cannot be certain of the final element of the development that will be retained. Any valuation surplus relevant to whole developments has been accounted for within fixed assets.

Temporary changes in market value are recorded in the revaluation reserve and recognised in the statement of recognised gains and losses. Where the carrying value falls below historical cost, these deficits are transferred to the profit and loss account.

### Investment properties

In accordance with SSAP 19 "Accounting for investment properties", properties held for long-term investment are revalued annually and are included in the balance sheet at their open market values. The aggregate surplus or deficit is transferred to the revaluation reserve. Depreciation is not provided in respect of freehold investment properties.

This policy represents a departure from the Companies Act 2006, which requires depreciation to be provided on all fixed assets. However, this statutory requirement conflicts with the generally accepted accounting principle set out in SSAP 19. The directors consider that, because these properties are not held for consumption but for their investment potential, to depreciate them would not give a true and fair view. If this departure from the Companies Act had not been made, the profit for the financial year would have been reduced by depreciation. Depreciation is only one of many factors reflected in the annual valuation and the amount which might otherwise have been shown cannot be separately identified or quantified.

### Fixed assets

All fixed assets are initially recorded at cost.

### Depreciation

Depreciation is provided on all tangible fixed assets, other than development properties in the course of construction, investment properties and freehold land, at rates calculated to write off the cost of each asset evenly over its expected useful life, as follows:

| | | |
|---|---|---|
| Leasehold properties | - | 50 years or the period of the lease if shorter |
| Fixtures, fittings and equipment | - | 4 to 7 years |
| Motor vehicles | - | 4 years |

# Principal accounting policies (continued)

### Goodwill and amortisation

Goodwill on consolidation represents the difference between the fair value of the consideration and the fair value of the net assets acquired. Goodwill amortisation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

| | | |
|---|---|---|
| Purchased goodwill | - | 10% on cost |

In light of the circumstances of the acquisition of the group's operating businesses the directors have immediately impaired the majority of the goodwill arising on consolidation for all businesses acquired except where the business value was based on long term contracted income.

For businesses with long term contracted income goodwill arising on consolidation is amortised over the life of the contract.

### Stocks and work in progress

Stocks and work in progress are stated at the lower of cost and estimated net realisable value. The cost of property work in progress comprises acquisition costs, site preparation and clearance, planning and professional fees, construction, appropriate overheads and interest payable. The estimated net realisable value of property work in progress is calculated based on projected future sale proceeds less costs to completion.

### Finance costs

In accordance with FRS 4 "Capital instruments", the costs of raising term finance are charged to the profit and loss account over the term of the debt at a constant rate on the carrying amount unless the debt is for a period of less than five years. All finance costs incurred relating to assets under development, whether for long-term investment or trading activity, are capitalised until completion of the development.

### Finance Leases

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the company, and hire purchase contracts, are capitalised in the balance sheet and are depreciated over their useful lives. The capital elements of future obligations under the leases and hire purchase contracts are included as liabilities in the balance sheet.

The interest elements of the rental obligations are charged in the group profit and loss account over the periods of the leases and hire purchase contracts and represent a constant proportion of the balance of capital repayments outstanding.

### Operating Leases

Operating lease rentals are charged to the profit and loss account in the period in which they are incurred.

# Principal accounting policies (continued)

### Deferred taxation

Deferred tax is recognised on all timing differences where the transactions or events that give the group an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured on an undiscounted basis using rates of tax that have been enacted or substantively enacted by the balance sheet date for liabilities that cannot be foreseen. Deferred tax is measured on a discounted basis for those liabilities and assets whose timing of reversal can be assessed with more certainty.

### Pensions

The group operates a defined contribution pension scheme for all employees. In addition, the company makes contributions to money purchase pension schemes for the executive directors. Contributions made to these externally managed pension schemes are charged to the profit and loss account in the year during which the contributions accrue.

### Derivative financial instruments

The group uses straightforward derivative financial instruments to assist with the management of its interest rate exposures, but does not enter into speculative derivative contracts. Any gains and losses are matched against the underlying interest charge and the fair value of the instrument acquired with subsidiaries is recognised in the group balance sheet at the year end, with the appropriate charge or credit to the profit and loss account.

### Financial instruments

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

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the balance sheet. Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability.

