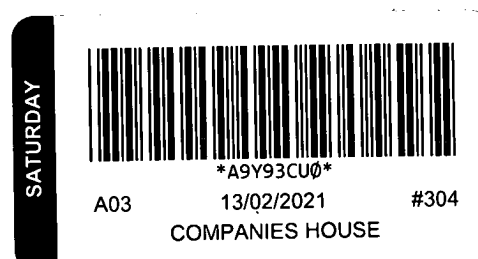




# Financial statements Brookgate Limited

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**For the Year Ended 31 October 2020**



**Company No. 07057863**

## Company information

<b>Company registration number</b>	07057863
<b>Registered office</b>	2 Station Place Cambridge CB1 2FP
<b>Directors</b>	R Carnan C Rutherford S Topel J Wooles
<b>Secretary</b>	J Wooles
<b>Auditor</b>	Grant Thornton UK LLP Chartered Accountants Statutory Auditor 101 Cambridge Science Park Milton Road Cambridge Cambridgeshire CB4 0FY
<b>Bankers</b>	Santander UK Banking Victory House Vision Park Cambridge CB24 9ZR
<b>Property advisers and valuers</b>	Bidwells LLP 25 Old Burlington Street London W1S 3AN

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# Report of the directors

The directors present their report and the financial statements of the Group for the year ended 31 October 2020.

## Directors

The directors who served the company during the year were as follows:

Mr C Rutherford  
Mr R Carnan  
Mr S Topel  
Mr J Wooles

## Directors' responsibilities statement

The directors are responsible for preparing the report of the directors, the Strategic 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 FRS102 'The Financial Reporting Standard applicable in the UK and 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 and profit or loss of the company and group 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;
- 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

The Directors confirm that:

- so far as each director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

## Report of the directors (cont'd)

### **Qualifying third party indemnity provisions**

The Company has made qualifying third party indemnity provisions for the benefit of its directors which were in place during the year and remain in force at the date of this report.

### **Auditor**

The auditor, Grant Thornton UK LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

### **ON BEHALF OF THE BOARD**

*Jon Wooles*

J Wooles  
Secretary  
14 January 2021

## Report of the directors relating to their statutory duties under section 172(1) of the Companies Act 2006

The Directors, in line with their duties under s172 of the Companies Act 2006, act individually and collectively in the way they consider, in good faith, would be most likely to promote the success of the Company and Group for the benefit of its members, and in doing so have regard, amongst other matters, to the:

- Likely consequences of any decision in the long term
- Interests of the Group's employees
- Need to foster the Group's business relationships with suppliers, customers and others
- Impact of the Group's operations on the community and the environment
- Desirability of the Group maintaining a reputation for high standards of business conduct
- Need to act fairly as between members of the Group

The Directors' regard to these matters is embedded in their decision-making process, through the Group's business strategy, culture, governance framework, management information flows and stakeholder engagement processes.

The Group's business strategy is focused on achieving success for the Group in the medium and long-term whilst also delivering regular returns to shareholders. In setting this strategy, the Board takes into account the impact of relevant factors and stakeholder interests on the Group's performance. The Board also identifies principal risks facing the business and sets risk management objectives.

The Board promotes a culture of upholding the highest standards of business and regulatory conduct. The Board ensures these core values are communicated to the Group's employees and embedded in the Group's policies and procedures, employee induction and training programmes and its risk control and oversight framework.

The Board recognizes that building strong and lasting relationships with our stakeholders will help us to deliver our strategy in line with our long-term values, and operate a sustainable business.

The Directors are supported in the discharge of their duties by:

- Processes which ensure the provision of timely management information and escalation through reporting lines to the Board from the Group's business areas, its risk and control functions, and executive operational teams.
- Agenda planning for Board meetings to provide sufficient time for the consideration and discussion of key matters.

### Stakeholders

The Board understands the importance of engagement with all of its stakeholders and gives appropriate weighting to the outcome of its decisions for the relevant stakeholder in weighing up how best to promote the success of the Group.

The Board regularly discusses issues concerning employees, clients, suppliers, community and environment, regulators and its shareholders, which it takes into account in its discussions and in its decision-making process. In addition to this, the Board seeks to understand the interests and views of the Group's stakeholders by engaging with them directly when required. The below summarises the key stakeholders and how we engage with each:

Stakeholders	Engagement
Shareholders & Investors	The Board seeks to behave in a responsible manner towards our shareholders. The Board communicates information relevant to its shareholders, such as its financial reporting, business plans and strategies. Where appropriate investors are invited to observe meetings of the Group Board.

