

Company Registration No. 09578014 (England and Wales)

BRICK BY BRICK CROYDON LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

BRICK BY BRICK CROYDON LIMITED

COMPANY INFORMATION

| | | |
|--------------------------|---|------------------------------|
| Directors | I O'Donnell | {Appointed 30 November 2020} |
| | D Whitfield | {Appointed 30 November 2020} |
| Company number | 09578014 | |
| Registered office | 62 George Street Croydon Surrey CR0 1PD | |
| Auditor | Ensors Accountants LLP Connexions 159 Princes Street Ipswich Suffolk IP1 1QJ | |

BRICK BY BRICK CROYDON LIMITED

CONTENTS

| | Page |
|---------------------------------------|-------------|
| Strategic report | 1 - 2 |
| Directors' report | 3 - 4 |
| Directors' responsibilities statement | 5 |
| Independent auditor's report | 6 - 9 |
| Income statement | 10 |
| Statement of comprehensive income | 11 |
| Statement of financial position | 12 |
| Statement of changes in equity | 13 |
| Notes to the financial statements | 14 - 25 |

BRICK BY BRICK CROYDON LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 MARCH 2021

The directors present the strategic report for the year ended 31 March 2021.

Fair review of the business

The company was established to develop homes on surplus land owned by its shareholder, London Borough of Croydon (LBC). The company is wholly funded by means of loans from LBC and the proceeds of sales of completed units.

The year and post year end period has been one of significant change. In 2020 it became clear that the company's shareholder was facing unprecedented and ongoing financial and governance challenges. The shareholder's ongoing viability is underwritten by HM Government. However as a consequence, the shareholder has been reviewing the scale and scope of its commitments. During the year the shareholder, appointed external consultants to review the company, its funding requirement and its projects. As a result of the reviews, it was decided by the shareholder that the company should not start construction of any new projects and that the company should be sold or subject to a managed wind down, fully financially supported by the shareholder, over the life of the current construction projects. In the post year end period, it was determined by the shareholder that a sale of the company would not achieve the aims of the shareholder and instead the company should complete all of its current developments under construction and sell the completed units. The decision to cease any further development of projects that have not started has necessitated the company aborting projects that have had planning applications submitted and designs progressed, prior to any land being acquired.

Principal Risks and Uncertainties

Funding – Following the year end the company has entered into a new facility agreement with its sole lender, LBC. This facility consolidates numerous historic loan agreements and informal lines of funding. The facility agreement provides the company with the security of funding, based on its cashflow projections, to continue to build out and sell its developments in an orderly manner to maximise potential returns to the lender. Sufficient flexibility has been included within the agreement to allow for variations that may arise.

Interest Rate risk – Increasing interest rates are not a risk to the company as the facility agreement is at a fixed rate of 6.25% per annum.

Covid 19 – The company's exposure to risks from Covid 19 related events is low. Construction contracts are based on a fixed price and with defined completion dates for contracts with pre-agreed compensation rates for late delivery. The company has not experienced any reduction in sales prices due to Covid 19.

Brexit – The company's construction contractors have taken steps to mitigate the risk of materials and driver shortages and the company has experienced no associated delays or cost pressures.

Development and Performance

At 31 March 2021, the company was carrying out construction on 14 sites. All but two of them will be completed by 31 March 2022. During the year the company received income from sales of completed apartments of £20m. In addition, £72m of income arising from the refurbishment of Fairfield Halls Croydon and associated works is due from its owner LBC. During the year the company has written off, through cost of sales, approximately £20m of costs incurred that relate to projects that are no longer going to be acquired for development as referred to above.

Other performance indicators

Residential Units Completed – The Board monitor the completion of residential units against pre-existing targets, by means of monthly reports from the development team. During the year 187 homes were completed across 7 sites. The company is on target to complete a further 291 homes across 12 sites in the year to 31 March 2022.

Profit/(Loss) – The company has incurred a net loss of £25m, in large part due to the decision by the shareholder to cease all new construction activities. The Board monitor the profit and loss by means of detailed monthly management accounts and forecasts.

Availability of funding – The Board monitor the availability of funding by means of a monthly detailed cashflow. After the year end the company agreed a new facility with its lender to secure sufficient funding to complete its current projects.

BRICK BY BRICK CROYDON LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

On behalf of the board

I O'Donnell

Director

23 December 2021

BRICK BY BRICK CROYDON LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2021

The directors present their annual report and financial statements for the year ended 31 March 2021.

Principal activities

The Company is a development company established by the London Borough of Croydon to deliver housing led development across the borough.