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited direct to equity.

# Group profit and loss account

| | Note | Year to 31 October 2013 £ | Year to 31 October 2012 £ |
|---|---|---|---|
| **Group turnover** | 1 | **35,084,988** | 53,770,573 |
| Cost of sales | | **(17,288,958)** | (40,191,398) |
| Gross profit | | **17,796,030** | 13,579,175 |
| Other operating credits / (charges) | 2 | **2,174,855** | (899,545) |
| **Operating profit** | 3 | **19,970,885** | 12,679,630 |
| Profit on disposal of fixed assets | | **-** | - |
| **Profit on ordinary activities before interest** | | **19,970,885** | 12,679,630 |
| Net interest receivable / (payable) | 6 | **1,121,230** | (6,907,690) |
| **Profit on ordinary activities before taxation** | | **21,092,115** | 5,771,940 |
| Tax on profit on ordinary activities | 7 | **845,109** | 507,746 |
| **Profit for the financial year** | | **21,937,224** | 6,279,686 |
| Minority interests | | **-** | (744,093) |
| **Retained profit for the financial year** | 20 | **21,937,224** | 5,535,593 |

All of the activities of the group are classed as continuing.

The company has taken advantage of section 408 of the Companies Act 2006 not to publish its own Profit and Loss Account.

# Group balance sheet

| | Note | 31 October 2013 £ | 31 October 2012 £ |
|---|---|---|---|
| **Fixed assets** | | | |
| Intangible assets | 9 | **5,390,313** | 5,767,503 |
| Tangible assets | 10 | **56,004,080** | 74,803,565 |
| | | **61,394,393** | 80,571,068 |
| **Current assets** | | | |
| Stocks | 12 | **33,520,599** | 16,640,978 |
| Debtors | 13 | **9,417,527** | 13,547,799 |
| Cash at bank and in hand | | **9,730,007** | 7,159,807 |
| | | **52,668,133** | 37,348,584 |
| **Creditors: amounts falling due within one year** | 14 | **(3,512,049)** | (5,005,433) |
| **Net current assets** | | **49,156,084** | 32,343,151 |
| **Total assets less current liabilities** | | **110,550,477** | 112,914,219 |
| **Creditors: amounts falling due after more than one year** | 15 | **(72,861,116)** | (77,770,982) |
| **Provisions for liabilities** | | | |
| Deferred taxation | 17 | **-** | (391,100) |
| | | **37,689,361** | 34,752,137 |
| **Capital and reserves** | | | |
| Called-up equity share capital | 19 | **1,976** | 2,166 |
| Share premium | 20 | **97,646,166** | 116,645,976 |
| Revaluation reserve | 20 | **5,000,000** | 11,409,886 |
| Profit and loss account | 20 | **(64,958,781)** | (93,305,891) |
| **Shareholders' funds** | 21 | **37,689,361** | 34,752,137 |

These financial statements were approved by the directors and authorised for issue on 20 December 2013, and are signed on their behalf by:

C Rutherford
Chairman

J Wooles
Director

# Company balance sheet

| | Note | 31 October 2013 £ | 31 October 2012 £ |
|---|---|---|---|
| **Fixed assets** | | | |
| Investments | 11 | **49,678,349** | 48,930,964 |
| **Current assets** | | | |
| Debtors | 13 | **-** | 4,991,428 |
| Cash at bank and in hand | | **209,110** | 72,005 |
| | | **209,110** | 5,063,433 |
| **Creditors: amounts falling due within one year** | 14 | **(4,235,115)** | (6,824,901) |
| **Net current liabilities** | | **(4,026,005)** | (1,761,468) |
| **Total assets less current liabilities** | | **45,652,344** | 47,169,496 |
| | | **45,652,344** | 47,169,496 |
| **Capital and reserves** | | | |
| Called-up equity share capital | 19 | **1,976** | 2,166 |
| Share premium account | 20 | **97,646,166** | 116,645,976 |
| Profit and loss account | 20 | **(51,995,798)** | (69,478,646) |
| **Shareholders' funds** | 21 | **45,652,344** | 47,169,496 |

These financial statements were approved by the directors and authorised for issue on 20 December 2013, and are signed on their behalf by:

C Rutherford
Chairman

J Wooles
Director

# Group cash flow statement

| | Note | Year to 31 October 2013 £ | Year to 31 October 2012 £ |
|---|---|---|---|
| **Net cash inflow from operating activities** | 22 | **25,358,836** | 3,382,498 |
| **Returns on investments and servicing of finance** | | | |
| Interest received | | **313,936** | 110,241 |
| Interest paid | | **(3,602,572)** | (3,490,525) |
| **Net cash outflow from returns on investments and servicing of finance** | | **(3,288,636)** | (3,380,284) |
| **Taxation** | | - | (34,216) |
| **Capital expenditure** | | | |
| Payments to acquire tangible fixed assets | | - | (78,565) |
| **Net cash outflow from capital expenditure** | | - | (78,565) |
| **Financing** | | | |
| Reduction in Preference Share Capital | | **(19,000,000)** | - |
| Bank loans repaid | | **(500,000)** | (6,625,000) |
| Bank loans received | | - | 8,000,000 |
| **Net cash (outflow)/ inflow from financing** | | **(19,500,000)** | 1,375,000 |
| **Dividends** | | | |
| Dividend paid to minority shareholders | | - | (514,500) |
| **Net cash outflow to service equity** | | - | (514,500) |
| **Increase in cash** | 23 | **2,570,200** | 749,933 |

**The accompanying accounting policies and notes form part of these financial statements.**

# Notes to the financial statements

## 1 Turnover

The turnover and profit before tax are attributable to the principal activities of the group. All turnover arose in the United Kingdom.

| | Year to 31 October 2013 £ | Year to 31 October 2012 £ |
|---|---|---|
| Rental and Unitary Payments | **7,343,354** | 6,821,953 |
| Property sale & development | **27,741,634** | 46,948,620 |
| | **35,084,988** | 53,770,573 |

## 2 Other operating (credits) / charges

| | Year to 31 October 2013 £ | Year to 31 October 2012 £ |
|---|---|---|
| Administrative expenses | **580,773** | 899,545 |
| Impairment provision for land & buildings written back | **(2,755,628)** | – |
| | **(2,174,855)** | 899,545 |

## 3 Operating profit

Operating profit is stated after charging:

| | Year to 31 October 2013 £ | Year to 31 October 2012 £ |
|---|---|---|
| Annual amortisation of intangible assets | **377,190** | 377,188 |
| Depreciation of owned fixed assets | **1,020** | 18,957 |
| Auditor's remuneration: | | |
| Auditor fees: | | |
| - Audit of the company | **7,000** | 6,500 |
| - Audit of subsidiary undertakings | **23,500** | 24,500 |
| - Taxation advice | **33,400** | 45,500 |
| Operating leases - other | **4,741** | 11,776 |
| Write back of impairment provision on fixed assets | **(2,755,628)** | - |

## 4 Particulars of employees

The average number of staff employed by the group during the financial year amounted to:

| | 2013 No | 2012 No |
|---|---|---|
| Number of employees | **10** | 10 |

# Notes to the financial statements

## 4 Particulars of employees (continued)

The aggregate payroll costs of the above were:

| | **Year to 31 October 2013** | Year to 31 October 2012 |
|---|---|---|
| | **£** | £ |
| Wages and salaries | **1,274,542** | 1,144,863 |
| Social security costs | **517,998** | 139,484 |
| Other pension costs | **77,862** | 75,479 |
| | **1,870,402** | 1,359,826 |

## 5 Directors

Remuneration in respect of directors was as follows:

| | **Year to 31 October 2013** | Year to 31 October 2012 |
|---|---|---|
| | **£** | £ |
| Remuneration receivable including pension contributions | **770,763** | 606,833 |
| Gain on exercise of share options | **2,554,986** | - |
| | **3,325,749** | 606,833 |

Remuneration of highest paid director:

| | | |
|---|---|---|
| | | £ |
| Remuneration (excluding pension contributions) | **388,888** | 301,361 |
| Pension contributions | **30,000** | 30,000 |
| Gain on exercise of share options | **1,349,510** | - |
| | **1,768,398** | 331,361 |

The number of directors receiving contributions to defined contribution pension schemes amounted to 2 (2012: 2)

## 6 Net interest receivable / (payable)

| | **Year to 31 October 2013** | Year to 31 October 2012 |
|---|---|---|
| **Interest receivable** | **£** | £ |
| Bank interest | **313,936** | 110,241 |
| **Interest payable** | **£** | £ |
| Bank loan and loan stock interest | **(3,602,572)** | (3,490,525) |
| **Similar charges** | **£** | £ |
| Fair value adjustment financial derivatives | **4,409,866** | (3,527,406) |
| Total | **1,121,230** | (6,907,690) |

No interest was capitalised during the year.