## Report of the directors relating to their statutory duties under section 172(1) of the Companies Act 2006

<b>Stakeholders</b>	<b>Engagement</b>
<b>Employees</b>	<p>Our employees contribute to a positive working culture and healthy working environment. Employees are key to the success of our business. In addition to aiming to be a responsible employer we strive to develop productivity and our individual employees' potential within the business.</p> <p>We are a small employer, during 2020 there were 12 employees, 10 full time including 2 members of the Group Board. All full time employees, including those who are members of the Group Board, share an open plan office, which results in an healthy dialogue where all members of the team contribute to the development of business ideas.</p> <p>Our culture invites different perspectives, new ideas and opportunities for growth. We work hard to ensure employees feel welcome and are valued and recognized for their hard work. Ad hoc business updates, team business briefing lunches and in the time of the global pandemic lockdown regular 'Microsoft Teams' meetings are held to give all employees the opportunity to discuss matters that are of concern to them.</p>
<b>Customers</b>	<p>Our Customers are core to the success of our business.</p> <p>In our development businesses we hold regular engagement meeting with the landowners with whom we have long term development relationships.</p> <p>Our development businesses engage with the customers who become the owners of our developed buildings to ensure that the buildings meet their long-term requirements. There is also engagement with the customers who take leases in the buildings to ensure that the specification is understood and that customer requirements are met.</p> <p>Our PFI business holds monthly meetings with representatives of the Defence Infrastructure Organisation, attended by a member of the Group Board, to ensure that service standards are maintained at a high level.</p> <p>We take a consultative approach with customers focused on building long-term relationships and solving their investment challenges.</p>
<b>Suppliers</b>	<p>As a UK based business, we work with a wide range of suppliers mainly in the UK but who maintain global supply chains. We are committed to being fair and transparent in our dealings with all our suppliers.</p> <p>The Group has systems and processes in place to ensure suppliers are paid in a timely manner</p>
<b>Lenders</b>	<p>The Group maintains regular dialogue with its lenders, keeping them updated on the financial performance of the businesses to which they provide loans and regular reporting of loan performance.</p>
<b>Community and Environment</b>	<p>The Board's approach to social responsibility, diversity &amp; the community is of high importance.</p> <p>We strive to create sustainable value and help investors achieve good returns. Corporate social responsibility principles are part of our culture and decision-making process. We take a consultative approach focused on building long-term relationships and solving business problems.</p> <p>Community consultation and engagement is a key principle of our planning processes, we also recognise that the community that we serve extends beyond local interest groups and that through our development programme we are helping to create a strong and thriving residential community and business environment that contributes to the success of our Region.</p>

# Strategic Report

## Review of the business and future activities

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. The impact of COVID-19 on the Group has, to date, been limited, there was a short hiatus in the delivery of construction projects, but all of the company's development and construction partners have remained committed to development projects.

## Brookgate Property

Brookgate Property Limited had another successful year, activities included;

- Good construction progress on an 80,000 sq.ft. development at 30 Station Road which has been forward funded and pre-let to a major global consumer technology company.
- Agreement of a conditional pre-let for a 68,000 sq.ft. building at 20 Station Road. The pre-let was conditional on a number of factors, including funding, all of which were satisfied after the balance sheet date. The funding, sale and construction all commenced in November 2020.
- Progress of Weston Homes' works for the mixed-use development of 3 & 4 Station Square Cambridge, the delivery of the second stage of Station Square and additional retail and office space.
- Developing plans to work with Cambridge County Council as redevelopment partner for their Shire Hall site.
- Cambridge City Council planning committee refused a planning application for an Aparthotel and Office Building on the remaining land at Cambridge cb1 subject to a development agreement with Network Rail.

These activities have brought the masterplan for the Cambridge cb1 development closer to completion. The Directors are pleased with progress in developing their site in Cambridge and are working to bring forward other development opportunities in their areas of interest. The company agreed a new 2-year £5,000,000 revolving credit facility with Santander in October 2019 (which has since been reduced to £4,000,000 with the impending sale of 20 Station Road) to provide investment finance and working capital for the company. The loan is repayable by a single payment of up to £4,000,000 at the end of a two-year loan term, if any balance is outstanding at that time – £2,000,000 of the loan is as yet undrawn; this loan is secured on the assets of the company.

## Roselead

Roselead Limited (Roselead) has had a successful year delivering PFI housing services under a contract with the Ministry of Defence. The company has now completed a five year programme of refurbishment for the kitchens and bathrooms in the housing stock that it uses to provide housing services.

The future strategy for the company is to continue to provide housing services for the period of Roselead's PFI contract.

## Brookgate Land

During the year the company made good progress in delivering on its obligations under a development agreement with Network Rail and DB Schenker for the development of land adjacent to the new Cambridge North station in Chesterton, Cambridge CB4.

The Company substantially completed development of a new 4-star hotel adjacent to the railway station on a turnkey basis for Accor Hotel-Invest and commenced development of the first 100,000 square foot office on the development.

## Brookgate Homes

Brookgate Homes Limited has a number of sites under consideration including involvement in Brookgate Land Ltd's development at Chesterton cb4 and is looking for opportunities to enable it to trade profitably.

The future strategy for the company is to seek opportunities for successful residential development in conjunction with other companies in the Group or on a standalone basis.



## Strategic Report (cont'd)

### Key performance indicators

	31 October 2020	31 October 2019	31 October 2018
	£	£	£
<b>Net Asset Value</b>	<b>39,694,610</b>	<b>34,188,320</b>	<b>57,050,885</b>
<b>Cash &amp; Group Borrowing</b>			
Cash at bank	14,628,067	21,871,437	15,786,656
Short term	(2,000,000)	-	(3,500,000)
Long term	(49,796,000)	(49,796,000)	(49,976,000)
<b>Net Borrowing</b>	<b>(37,167,933)</b>	<b>(27,924,563)</b>	<b>(37,689,344)</b>

The directors are satisfied this performance meets expectations for the year.

The increase in net assets of £5.51m during the year reflects the profit for the year, valuation changes in freehold property and cashflow hedges.

### Results, dividends and capital reduction

The profit for the year after taxation amounted to £5.27m (2019 -£17.39m).

£nil of preference shares were redeemed during the year (2019 - £40.0m)

Cash balances net of borrowings decreased by £9.24m during the year as the result of trading and working capital movements; net asset value increased by £5.51m as a result of trading, valuation and the capital redemption above.

The directors have not recommended approved capital reduction and dividends after the balance sheet date as set out in note 25.

### Principal risks and uncertainties

The broader economy within which the business operates has significant impact on the Group's activities through demand from tenants and funders of the properties which the Group develops. The Board undertakes regular reviews of the markets in which the businesses operate to ensure that it is aware of changes in market conditions.

The impact of economic conditions, both national and local, on construction costs is a further key risk to the property development business. The result of the EU referendum and the impact of the global Covid19 pandemic continue to create uncertainty with regards to business development opportunities. However a large proportion of our developments are for global companies and our ongoing assessment is that this market may prove resilient during this period of uncertainty. The Board undertakes regular monitoring of construction costs.