Results and dividends

The results for the year are set out on page 10.

No ordinary dividends were paid. The directors do not recommend payment of a final dividend.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

| | |
|-------------|--|
| M Evans | (Resigned 25 November 2020) |
| C Lacey | (Resigned 25 November 2020) |
| J Pitt | (Appointed 1 May 2020 and resigned 6 October 2020) |
| I O'Donnell | (Appointed 30 November 2020) |
| D Whitfield | (Appointed 30 November 2020) |

Financial instruments

Treasury operations and financial instruments

The company operates a treasury function which is responsible for managing the liquidity and interest risks associated with the company's activities.

The company's principal financial instruments include parent company loans, the main purpose of which is to raise finance for the company's operations. In addition, the company has various other financial assets and liabilities such as trade debtors and trade creditors arising directly from its operations.

Liquidity risk

The Board monitor the availability of funding by means of a monthly detailed cashflow. After the year end the company agreed a new facility with its lender to secure sufficient funding to complete its current projects.

Interest rate risk

Increasing interest rates are not a risk to the company as the facility agreement is at a fixed rate of 6.25% per annum.

Credit risk

The principal credit risk is with debtors, the company minimises this risk as funds are required on completion of a sale, payable to our solicitor into a client account and then passed on to the company. The credit risk is considered to be low.

Future developments

Included in the Strategic report.

Auditor

In accordance with the company's articles, a resolution proposing that Ensors Accountants LLP be reappointed as auditor of the company will be put at a General Meeting.

BRICK BY BRICK CROYDON LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

On behalf of the board

I O'Donnell

Director

23 December 2021

BRICK BY BRICK CROYDON LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 MARCH 2021

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- 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.

BRICK BY BRICK CROYDON LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBER OF BRICK BY BRICK CROYDON LIMITED

Qualified opinion on financial statements on financial statements

We have audited the financial statements of Brick by Brick Croydon Limited (the 'company') for the year ended 31 March 2021 which comprise the income statement, the statement of comprehensive income, the statement of financial position, the statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2021;
- 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 qualified opinion

The comparative financial information was unaudited as a result of a disclaimer of opinion and it has not been possible to obtain sufficient and appropriate audit evidence to confirm the accuracy of opening balances as at 1 April 2020 and comparative figures in the Profit and Loss Account. Any adjustment to the opening balances at 1 April 2020 would have a consequential effect on the Profit and Loss Account for the year ended 31 March 2021. The figures for the year ended 31 March 2021 and 31 March 2020 are therefore not comparable and our audit report is qualified in respect of comparative financial information and opening balances as at 1 April 2020.

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 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

The comparative financial information for the year ended 31 March 2021 is unaudited as a result of a disclaimer of opinion. Had we been able to conclude our audit we may have identified adjustments that would materially affect the comparative financial information.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

BRICK BY BRICK CROYDON LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBER OF BRICK BY BRICK CROYDON LIMITED

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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 our audit:

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

Matters on which we are required to report by exception

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

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

Responsibilities of directors

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

BRICK BY BRICK CROYDON LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBER OF BRICK BY BRICK CROYDON LIMITED

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Our audit was designed to include tests of detail together with an assessment of the control environment to enable us to obtain reasonable assurance about whether the financial statements are free from material misstatement due to fraud.

In planning and designing our audit procedures we assessed the risks of material misstatement due to fraud.

Consideration was given to the control environment (including management's own process for identification and risk assessment) as well as the nature of the entity, the industry in which it operates and the underlying performance. Consideration is also given to the attitudes and incentives of management to commit fraud.

Material misstatements that arise due to fraud can be harder to detect than those that arise from error as they are likely to involve deliberate concealment or collusion.

To address these risks we performed the following audit procedures:

- Review of journal entries and other adjustments for appropriateness and evaluating the business rationale of any transactions outside of the normal course of business.
- Assessment of key accounting estimates within the financial statements in order to assess their reasonableness and determine whether there is any bias in management's estimates.
- Review of meeting minutes of directors and those charged with governance.
- All team members were informed of the relevant laws and regulations and potential fraud risks at the planning stage and reminded to remain alert to any indications of fraud or non-compliance.
- Enquiring of management whether there have been any alleged, suspected or actual instances of fraud during the year.
- Enquiring of management and those charged with governance whether there have been any actual or potential litigation or claims.
- Reviewing correspondence with relevant legal authorities.