# Notes to the financial statements

## 7 Taxation on ordinary activities

(a) Analysis of charge in the period

| | **Year to 31 October 2013 £** | Year to 31 October 2012 £ |
|---|---|---|
| Current tax: | | |
| UK Corporation tax based on the results for the year at 24.83% (2012 - 26.83%) | **(57,388)** | (42,330) |
| Adjustment to tax charge in respect of previous periods | **72,330** | - |
| Group relief in respect of losses | **-** | 124,960 |
| Total current tax | **14,942** | 82,630 |
| Deferred tax: | | |
| Excess of taxation allowances over depreciation on fixed assets | **-** | 166,500 |
| Capitalised interest and charges reversed | **391,100** | 9,482 |
| Asset on fair value of derivatives | **439,067** | 598,916 |
| Tax losses utilised | **-** | (349,782) |
| | **830,167** | 425,116 |
| Tax on profit on ordinary activities | **845,109** | 507,746 |

(b) Factors affecting current tax charge

The tax assessed on the loss on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 23.42% (2012 - 26.83%).

| | **2013 £** | 2012 £ |
|---|---|---|
| Profit on ordinary activities before taxation | **21,092,115** | 5,771,940 |
| Profit on ordinary activities by rate of tax | **4,939,773** | 1,433,173 |
| Differences between capital allowances and depreciation | **(13,773)** | (17,559) |
| Disallowed expenses | **5,774** | 877,688 |
| Adjustment to tax charge in respect of previous periods | **(72,330)** | - |
| Goodwill amortisation | **86,207** | 86,207 |
| Utilisation of tax losses | **(1,719,054)** | (2,099,928) |
| Income not taxable for tax purposes | **(646,087)** | - |
| Adjustments to brought forward values | **(248,934)** | - |
| Amounts credited directly to the STRGL or otherwise transferred | **(978,066)** | - |
| Adjustments to losses | **(126,413)** | - |
| Other short term timing differences | **(1,242,039)** | - |
| Group relief in respect of losses | **-** | (124,960) |
| Dividend income | **-** | (237,251) |
| Total current tax (note 7(a)) | **(14,942)** | (82,630) |

## 8 Profit attributable to members of the parent company

The profit dealt with in the financial statements of the parent company was £17,482,848 (2012 - £9,546,293). The majority of this profit in 2013 is derived from dividends from subsidiary companies.

# Notes to the financial statements

## 9 Intangible fixed assets

| Group | Goodwill on consolidation £ | Purchased Goodwill £ | Total £ |
|---|---|---|---|
| **Cost or Valuation** | | | |
| As at 1 November 2012 | 108,198,806 | 300,000 | 108,498,806 |
| **At 31 October 2013** | **108,198,806** | **300,000** | **108,498,806** |
| **Amortisation** | | | |
| As at 1 November 2012 | 102,643,803 | 87,500 | 102,731,303 |
| Provided in Year | 347,190 | 30,000 | 377,190 |
| **At 31 October 2013** | **102,990,993** | **117,500** | **103,108,493** |
| Net book value | | | |
| **As 31 October 2013** | **5,207,813** | **182,500** | **5,390,313** |
| At 31 October 2012 | 5,555,003 | 212,500 | 5,767,503 |

In light of the circumstances of the acquisition of the group's operating businesses the directors immediately impaired all the goodwill arising on consolidation for all businesses acquired except where the business value was based on long term contracted income. For businesses with long term contracted income goodwill arising on consolidation is amortised over the life of the contract.