The Board consider that financial risk and uncertainty is one of the key strategic risks impacting on property development businesses.

## Strategic Report (cont'd)

### **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 interest 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 Property Limited or through funds generated from trading activities.

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.

### **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.

ON BEHALF OF THE BOARD

*Jon Wooles*

J Wooles  
Secretary  
14 January 2021

# Independent auditor's report to the members of Brookgate Limited

## **Opinion**

We have audited the financial statements of Brookgate Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 October 2020, which comprise the principal accounting policies, Consolidated Profit and Loss account, Consolidated Statement of Comprehensive Income, Consolidated Balance Sheet, Company Balance Sheet, Consolidated Statement of Cash Flows, Consolidated Statement of Changes in Equity, Company Statement of Changes in Equity and notes to the financial statements. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

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 31 October 2020 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.

## **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the 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.

## **Emphasis of matter – property valuation**

We draw attention to Note 10 to the financial statements, which describes the basis for valuing freehold property. Management have obtained an expert's valuation to value their property portfolio. The expert's valuation included a 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty and a higher degree of caution should be attached to management's valuation than would normally be the case. Our opinion is not modified in respect of this matter.

## **The impact of macro-economic uncertainties on our audit**

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the directors and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Covid-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the company's future prospects and performance. However, no audit

## Independent auditor's report to the members of Brookgate Limited (continued)

should be expected to predict the unknowable factors or all possible future implications for a company associated with these particular events.

### **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

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

### **Other information**

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

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

We have nothing to report in 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 report of the directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the report of the directors have been prepared in accordance with applicable legal requirements.

### **Matter on which we are required to report under the Companies Act 2006**

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 report of the directors.

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

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

## Independent auditor's report to the members of Brookgate Limited (continued)

- 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 for the financial statements**

As explained more fully in the directors' responsibilities statement set out on page 3, 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.

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

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://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 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.

Grant Thornton UK LLP

Paul C Brown  
Senior Statutory Auditor  
for and on behalf of Grant Thornton UK LLP  
Statutory Auditor, Chartered Accountants  
Cambridge

28/1/2021

# Principal accounting policies

## General information

Brookgate Limited is a private limited company, incorporated in England. The registered office is 2 Station Place, Cambridge, CB1 2FP.

The Group's financial statements have been prepared in compliance with FRS 102 as it applies to the financial statements of the Group for the year ended 31 October 2020.

## Going concern

The directors have prepared a business plan and forecasts for the Group, which show that the Group will be able to operate within the bank facilities available – the plan includes cashflow forecasts which are regularly reviewed by the Board so that alternative action can be taken if there is significant deviation from the plan. Accordingly, the directors are satisfied that the company can meet its liabilities as they fall due for the foreseeable future, being a period of not less than 12 months from the date of approval of these financial statements and have decided that it is appropriate to prepare the financial statements on a going concern basis.

## Basis of preparation

These financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 – 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' ('FRS 102'), and with the Companies Act 2006. The financial statements have been prepared on the historical cost basis except for the modification to a fair value basis for certain financial instruments and revaluation of freehold property as specified in the accounting policies below.

The financial statements are presented in Sterling (£) which is the functional currency of the Group.

FRS 102 allows a qualifying entity certain disclosure exemptions, subject to certain conditions, which have been complied with, including notification of, and no objection to, the use of exemptions by the company's shareholders. The company has taken advantage of the following exemptions in its individual financial statements:

- i. From preparing a statement of cash flows, on the basis that it is a qualifying entity and the consolidated statement of cash flows, included in these financial statements, includes the company's cash flows;
- ii. From the financial instrument disclosures, required under FRS 102 paragraphs 11.41(b), 11.41(c), 11.41(e), 11.41(f), 11.42, 11.44, 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c) and paragraphs 12.26 to 12.29, as the information is provided in the consolidated financial statements disclosures;
- iii. From disclosing the company key management personnel compensation, as required by FRS 102 paragraph 33.7.

## Basis of 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 on the date on which the group obtains control. Goodwill, if any arising, on consolidation is capitalised and amortised over an appropriate period. In the circumstances of the acquisition during 2009, the majority of the goodwill on consolidation has been immediately written off. The results of companies acquired or disposed of are included in the consolidated profit and loss account after or up to the date that control passes respectively. As a consolidated 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.

## Investment accounting policy

Investments are stated at fair value. On this basis investments are valued at net book value of the subsidiary company with appropriate adjustments made for the property portfolio held within them and the resulting valuation change taken to the profit and loss account.

## Principal accounting policies (continued)

### 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 in respect of properties held for redevelopment. 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. Profits are accrued as amounts recoverable on contracts where these are yet to be invoiced. Full provision is made for losses on all contracts in the year in which they are first foreseen.

### 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 properties held for redevelopment have been capitalised in the balance sheet. Borrowing costs are capitalised up to the date of practical completion.

Temporary changes in market value are recorded in the non-distributable profit reserve and recognised in the statement of comprehensive income. Where the carrying value falls below historical cost, these deficits are transferred to the profit and loss account.

The master plan for Cambridge cb1 referred to in the Strategic Report continues to evolve as part of the planning process. The company's strategy is for all land and buildings to be sold once development is completed and therefore all properties held for development in Brookgate Property Limited are held as stock.

### Tangible fixed assets

Tangible fixed assets are measured at cost less accumulated depreciation and any accumulated impairment losses.

### Depreciation

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

Furniture, plant and equipment	-	3 years
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## Principal accounting policies (continued)

### **Freehold properties**

Freehold properties are held for the long term provision of services under a PFI contract and are stated at valuation. The properties are valued by a professional valuation agency on an appropriate basis and the resulting valuation change taken to a non-distributable profit reserve.

Depreciation is not provided in respect of freehold 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 FRS 102. 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 valuation and the amount which might otherwise have been shown cannot be separately identified or quantified.