There are, however, inherent limitations to our above audit procedures. Auditing standards only require us to enquire of the directors and management regarding non-compliance with laws and regulations, as well as review regulatory and legal correspondence (if there is any). It is therefore possible that instances of non-compliance could be missed, particularly where the law in itself is far removed from any financial transactions. A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

BRICK BY BRICK CROYDON LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBER OF BRICK BY BRICK CROYDON LIMITED

Use of our report

This report is made solely to the company's member 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 member 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 member for our audit work, for this report, or for the opinions we have formed.

Barry Gostling (Senior Statutory Auditor)
For and on behalf of Ensors Accountants LLP

23 December 2021

Chartered Accountants
Statutory Auditor

Connexions
159 Princes Street
Ipswich
Suffolk
IP1 1QJ

BRICK BY BRICK CROYDON LIMITED

INCOME STATEMENT

FOR THE YEAR ENDED 31 MARCH 2021

| | Notes | 2021 £ | 2020 £ |
|------------------------------------|----------|---------------------|------------------|
| Revenue | 3 | 92,788,823 | 23,031,968 |
| Cost of sales | | (116,744,049) | (22,932,302) |
| Gross (loss)/profit | | (23,955,226) | 99,666 |
| Administrative expenses | | (1,240,302) | (848,140) |
| Other operating income | | 35,044 | 28,000 |
| Operating loss | 4 | (25,160,484) | (720,474) |
| Finance costs | 7 | (100,007) | (82,977) |
| Loss before taxation | | (25,260,491) | (803,451) |
| Tax on loss | 8 | - | - |
| Loss for the financial year | | (25,260,491) | (803,451) |

The income statement has been prepared on the basis that all operations are continuing operations.

BRICK BY BRICK CROYDON LIMITED**STATEMENT OF COMPREHENSIVE INCOME*****FOR THE YEAR ENDED 31 MARCH 2021***

| | 2021 | 2020 |
|--|---------------------|------------------|
| | £ | £ |
| Loss for the year | (25,260,491) | (803,451) |
| Other comprehensive income | - | - |
| Total comprehensive income for the year | <u>(25,260,491)</u> | <u>(803,451)</u> |

BRICK BY BRICK CROYDON LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2021

| | Notes | 2021 £ | £ | 2020 £ | £ |
|--|-------|--------------------|---------------------|--------------------|--------------------|
| Non-current assets | | | | | |
| Property, plant and equipment | 9 | | 324,708 | | 582,299 |
| Current assets | | | | | |
| Inventories and work in progress | 10 | 145,919,334 | | 196,565,939 | |
| Trade and other receivables | 11 | 72,847,975 | | 9,745,355 | |
| Cash and cash equivalents | | 4,690,619 | | 22,620,112 | |
| | | <u>223,457,928</u> | | <u>228,931,406</u> | |
| Current liabilities | 12 | (247,628,332) | | (13,296,004) | |
| Net current (liabilities)/assets | | | (24,170,404) | | 215,635,402 |
| Total assets less current liabilities | | | (23,845,696) | | 216,217,701 |
| Non-current liabilities | 13 | | (3,354,720) | | (218,157,626) |
| Net liabilities | | | <u>(27,200,416)</u> | | <u>(1,939,925)</u> |
| Equity | | | | | |
| Called up share capital | 17 | | 100 | | 100 |
| Retained earnings | | | (27,200,516) | | (1,940,025) |
| Total equity | | | <u>(27,200,416)</u> | | <u>(1,939,925)</u> |

The financial statements were approved by the board of directors and authorised for issue on 23 December 2021 and are signed on its behalf by:

D Whitfield
Director

Company Registration No. 09578014

BRICK BY BRICK CROYDON LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2021

| | Share capital | Retained earnings | Total |
|--|---------------|-------------------|--------------|
| | £ | £ | £ |
| Balance at 1 April 2019 | 100 | (1,136,574) | (1,136,474) |
| Year ended 31 March 2020: | | | |
| Loss and total comprehensive income for the year | - | (803,451) | (803,451) |
| Balance at 31 March 2020 | 100 | (1,940,025) | (1,939,925) |
| Year ended 31 March 2021: | | | |
| Loss and total comprehensive income for the year | - | (25,260,491) | (25,260,491) |
| Balance at 31 March 2021 | 100 | (27,200,516) | (27,200,416) |

BRICK BY BRICK CROYDON LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

1 Accounting policies

Company information

Brick by Brick Croydon Limited is a private company limited by shares incorporated in England and Wales. The registered office is 62 George Street, Croydon, Surrey, CR0 1PD.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

This company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements:

- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues: The disclosure requirements of paragraphs 11.42, 11.44, 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b), 11.48(c), 12.26, 12.27, 12.29(a), 12.29(b), and 12.29;
- Section 33 'Related Party Disclosures': Compensation for key management personnel.