## 10 Tangible fixed assets

| Group | Investment property £ | Vehicles and office equipment £ | Total £ |
|---|---|---|---|
| **Cost** | | | |
| As at 1 November 2012 | 74,798,465 | 86,957 | 74,885,422 |
| Revaluation in year | 2,755,628 | - | 2,755,628 |
| Transfer to stock | (21,554,093) | - | (21,554,093) |
| **At 31 October 2013** | **56,000,000** | **86,957** | **56,086,957** |
| **Depreciation** | | | |
| As at 1 November 2012 | - | 81,857 | 81,857 |
| Charge for the year | - | 1,020 | 1,020 |
| **At 31 October 2013** | - | **82,877** | **82,877** |
| **Net book value** | | | |
| **As 31 October 2013** | **56,000,000** | **4,080** | **56,004,080** |
| At 31 October 2012 | 74,798,465 | 5,100 | 74,803,565 |

# Notes to the financial statements

## 10 Tangible fixed assets (continued)

### Freehold investment properties

**Brookgate cb1 Limited**

The properties held by Brookgate cb1 Limited were transferred to stock during the year. The properties were valued by Bidwells LLP for the purposes of the transfer; the valuation was £21,554,093.

**Roselead Limited**
The properties were valued at 31st October 2011 for the company by Bidwells LLP.

The Directors consider that the valuation, which was undertaken in accordance with the RICS Valuation Standards (7th Edition) on the basis of open market value subject to the leases and PFI agreements in place was £56,000,000. The Directors consider that this represents a fair value to adopt for the accounts as at 31 October 2013 in accordance with accounting standards.

In addition the properties were valued on the special assumption of open market value with vacant possession by Bidwells LLP for the company's funders on 31 May 2013. The aggregate value of the properties at this date was £48,480,000 (30 November 2012 - £47,890,000).

## 11 Investments

| **Company** | **Shares in group undertakings** **£** |
|---|---|
| **Cost** | |
| As 1 November 2012 & 31 October 2013 | **119,673,494** |
| **Impairment** | |
| As 1 November 2012 | 70,742,530 |
| Adjustment to Net Asset Value | (747,385) |
| **At 31 October 2013** | **69,995,145** |
| Net book value | |
| **As 31 October 2013** | **49,678,349** |
| At 31 October 2012 | 48,930,964 |

# Notes to the financial statements

## 11 Investments (continued)

The cost of investment has been recognised at the overall net asset value of the subsidiaries at 31 October 2013.

The above investment represents the ordinary issued share capital of the following subsidiaries in the percentages set out below.

| Name of subsidiary undertaking | Nature of business | Percentage of equity held |
|---|---|---|
| Brookgate cb1 Limited | Commercial property trading and investment | 100% |
| Brookgate Land Limited | Land trading | 100% |
| Greenways Holdings Limited | Intermediate holding company | 100% |
| Greenways (Ravenswood) Limited* | Commercial property investment | 100% |
| Roselead Limited ** | Residential property investment | 100% |
| Roselead (Wattisham) Limited | Intermediate holding company | 100% |
| Roselead Holding Limited | Intermediate holding company | 100% |
| Brookgate Homes Limited | Residential property development | 100% |
| Brookgate (Hills Road) Limited | Commercial property investment | 100% |
| Brookgate Development Management Limited | Planning and project management | 100% |
| CB1 Management Company Limited*** | Estate management | 100% |

*Greenways (Ravenswood) Limited is held as a wholly owned subsidiary Greenways Holdings Limited.
** Roselead Limited is owned 50% by Roselead Wattisham Limited and Roselead Holdings Limited.
***CB1 Management Company Limited is held as a wholly owned subsidiary Brookgate cb1 Limited.
All of the above subsidiaries were acquired on 8 December 2009, with the exception of CB1 Management Company Limited which was acquired in September 2011.

## 12 Stocks

| | The group | | The company | |
|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 |
| | **£** | £ | **£** | £ |
| Land and developments for resale | **33,520,599** | 16,640,978 | - | - |
| | **33,520,599** | 16,640,978 | - | - |

Work in progress includes an amount of £27,956,128 (2012 - £7,992,000) which is expected to be realised after more than one year.