### **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.

In light of the circumstances of the acquisition of the Group's operating businesses during 2009 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.

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. For businesses with long term contracted income, goodwill arising on consolidation is amortised over the life of the contract. Purchased goodwill is amortised over its useful economic life of 10 years.

### **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.

### **Borrowing costs**

In accordance with FRS 102 section 25, 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 borrowing 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 on a straight line basis over the lease term. Lease incentives are recognised over the lease term on a straight line basis.



## Principal accounting policies (continued)

### Taxation

Tax is recognised in profit or loss except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

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

### 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

Derivative financial instruments are recognised at fair value using a valuation technique with any gains or losses being reported in profit or loss. Outstanding derivatives at reporting date are included under the appropriate format heading depending on the nature of the derivative.

### Financial instruments

The company enters into basic financial assets like trade and other debtors, amounts recoverable under contracts, cash and cash equivalents and amounts owed from group companies. Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of comprehensive income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

Financial assets and liabilities are offset, and the net amount reported in the Balance sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

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.

## Principal accounting policies (continued)

### Hedging arrangements

The Group applies hedge accounting for transactions entered into to manage the cash flow exposures of borrowings. Interest rate swaps are held to manage the interest rate exposures and are designated as cash flow hedges of floating rate borrowings.

Changes in the fair values of derivatives designated as cash flow hedges, and which are effective, are recognised directly in equity. Any ineffectiveness in the hedging relationship (being the excess of the cumulative change in fair value of the hedging instrument since inception of the hedge over the cumulative change in the fair value of the hedged item since inception of the hedge) is recognised in the profit and loss account.

The gain or loss recognised in other comprehensive income is reclassified to the income statement when the hedge relationship ends. Hedge accounting is discontinued when the hedging instrument expires, no longer meets the hedging criteria, the forecast transaction is no longer highly probable, the hedged debt instrument is derecognised or the hedging instrument is terminated.

### Significant judgement and estimates

The preparation of the financial statements requires management to make judgements, estimates and assumptions. Actual results may differ from these estimates. The following judgements have had the most significant effect on amounts recognised in the financial statements:

- The fair value of financial instruments that are not traded on an active market is determined using valuation techniques. The company uses its judgement to select a variety of methods and makes assumptions that are mainly based on the market conditions existing as at each end of the reporting period (see also note 26).
- The company considers the appropriateness of the annual valuation undertaken for funders and subsequent housing market movements in forming a judgement on the valuation of Freehold Properties in the financial statements as disclosed at note 10.
- The company considers the appropriate valuation of property held as stock and work in progress in assessing the fair value of Investments in the financial statements as disclosed at note 11.
- The directors have considered the carrying value of stocks, and necessary impairment provision has been made. The carrying value of stock and associated impairments are disclosed at note 12.
- Amounts recoverable on contracts have been estimated by the directors in accordance with the Development Contract policy above and are disclosed at note 13.

## Consolidated profit and loss account

		Year to 31 October 2020 £	Year to 31 October 2019 £
	Note		
<b>Turnover</b>	1	<b>51,405,658</b>	60,604,929
Cost of sales		<b>(41,113,416)</b>	(35,404,538)
<b>Gross profit</b>		<b>10,292,242</b>	25,200,391
Other operating charges	2	<b>(549,450)</b>	(647,382)
<b>Operating profit</b>	3	<b>9,742,792</b>	24,553,009
Net interest payable	7	<b>(3,163,060)</b>	(3,125,286)
<b>Profit on ordinary activities before taxation</b>		<b>6,579,732</b>	21,427,723
Tax on profit on ordinary activities	8	<b>(1,311,032)</b>	(4,037,222)
<b>Profit for the financial year</b>		<b>5,268,700</b>	17,390,501

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

## Consolidated statement of comprehensive income

	Year to 31 Oct 2020 £	Year to 31 Oct 2019 £
<b>Profit for the financial year</b>	<b>5,268,700</b>	<b>17,390,501</b>
Cash flow hedges		
- Change in value of hedging instrument	(102,243)	(2,062,397)
- Deferred tax thereon	423,742	350,606
Revaluation of fixed assets		
- Change in value of freehold investment properties	178,000	1,757,500
- Deferred tax thereon	(261,909)	(298,775)
<b>Total comprehensive income for the financial year</b>	<b>5,506,290</b>	<b>17,137,435</b>

## Consolidated balance sheet

	Note	31 October 2020 £	31 October 2019 £
<b>Fixed assets</b>			
Intangible assets	9	2,789,899	3,141,137
Tangible assets	10	69,502,603	69,321,859
		<u>72,292,502</u>	<u>72,462,996</u>
<b>Current assets</b>			
Stocks	12	23,846,009	24,549,654
Debtors	13	18,671,453	7,489,909
Cash at bank and in hand	24	14,628,067	21,871,437
		<u>57,145,529</u>	<u>53,911,000</u>
Creditors: amounts falling due within one year	14	20,114,123	22,564,420
<b>Net current assets</b>		<u>37,031,406</u>	<u>31,346,580</u>
<b>Total assets less current liabilities</b>		<b>109,323,908</b>	<b>103,809,576</b>
Creditors: amounts falling due after more than one year	15	67,428,630	67,682,497
Provision for liabilities	17	2,200,668	1,938,759
<b>Net assets</b>		<u><b>39,694,610</b></u>	<u><b>34,188,320</b></u>
<b>Capital and reserves</b>			
Called-up equity share capital	19	1,176	1,176
Share premium	20	17,646,966	17,646,966
Non-distributable profit reserve	20	16,289,832	16,373,741
Cash flow hedge reserve	20	(16,457,601)	(16,779,100)
Profit and loss account	20	22,214,237	16,945,537
<b>Shareholders' funds</b>		<u><b>39,694,610</b></u>	<u><b>34,188,320</b></u>