The financial statements of the company are consolidated in the financial statements of London Borough of Croydon. These consolidated financial statements are available from its registered office Bernard Weatherill House, Mint Walk, Croydon, CR0 1EA.

1.2 Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus, the directors continue to adopt the going concern basis of accounting in preparing the financial statements. However, the directors have considered the factors that impact the company's future development, performance, cash flows and financial position along with the company's current liquidity in forming their conclusion on the applicability of the going concern basis.

The company is reliant upon the continued support of its parent undertaking to provide funding to enable the company to continue to trade. Should continuing support not be forthcoming from the parent undertaking or should there be significant delays in the provision of such funding then there would be a risk of a material uncertainty with regards to the applicability of the going concern basis. The directors have reached their conclusion that the company remains a going concern partly based upon the expressed intention of the parent undertaking to provide the financial support necessary to enable all projects to be brought to a conclusion. In addition subsequent to the year end the company has agreed new loan funding terms with its parent undertaking which reflect the stated intention of the parent undertaking to continue to support the company.

The going concern basis has a particular impact in respect of the recoverability of work in progress in respect of partially complete construction projects and as a result should the company cease to be a going concern the net realisable value of this work in progress may be materially less than the cost value included in the financial statements.

BRICK BY BRICK CROYDON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

1 Accounting policies

(Continued)

1.2 Going Concern (continued)

In addition, the nature of the company's business is the speculative construction of residential properties for resale. As a result in the normal course of events the company is exposed to the movement in property market relating to sales values for completed properties as well as the uncertainties related to the estimates of the necessary costs still to be incurred in respect of bringing work in progress projects to a saleable condition. These uncertainties are further impacted upon by the effects of the current COVID pandemic.

Whilst the directors have made reasonable estimates in respect of the expected net development values of their ongoing projects and are therefore confident that work in progress is included in the financial statements at the lower of cost and net realisable value by its very nature this is uncertain. In addition, whilst the directors expect that the parent undertaking will continue to provide the necessary support to bring all current projects to an orderly conclusion this cannot be guaranteed. As a result, the company and its directors believe that it is appropriate to continue to prepare the financial statements on a going concern basis but noting that the factors highlighted above represent a fundamental uncertainty over the company's ability to continue as a going concern and, accordingly, the recoverability of work in progress.

1.3 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes.

Revenue from the sale of property is recognised when the significant risks and rewards of ownership of the property have passed to the buyer (usually the completion date).

1.4 Property, plant and equipment

The company holds a mix of land, building, equipment and leasehold fixed assets. These are classed as Property, Plant and Equipment which are recognised under FRS 102 as assets which:

- (a) are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and
- (b) are expected to be used during more than one period.

Property, plant and equipment are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

| | |
|------------------------|----------|
| Leasehold improvements | 5 Years |
| Fixtures and fittings | 10 Years |
| Computers | 5 Years |

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

BRICK BY BRICK CROYDON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

1 Accounting policies

(Continued)

1.5 Impairment of non-current assets

Assets are assessed for impairment at the balance sheet date, to assess whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

1.6 Inventories and work in progress

Work in progress comprises direct materials, labour costs, site overheads, associated professional charges, loan interest and other attributable overheads. It is held at the historical cost of bringing the buildings to their present location and condition.

Upon the completion of a building, it is transferred from work in progress to inventory. At this point it is valued and then held at the lower of cost and net realisable value. Net realisable value represents the estimated selling price less all estimated costs of completion and overheads.

Regular reviews are carried out to identify any impairment in the value of inventory and work in progress. Where an impairment is identified, it is charged as a finance expense in the Statement of Comprehensive Income in the year.

Regular reviews of schemes are carried out to ensure they are still active, and that activity will result in an asset. Where a scheme is no longer likely to proceed, costs are charged as a cost of sales in the Statement of Comprehensive Income in the relevant year.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of inventories over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

The nature of the company's business is the construction of properties for sale on a speculative basis. As a result there are always inherent uncertainties around the net realisable value of work in progress projects. In producing these financial statements, the directors have therefore had to make certain estimations and assumptions concerning the future sales value of completed projects and the remaining costs necessary to be incurred in order to bring these projects to completion. These estimates and assumptions are by their nature subjective and uncertain. These uncertainties have been enhanced by the current COVID pandemic.