## 13 Debtors

| | The group | | The company | |
|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 |
| | **£** | £ | **£** | £ |
| Trade debtors | **2,816,390** | 2,423,794 | - | - |
| Amounts recoverable on contracts | **3,006,709** | 8,088,655 | - | - |
| Amounts owed by group undertakings | - | - | - | 4,991,428 |
| VAT recoverable | **215,586** | - | - | - |
| Other debtors | **41,202** | 352 | - | - |
| Prepayments and accrued income | **49,617** | 186,042 | - | - |
| Deferred tax (Note 17) | **3,288,023** | 2,848,956 | - | - |
| | **9,417,527** | 13,547,799 | - | 4,991,428 |

# Notes to the financial statements

## 14 Creditors: amounts falling due within one year

| | The group | | The company | |
|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 |
| | **£** | £ | **£** | £ |
| Bank loans | **500,000** | 500,000 | **-** | - |
| Trade creditors | **1,107,017** | 3,297,244 | **3,000** | 15,688 |
| Amounts owed to group undertakings | **-** | - | **4,171,980** | 6,735,439 |
| Corporation tax | **57,388** | 72,330 | **-** | - |
| Other creditors | **4,468** | 12,652 | **4,468** | 24,022 |
| Taxation and social security | **78,656** | 150,894 | **41,842** | 32,511 |
| Accruals and deferred income | **1,764,520** | 972,313 | **13,825** | 17,241 |
| | **3,512,049** | 5,005,433 | **4,235,115** | 6,824,901 |

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

| | The group | | The company | |
|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 |
| | **£** | £ | **£** | £ |
| Fair value liability of financial derivatives | **16,440,116** | 20,849,982 | **-** | - |
| Bank loans | **56,421,000** | 56,921,000 | **-** | - |
| | **72,861,116** | 77,770,982 | **-** | - |

## 16 Bank loans

Bank loans are repayable as follows:

| | The group | | The company | |
|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 |
| | **£** | £ | **£** | £ |
| Amounts payable within 1 year | **500,000** | 500,000 | **-** | - |
| Amounts payable after 1 and within 5 years | **6,625,000** | 7,125,000 | **-** | - |
| Amounts payable after 5 years | **49,796,000** | 49,796,000 | **-** | - |
| | **56,921,000** | 57,421,000 | **-** | - |

The bank loans payable within one year and between one and five years are repayable by quarterly instalments of £125,000 until November 2014 followed by a final payment of £6,500,000. The loan is swapped at an interest rate of 1.63%

The bank loans due after five years are repayable as follows:

| | The group | | The company | |
|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 |
| | **£** | £ | **£** | £ |
| Bank loan 1, repayable in May 2028, swapped interest rate 5.75% to 31 May 2028 | **36,696,000** | 36,696,000 | **-** | - |
| Bank loan 2, repayable in May 2028, swapped interest rate 5.81% to 31 October 2028 | **13,100,000** | 13,100,000 | **-** | - |
| | **49,796,000** | 49,796,000 | **-** | - |

Loans entered into by Group companies are secured on the assets of the companies.

Throughout the year, the group has hedged certain of its borrowing costs with a range of interest rate derivatives. As at 31 October 2013, these had a negative value of £16,440,116 (2012 -£20,849,982) which is recognised in the group balance sheet as a fair value adjustment on consolidation.

# Notes to the financial statements

## 17 Deferred taxation

The movement in the deferred taxation provision during the year was:

| | The group 2013 | The group 2012 | The company 2013 | The company 2012 |
|---|---|---|---|---|
| | £ | £ | £ | £ |
| Asset brought forward | **2,457,856** | 2,032,740 | – | – |
| Recognised during the year | **830,167** | 425,116 | – | – |
| Asset carried forward | **3,288,023** | 2,457,856 | – | – |
| Represented by: | | | | |
| Included in debtors | **3,288,023** | 2,848,956 | – | – |
| Included in provisions for liabilities | – | (391,100) | – | – |
| Asset carried forward | **3,288,023** | 2,457,856 | – | – |

The group's provision for deferred taxation liabilities/(assets) consists of the tax effect of timing differences in respect of:

| Group | 2013 Provided | 2013 Unprovided | 2012 Provided | 2012 Unprovided |
|---|---|---|---|---|
| | £ | £ | £ | £ |
| Revaluation of financial derivative | **3,288,023** | – | 2,848,956 | – |
| Excess of taxation allowances over depreciation on fixed assets | – | **89,289** | – | – |
| Tax losses available | – | **8,333,444** | 120,390 | 10,288,144 |
| Capitalised interest | – | – | (511,490) | – |
| Short term timing differences | – | **2,858,422** | – | – |
| | **3,288,023** | **11,281,155** | 2,457,856 | 10,288,144 |

The group acquired tax losses of £67,800,000 on acquisition of the subsidiary undertakings. The group has tax losses of circa £41,700,000 (2012 - £44,700,000) available to potentially offset against future taxable profits. The capitalised interest was generated by the subsidiaries prior to acquisition.