These financial statements were approved by the directors and authorised for issue on 14 January 2021, and are signed on their behalf by:



Don wooley

C Rutherford  
Chairman

J Wooley  
Director

## Company balance sheet

		31 October 2020	31 October 2019
	Note	£	£
<b>Fixed assets</b>			
Investments	11	<u>42,280,766</u>	<u>39,714,622</u>
<b>Current assets</b>			
Debtors	13	4,706,730	1,548,330
Cash at bank and in hand	24	<u>86,200</u>	<u>990,336</u>
		<b>4,792,930</b>	<b>2,538,666</b>
Creditors: amounts falling due within one year	14	<u>127,943</u>	<u>342,295</u>
<b>Net current assets</b>		<b>4,664,987</b>	<b>2,196,371</b>
<b>Net assets</b>		<b><u>46,945,753</u></b>	<b><u>41,910,993</u></b>
<b>Capital and reserves</b>			
Called-up equity share capital	19	1,176	1,176
Share premium account	20	17,646,966	17,646,966
Profit and loss account	20	<u>29,297,611</u>	<u>24,262,851</u>
<b>Shareholders' funds</b>		<b><u>46,945,753</u></b>	<b><u>41,910,993</u></b>

The company has taken advantage of section 408 of the Companies Act 2006 not to publish its own Profit and Loss Account and Statement of Comprehensive Income. The company profit for the year ended 31 October 2020 is £5,034,760 (2019: £28,336,106).

These financial statements were approved by the directors and authorised for issue on 14 January 2021, and are signed on their behalf by:



C Rutherford  
Chairman



J Wooles  
Director

## Consolidated statement of cash flows

	Year to 31 October 2020 £	Year to 31 October 2019 £
<b>Group profit for the year</b>	<b>5,268,700</b>	<b>17,390,501</b>
Amortisation	351,238	378,738
Depreciation	5,724	13,292
Decrease / (increase) in stocks	703,645	7,161,071
(Increase) / decrease in debtors	(10,757,802)	11,427,720
Increase / (decrease) in creditors	(3,531,522)	12,695,334
Net finance costs	3,163,060	3,125,286
Taxation charge	1,311,032	4,037,222
<b>Net cash (outflow)/inflow from operating activities</b>	<b>(3,485,925)</b>	<b>56,229,164</b>
<b>Corporation tax paid</b>	<b>(2,585,917)</b>	<b>(3,512,978)</b>
<b>Investing activities</b>		
Purchase of fixed assets	(8,468)	(6,119)
Interest received	72,251	88,940
<b>Net cash flow from investing activities</b>	<b>63,783</b>	<b>82,821</b>
<b>Financing activities</b>		
Interest paid	(3,235,311)	(3,214,226)
Bank loans received / (repaid)	2,000,000	(3,500,000)
Reduction in preference share capital	-	(40,000,000)
<b>Net cash outflow from financing activities</b>	<b>(1,235,311)</b>	<b>(46,714,226)</b>
<b>(Decrease) / increase in cash and cash equivalents</b>	<b>(7,243,370)</b>	<b>6,084,781</b>
Cash and cash equivalents at 1 November 2019	21,871,437	15,786,656
<b>Cash and cash equivalents at 31 October 2020</b>	<b>14,628,067</b>	<b>21,871,437</b>

Consolidated statement of changes in equity

	Called-up share capital	Share premium account	Cash flow hedge reserve <sup>1</sup>	Non distributable profit reserve <sup>2</sup>	Profit and loss account	Amount attributable to owners of the parent
	£	£	£	£	£	£
At 1 Nov 2018	1,576	57,646,566	(15,067,309)	14,915,016	(444,964)	57,050,885
Profit for the year	-	-	-	-	17,390,501	17,390,501
Other comprehensive income	-	-	(1,711,791)	1,458,725	-	(253,066)
Redemption of shares	(400)	(39,999,600)	-	-	-	(40,000,000)
As at 31 Oct 2019	1,176	17,646,966	(16,779,100)	16,373,741	16,945,537	34,188,320
Profit for the year	-	-	-	-	5,268,700	5,268,700
Other comprehensive income	-	-	321,499	(83,909)	-	237,590
At 31 Oct 2020	1,176	17,646,966	(16,457,601)	16,289,832	22,214,237	39,694,610

<sup>1</sup> The cash flow hedge reserve includes the associated deferred tax asset of £3,860,425 (2019: £3,436,683).

<sup>2</sup> The non-distributable profit reserve arose on the previous revaluation of certain fixed assets and includes the associated deferred tax of £2,200,668 (2019: £1,938,759).

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



**Brookgate Limited – Company No. 07057863**  
**Financial statements for the year ended 31 October 2020**

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## Company statement of changes in equity

	Called-up share capital	Share premium account	Profit and loss account	Total
	£	£	£	£
At 1 Nov 2018	1,576	57,646,566	(4,073,255)	53,574,887
Profit for the year	-	-	28,336,106	28,336,106
Redemption of shares	(400)	(39,999,600)	-	(40,000,000)
At 31 Oct 2019	1,176	17,646,966	24,262,851	41,910,993
Profit for the year	-	-	5,034,760	5,034,760
At 31 Oct 2020	1,176	17,646,966	29,297,611	46,945,753

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 2020 £	Year to 31 October 2019 £
Rental and unitary payments	7,469,267	7,307,732
Property sale & development	43,936,391	53,297,197
	<u>51,405,658</u>	<u>60,604,929</u>

### 2 Other operating charges

	Year to 31 October 2020 £	Year to 31 October 2019 £
Administrative expenses	549,450	647,382
	<u>549,450</u>	<u>647,382</u>

### 3 Operating profit

Operating profit is stated after charging:

	Year to 31 October 2020 £	Year to 31 October 2019 £
Annual amortisation of intangible assets	351,238	378,738
Depreciation of owned fixed assets	5,724	13,292
Auditor's remuneration:		
- Audit of the company	14,000	10,000
- Audit of subsidiary undertakings	43,000	38,500
- Taxation compliance	26,220	25,345
- Taxation advisory	2,000	6,695
- Payroll services	5,500	4,180
	<u></u>	<u></u>

### 4 Particulars of employees

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

	2020 No	2019 No
Number of employees	<u>12</u>	<u>10</u>

## Notes to the financial statements

### 5 Particulars of employees (continued)

The aggregate payroll costs of the above were:

	Year to 31 October 2020	Year to 31 October 2019
	£	£
Wages and salaries	1,435,364	2,681,047
Social security costs	186,534	357,347
Other pension costs	76,863	63,618
	<u>1,698,761</u>	<u>3,102,012</u>

### 6 Directors

Remuneration in respect of directors was as follows:

	Year to 31 October 2020	Year to 31 October 2019
	£	£
Remuneration receivable including pension contributions	667,281	1,503,275
	<u>667,281</u>	<u>1,503,275</u>

Remuneration of highest paid director:

	£	£
Remuneration (excluding pension contributions)	323,038	720,120
Pension contributions	4,167	10,000
	<u>327,205</u>	<u>730,120</u>

The number of directors receiving contributions to defined contribution pension schemes amounted to 2 for the period to 5<sup>th</sup> April 2020 and nil thereafter (2019: 2).

### 7 Net interest payable

	Year to 31 October 2020	Year to 31 October 2019
	£	£
<b>Interest receivable</b>		
Bank interest	<u>72,251</u>	<u>88,940</u>
<b>Interest payable</b>		
Bank loan and loan stock interest	(3,233,775)	(3,210,705)
Other interest payable	<u>(1,536)</u>	<u>(3,521)</u>
Net interest payable	<u>(3,163,060)</u>	<u>(3,125,286)</u>

No interest was capitalised during the year as no borrowing was undertaken to finance development activities.

## Notes to the financial statements

### 8 Taxation on ordinary activities

#### (a) Analysis of charge in the period

	Year to 31 October 2020 £	Year to 31 October 2019 £
<b>Current tax:</b>		
UK Corporation tax based on the results for the year	1,301,883	4,037,216
Adjustment to tax charge in respect of previous periods	9,149	6
Total current tax	1,311,032	4,037,222
<b>Deferred tax – origination &amp; reversal of timing differences</b>	-	-
<b>Tax on profit on ordinary activities</b>	<b>1,311,032</b>	<b>4,037,222</b>

#### (b) Factors affecting tax charge for the year

The tax assessed on the profit on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 19% (2019: 19%).

	Year to 31 October 2020 £	Year to 31 October 2019 £
<b>Profit on ordinary activities before taxation</b>	<b>6,579,732</b>	<b>21,427,723</b>
Profit on ordinary activities by rate of tax	1,250,149	4,071,267
Non-deductible expenses, including amortisation of goodwill	81,446	69,676
Adjustment to tax charge in respect of prior period	9,149	6
Tax losses not previously recognised	(24,673)	(106,009)
Deferred tax not recognised on timing differences	(5,039)	2,282
<b>Total tax charge for the year (note 8(a))</b>	<b>1,311,032</b>	<b>4,037,222</b>

#### (c) Factors that may affect future charges:

The UK Government had previously announced that the rate of UK Corporation tax would reduce to 17% from 1 April 2020 and this rate was used in 2019 for assessing deferred tax assets and liabilities in the financial statements. On 17th March 2020 legislation was enacted that resulted in this reduction not happening and UK corporation tax rates remaining at 19% for the foreseeable future. The rate of 19% has been used for assessing deferred tax assets and liabilities at 31st October 2020.

## Notes to the financial statements

### 9 Intangible fixed assets

Group	Goodwill on consolidation £	Purchased Goodwill £	Total £
<b>Cost</b>			
As at 1 November 2019	108,198,806	300,000	108,498,806
<b>At 31 October 2020</b>	<b>108,198,806</b>	<b>300,000</b>	<b>108,498,806</b>
<b>Amortisation</b>			
As at 1 November 2019	105,060,169	297,500	105,357,669
Provided in Year	348,738	2,500	351,238
<b>At 31 October 2020</b>	<b>105,408,907</b>	<b>300,000</b>	<b>105,708,907</b>
<b>Net book value</b>			
<b>As 31 October 2020</b>	<b>2,789,899</b>	<b>-</b>	<b>2,789,899</b>
At 31 October 2019	3,138,637	2,500	3,141,137

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 Property, plant and equipment

Group	Freehold properties £	Vehicles and office equipment £	Total £
<b>Cost or valuation</b>			
As at 1 November 2019	69,312,500	73,064	69,385,564
Additions	-	8,468	8,468
Valuation adjustment in year	178,000	-	178,000
<b>At 31 October 2020</b>	<b>69,490,500</b>	<b>81,532</b>	<b>69,572,032</b>
<b>Depreciation</b>			
As at 1 November 2019	-	63,705	63,705
Charge for the year	-	5,724	5,724
<b>At 31 October 2020</b>	<b>-</b>	<b>69,429</b>	<b>69,429</b>
<b>Net book value</b>			
<b>As 31 October 2020</b>	<b>69,490,500</b>	<b>12,103</b>	<b>69,502,603</b>
At 31 October 2019	69,312,500	9,359	69,321,859

Freehold properties include capitalised interest costs amounting to £1,676,071 (2019 - £1,676,071).

If freehold properties had not been revalued they would have been included on this historical cost basis at £39,870,737 (2019 £39,870,737).

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 2020. The aggregate value of the properties at this date, on that basis, was £69,490,500 (31 May 2019 - £69,312,500). The expert's valuation included a 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global.

## Notes to the financial statements

The Directors have considered the valuation and consider that the valuation basis is appropriate given the provisions of the PFI contract.