## 18 Related party transactions

The group has taken advantage of the exemption allowed under FRS 8 to disclose transactions with other members of the group headed by Brookgate Limited.

# Notes to the financial statements

## 19 Share capital

Allotted, called up and fully paid:

| | 2013 | | 2012 | |
|---|---|---|---|---|
| | No | £ | No | £ |
| 450 A Ordinary shares of £1 each | **450** | **450** | 450 | 450 |
| 550 Ordinary shares of £1 each | **550** | **550** | 550 | 550 |
| A Preference shares of £0.00001 each | **-** | **-** | 9,000,000 | 90 |
| B Preference shares of £0.00001 each | **-** | **-** | 10,000,000 | 100 |
| C Preference shares of £0.00001 each | **10,000,000** | **100** | 10,000,000 | 100 |
| D Preference shares of £0.00001 each | **10,000,000** | **100** | 10,000,000 | 100 |
| E Preference shares of £0.00001 each | **10,000,000** | **100** | 10,000,000 | 100 |
| F Preference shares of £0.00001 each | **10,000,000** | **100** | 10,000,000 | 100 |
| G Preference shares of £0.00001 each | **10,000,000** | **100** | 10,000,000 | 100 |
| H Preference shares of £0.00001 each | **10,000,000** | **100** | 10,000,000 | 100 |
| I Preference shares of £0.00001 each | **10,000,000** | **100** | 10,000,000 | 100 |
| J Preference shares of £0.00001 each | **27,647,000** | **276** | 27,647,000 | 276 |
| | | **1,976** | | 2,166 |

### Rights of shares

The A Ordinary shares have attached to them voting, dividend and capital distribution (including on winding up) rights; they do not confer any rights of redemption.

The Ordinary shares have attached to them voting, dividend and capital distribution (including on winding up) rights; they do not confer any rights of redemption.

All classes of preference shares have attached to them dividend and capital distribution (including on winding up) and redemption rights; they do not confer any voting rights. Class A Preference shares have the right to be redeemed before other classes, followed by classes B,C,D,E,F,G,H,I and J in that order.

### Share options

Certain directors and employees of group undertakings have entered into an incentivisation scheme which provides various share options in Brookgate Limited.

The share options have no vesting period and are exercisable at any time after the grant date.

Details of the number of share options and the weighted average exercise price (WAEP) outstanding during the year are as follows:

| | 2013 | | 2012 | |
|---|---|---|---|---|
| **Preference Share Options** | | WAEP | | WAEP |
| | No | £ | No | £ |
| Outstanding at Beginning of Year | **3,474,000** | - | 120,000 | - |
| Granted during the Year | **-** | - | 6,636,264 | - |
| Exercised in Year | **(2,555,000)** | - | (3,282,264) | - |
| Outstanding at Year End | **919,000** | - | 3,474,000 | - |

# Notes to the financial statements

## 19 Share capital (continued)

The share options outstanding at the end of the year have an undefined remaining contractual life and have the following exercise prices:

| Expiry date | Class of shares | Exercise price £ | 2013 No | 2012 No |
|---|---|---|---|---|
| Undefined | A Preference | - | - | 1,350,000 |
| Undefined | B Preference | - | - | 1,205,000 |
| Undefined | C Preference | - | 919,000 | 919,000 |
| | | | 919,000 | 3,474,000 |

Under Financial Reporting Standard 20, the share options granted during the 2012 should be accounted for as a share-based payment. The fair value of these share options is considered to be immaterial and as a result no share based payment charge and corresponding share options reserve have been accounted for.