The Directors have considered the valuation and the material valuation uncertainty included therein in conjunction with published indexes evidencing the performance of the sub-regional housing market between 31 May 2020 and the balance sheet date in conjunction with their property advisors. The Directors are of the opinion that the valuation forms an appropriate basis for the property value at 31st October 2020.

### 11

#### Investments

Company	Shares in group undertakings £
<b>Valuation</b>	
As 1 November 2019	39,714,622
Adjustment arising during the year	2,566,144
<b>At 31 October 2020</b>	<b>42,280,766</b>

The cost of investment has been recognised at the overall net asset value of the subsidiaries at 31 October 2020 adjusted to reflect the fair value of the property portfolio. The 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 Property Limited	Commercial property trading and development	100%
Brookgate Land Limited	Land trading and development	100%
Roselead Limited **	Provision of housing services under PFI contract	100%
Roselead (Wattisham) Limited	Intermediate holding company	100%
Roselead Holdings Limited	Intermediate holding company	100%
Brookgate Homes Limited	Residential property development	100%
Brookgate Development Management Limited	Planning and project management	100%
CB1 Management Company Limited***	Estate management	100%
CB4 Management Company Limited	Dormant	100%
3&4 Station Square Management Company Ltd	Dormant	100%
Brookgate (Hills Road) Limited	Dormant	100%
Greenways (Ravenswood) Limited*	Dormant	100%
Greenways Holdings Limited	Dormant	100%
Spaceship Group Limited	Dormant	100%

\*Greenways (Ravenswood) Limited is held as a wholly owned subsidiary of Greenways Holdings Limited.

\*\* Roselead Limited is owned 50% by Roselead (Wattisham) Limited and Roselead Holdings Limited.

\*\*\*CB1 Management Company Limited is currently held as a wholly owned subsidiary of Brookgate.

## Notes to the financial statements

Property Limited. The company will allot shares to the owners of buildings on the cb1 estate in proportion to the plan area of their buildings. Brookgate will retain control of the company by virtue of a golden share.

All of the above subsidiaries are incorporated in England and Wales and have the same registered office as Brookgate Limited.

### 12 Stocks

	The group		The company	
	2020	2019	2020	2019
	£	£	£	£
Land and developments for resale including work in progress	23,846,009	24,549,654	-	-
	<u>23,846,009</u>	<u>24,549,654</u>	<u>-</u>	<u>-</u>

Work in progress includes an amount of £14,566,652 (2019: £14,154,807) which is expected to be realised after more than one year.

Provisions for diminution in value of work in progress of £2,139,206 (2019 - £311,499) have been made, where the directors consider that the recoverable amount of work in progress is less than cost.

### 13 Debtors

	The group		The company	
	2020	2019	2020	2019
	£	£	£	£
Trade debtors	620,703	608,391	-	-
Amounts recoverable on contracts	12,654,959	3,283,959	-	-
Other debtors	116,563	97,771	-	192,260
Deferred tax (note 17)	3,860,425	3,436,683	-	-
Prepayments and accrued income	62,164	63,105	6,730	6,070
VAT recoverable	1,356,639	-	-	-
Amounts owed by group undertakings	-	-	4,700,000	1,350,000
	<u>18,671,453</u>	<u>7,489,909</u>	<u>4,706,730</u>	<u>1,548,330</u>

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

	The group		The company	
	2020	2019	2020	2019
	£	£	£	£
Trade creditors	4,851,158	2,042,369	747	24,000
Taxation and social security	261,067	4,711,317	51,278	298,728
Accruals and deferred income	9,600,119	11,490,179	63,886	17,567
Corporation tax	716,383	1,991,269	10,032	-
Fair value liability of financial derivatives	2,685,396	2,329,286	-	-
Bank loans repayable within 1 year (note 16)	2,000,000	-	-	-
Amounts owed to group undertakings	-	-	2,000	2,000
	<u>20,114,123</u>	<u>22,564,420</u>	<u>127,943</u>	<u>342,295</u>

The bank loan is secured on the assets of a subsidiary company. The loan is a £4,000,000 revolving credit facility which was entered into during October 2020 and which is repayable by a single payment of up to £4,000,000 at the end of a two-year loan term, if any balance is outstanding at that time.

Deferred income includes a fee of £6,076,758 (£2019 - £9,803,000) which will be released to the profit and loss account over the period of the contract to which it relates.

## Notes to the financial statements

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

	The group		The company	
	2020	2019	2020	2019
	£	£	£	£
Fair value liability of financial derivatives	17,632,630	17,886,497	-	-
Bank loans	49,796,000	49,796,000	-	-
	<u>67,428,630</u>	<u>67,682,497</u>	<u>-</u>	<u>-</u>

### 16 Bank loans

Bank loans are repayable as follows:

	The group		The company	
	2020	2019	2020	2019
	£	£	£	£
Amounts payable within 1 year	2,000,000	-	-	-
Amounts payable after 1 and within 5 years	-	-	-	-
Amounts payable after 5 years	49,796,000	49,796,000	-	-
	<u>51,796,000</u>	<u>49,796,000</u>	<u>-</u>	<u>-</u>

The Group renewed a revolving credit facility of £5.0m in October 2019, the limits were reduced to £4.0m in October 2020 the loan must be repaid in full on 31 October 2021. Interest is payable on the loan at a floating rate with a margin of 2.4% above LIBOR. £2.0m of the loan was drawn at 31 October 2020.

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

	The group		The company	
	2020	2019	2020	2019
	£	£	£	£
Bank loan 1, repayable in May 2028, swapped interest rate including margin 6.57% to 31 May 2028	36,696,000	36,696,000	-	-
Bank loan 2, repayable in October 2028, swapped interest rate including margin 5.81% to 31 October 2028	13,100,000	13,100,000	-	-
	<u>49,796,000</u>	<u>49,796,000</u>	<u>-</u>	<u>-</u>

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 2020, these had a negative value of £ 20,318,026 (2019: £20,215,783) which is recognised in the group balance sheet as a fair value adjustment.



## Notes to the financial statements

### 17 Deferred taxation

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

Group	2020		2019	
	Provided	Unprovided	Provided	Unprovided
	£	£	£	£
Revaluation of financial derivative - Asset	3,860,425	–	3,436,683	–
Unrealised revaluation surplus - Liability	(2,200,668)	–	(1,938,759)	–
Net fixed asset timing differences - Asset	–	23,300	–	24,738
Movement of assets to stock - Asset	–	768,566	–	687,664
Tax losses - Asset	–	3,120,666	–	2,654,750
	<u>1,659,757</u>	<u>3,845,027</u>	<u>1,497,924</u>	<u>3,367,152</u>

The deferred taxation provision is included in the balance sheet is:

	The group		The company	
	2020	2019	2020	2019
	£	£	£	£
Included in debtors (note 13)	3,860,425	3,436,683	–	–
Included in provisions	<u>2,200,668</u>	<u>1,938,759</u>	<u>–</u>	<u>–</u>

The Group has tax losses of circa £15,488,000 (2019: £15,616,000) available to potentially offset against future taxable profits. This asset has not been recognised as the directors consider it unlikely that they will be fully utilised in the foreseeable future against taxable profits.

### 18 Related party transactions

The Group has taken advantage of the exemption allowed under FRS 102 (33.1A) to disclose transactions with other members of the group headed by Brookgate Limited.

Key management personnel are defined as directors and senior members of the management team.

Key management personnel compensation for the year was £1,018,649 (2019: £2,314,965).

### 19 Share capital

Allotted, called up and fully paid:	2020		2019	
	No	£	No	£
450 A Ordinary shares of £1 each	450	450	450	450
550 Ordinary shares of £1 each	550	550	550	550
J Preference shares of £0.00001 each	17,647,000	176	17,647,000	176
		<u>1,176</u>		<u>1,176</u>

#### 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.

Class J 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 J Preference shares have the right to be redeemed before Ordinary and A Ordinary Shares.

## Notes to the financial statements

### 20 Reserves

Called-up share capital – represents the nominal value of shares that have been issued.

Share premium – represents the premium paid over nominal value of shares that have been issued.

Cash flow hedge reserve – comprises valuation differences arising from changes in the fair values of derivatives designated as cash flow hedges together with the deferred tax impact thereof.

Non-distributable profit reserve – comprises valuation uplift of freehold properties that have not been realised.

Profit and loss account – includes all current and prior period distributable retained profits and losses.

### 21 Contingent liabilities

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

Approximately £1,214,000 (2019: £1,214,000) has been deposited in a designated bank account to accommodate obligations under debt servicing obligations.

Approximately £45,000 (2019: £45,000) has been deposited in a designated bank account to accommodate obligations under the project management agreement in respect of refurbishment costs.

£100,000 (2019: £ nil) has been placed in a bank account charged to Abellio Greater Anglia to meet potential liabilities under an estate management deed for the Cambridge North estate. All services provided on the estate should be recoverable from tenants.

The directors have confirmed that there were no other contingent liabilities which should be disclosed at 31 October 2020 or 31 October 2019.

### 22 Capital commitments

The directors have confirmed that there were no capital commitments at 31 October 2020 or 31 October 2019.

### 23 Controlling related party

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

### 24 Bank & Cash Balances

	The group		The company	
	2020	2019	2020	2019
	£	£	£	£
Unrestricted access	14,628,067	14,107,437	86,200	990,336
Time Deposits	-	7,764,000	-	-
	<u>14,628,067</u>	<u>21,871,437</u>	<u>86,200</u>	<u>990,336</u>

At 31st October 2019 £6,214,000 was held on time deposit with the group's bankers, access to these funds was restricted until 30th October 2020.

## Notes to the financial statements

### 25 Post Balance Sheet Event

After the balance sheet date the conditions for a pre-let of a new building on Station Road were satisfied and a funding contract and sale agreed. The resulting sale generated a pre tax uplift of circa £9.6m compared to the value that the property is recognised at in the consolidated accounts. The directors do not consider that the event is an adjusting event.

On 27<sup>th</sup> November 2020 the Directors approved dividends and capital reductions that saw £22.134m returned to investors.

### 26 Financial instruments

	2020 £	2019 £
Financial assets measured at amortised cost:		
Cash	14,628,067	21,871,437
Debtors	13,392,225	3,990,121
Financial liabilities measured at fair value through other comprehensive income:		
Derivative financial instruments	20,318,026	20,215,783
Financial liabilities measured at amortised cost:	66,247,277	63,328,548

Throughout the period the group has utilised loans including an interest swap agreement. As at the 31 October 2020 the fair value of this loan swap amounted to a liability of £20,318,026 (2019: £20,215,783). The swaps are based on principal amounts of £49,796,000 and mature in 2028.

The instrument is used to hedge the group's exposure to interest rate movements on loan facility. The hedging arrangement fixes the total interest payable on the loans as set out in the table below:

	The group		The company	
	2020 £	2019 £	2020 £	2019 £
Bank loan 1, repayable in May 2028, swap rate 5.72% to 31 May 2028	36,696,000	36,696,000	-	-
Bank loan 2, repayable in October 2028, swap rate 4.7% to 31 October 2028	13,100,000	13,100,000	-	-
	<u>49,796,000</u>	<u>49,796,000</u>	<u>-</u>	<u>-</u>

Cash flows on both the loan and the interest rate swaps are paid quarterly until 2028. During 2020, a hedging loss of £321,499 (2019: loss of £1,711,791) was recognised in other comprehensive income for changes in the fair value of the interest rate swap and deferred tax movements thereon.