## 20 Reserves

**Group**

| | Share premium £ | Revaluation reserve £ | Profit and loss account £ |
|---|---|---|---|
| As 1 November 2012 | 116,645,976 | 11,409,886 | (93,305,891) |
| Profit for the year | - | - | 21,937,224 |
| On assets transferred to stock | - | (6,409,886) | 6,409,886 |
| Reduction in Capital | (18,999,810) | - | - |
| **At 31 October 2013** | 97,646,166 | 5,000,000 | (64,958,781) |

**Company**

| | Share premium £ | Profit and loss account £ |
|---|---|---|
| As 1 November 2012 | 116,645,976 | (69,478,646) |
| Profit for the year | - | 17,482,848 |
| Reduction in Capital | (18,999,810) | - |
| **At 31 October 2013** | 97,646,166 | (51,995,798) |

## 21 Reconciliation of movements in shareholders' funds

**Group**

| | 2013 £ | 2012 £ |
|---|---|---|
| Opening shareholders' funds | 34,752,137 | 29,216,544 |
| Profit for the year | 21,937,224 | 5,535,593 |
| Reduction in Capital | (19,000,000) | - |
| Closing shareholders' funds | 37,689,361 | 34,752,137 |

**Company**

| | 2013 £ | 2012 £ |
|---|---|---|
| Opening shareholders' funds | 47,169,496 | 37,623,183 |
| Profit for the year | 17,482,848 | 9,546,313 |
| Reduction in Capital | (19,000,000) | - |
| Closing shareholders' funds | 45,652,344 | 47,169,496 |

# Notes to the financial statements

## 22 Reconciliation of operating profit to net cash inflow from operating activities

| | 2013 £ | 2012 £ |
|---|---|---|
| Operating profit | **19,970,885** | 12,679,630 |
| Amortisation | **377,190** | 377,188 |
| Depreciation | **1,020** | 18,857 |
| Movement in stocks | **1,918,844** | (4,119,977) |
| Decrease/(increase) in debtors | **4,569,339** | (4,973,406) |
| Decrease in creditors | **(1,478,442)** | (599,794) |
| **Net cash inflow from operating activities** | **25,358,836** | 3,382,498 |

## 23 Reconciliation of net cash flow to movement in net debt

| | 2013 £ | 2012 £ |
|---|---|---|
| Increase in cash in the year | **2,570,200** | 749,933 |
| Net repayment/ (receipt) of bank loans | **500,000** | (1,375,000) |
| Change in net debt resulting from cash flows | **3,070,200** | (625,067) |
| Net debt at 31 October | **(47,190,993)** | (50,261,193) |

## 24 Analysis of changes in net debt

| | At 31 Oct 2012 | Cash flows £ | At 31 Oct 2013 £ |
|---|---|---|---|
| Net cash: | | | |
| Cash in hand and at bank | 7,159,807 | **2,570,200** | **9,730,007** |
| Cash in hand and at bank | 7,159,807 | **2,570,200** | **9,730,007** |
| Debt: | | | |
| Loan | (57,421,000) | **500,000** | **(56,921,000)** |
| Net debt | (50,261,193) | **3,070,200** | **(47,190,993)** |

## 25 Contingencies

The Group remains liable for warranty work to houses sold in the two years following completion. Insurance cover is supplied to purchasers after this date. A provision has been made in the accounts for certain liabilities.

The Group has a liability to ensure that planning obligations are complied with on the sites which it owns and/or develops.

# Notes to the financial statements

## 25 Contingencies (continued)

Approximately £1,200,000 has been deposited in a designated bank account to accommodate obligations under the project management agreement in respect of refurbishment costs.

Approximately £1,214,000 has been deposited in a designated bank account to accommodate obligations under debt servicing obligations.

The directors have confirmed that there were no other contingent liabilities which should be disclosed at 31 October 2013 or 31 October 2012.

## 26 Capital commitments

The directors have confirmed that there were no capital commitments at 31 October 2013 or 31 October 2012.

## 27 Leasing commitments

Commitments of the group in the next year under non-cancellable operating leases were as follows:

| | **Other 2013 £** | Other 2012 £ |
|---|---|---|
| Operating leases which expire: | | |
| Within one year | - | 4,332 |
| | - | 4,332 |

## 28 Controlling related party

As a result of the shareholdings in Brookgate Limited, the directors consider there to be no controlling related party.