1.7 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.8 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' of FRS 102 to all of its financial instruments. The company only has basic financial instruments.

Financial instruments are recognised in the company's statement of financial position when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally 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.

BRICK BY BRICK CROYDON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

1 Accounting policies

(Continued)

Basic financial assets

Basic financial assets, which include trade and other receivables and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Impairment of financial assets

Financial assets, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

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 company after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including trade and other payables, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

BRICK BY BRICK CROYDON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

1 Accounting policies

(Continued)

Other financial liabilities

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Derecognition of financial liabilities

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

1.9 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1.10 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or non-current assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.11 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

Retirement benefits to certain employees of the company are provided through the Local Government Pension Scheme ('LGPS'). This is a defined benefit scheme. The LGPS is a multi-employer scheme and there is insufficient information available to use defined benefit accounting. The LGPS is therefore treated as a defined contribution scheme for accounting purposes and the contributions recognised in the period to which they relate.

1.12 Leases

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leases asset are consumed.

BRICK BY BRICK CROYDON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

1 Accounting policies

(Continued)

1.13 Government grants

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

A grant that specifies performance conditions is recognised in income when the performance conditions are met. Where a grant does not specify performance conditions it is recognised in income when the proceeds are received or receivable. A grant received before the recognition criteria are satisfied is recognised as a liability.

Where grants relate to specific developments schemes, grants will be recognised as income as property units are sold connected to those grants.

1.14 Borrowing costs

Finance costs are capitalised according to Section 25 of FRS 102 to reflect the fact that loans to Brick by Brick are aligned to specific development schemes. Interest is apportioned to individual schemes and then charged to WIP using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Interest incurred on borrowing to fund operating expenditure is also apportioned accordingly and charged to the Statement of Comprehensive Income.

2 Judgements and key sources of estimation uncertainty

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

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

Key sources of estimation uncertainty

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

Work in Progress

The company applies a valuation to its work in progress based on the stage of completion of the project and in accordance with the project development plan agreed at the outset of the project. All valuations are performed by employees of the company who are qualified surveyors who are best placed in judging the stage of completion for all individual projects. In estimating the carrying value of work in progress the directors also have to estimate whether each project will be profitable or not in order that the financial statements reflect the carrying value at the lower of cost and net realisable value.

Depreciation

The company estimates the rates of depreciation used to write down the different classes of assets that the company owns. This is based on prior experience of asset lives while taking into account any additional circumstances. Once fully depreciated over its useful life the asset should be stated at its residual value or £nil if there is no residual value.

BRICK BY BRICK CROYDON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

3 Revenue

| | 2021 | 2020 |
|--|------------|------------|
| | £ | £ |
| Revenue analysed by class of business | | |
| Property sales and refurbishment | 92,788,823 | 23,031,968 |

| | 2021 | 2020 |
|----------------------------------|--------|--------|
| | £ | £ |
| Other significant revenue | | |
| Grants received | 27,403 | 28,000 |

All the company's revenue is from the UK market.

4 Operating loss

| | 2021 | 2020 |
|---|----------|----------|
| | £ | £ |
| Operating loss for the year is stated after charging/(crediting): | | |
| Government grants | (27,403) | (28,000) |
| Fees payable to the company's auditor for the audit of the company's financial statements | 17,000 | 25,000 |
| Depreciation of owned property, plant and equipment | 257,591 | 93,071 |
| Operating lease charges | 45,000 | 45,000 |

5 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

| 2021 | 2020 |
|--------|--------|
| Number | Number |
| 43 | 38 |

Their aggregate remuneration comprised:

| | 2021 | 2020 |
|-----------------------|-----------|-----------|
| | £ | £ |
| Wages and salaries | 2,225,998 | 1,900,103 |
| Social security costs | 230,467 | 198,660 |
| Pension costs | 158,079 | 138,329 |
| | 2,614,544 | 2,237,092 |

BRICK BY BRICK CROYDON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

6 Directors' remuneration

| | 2021 £ | 2020 £ |
|--------------------------------------|----------------|----------------|
| Remuneration for qualifying services | 116,510 | 177,534 |
| Company pension contributions | 24,065 | 32,795 |
| | <u>140,575</u> | <u>210,329</u> |

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 0 (2020 - 1).

The number of directors for whom retirement benefits are accruing under defined benefit schemes amounted to 0 (2020 - 1).

7 Finance costs

| | 2021 £ | 2020 £ |
|--|-----------|-----------|
| Interest payable to group undertakings | 100,007 | 82,977 |

In addition to the above interest payable to group undertakings of £13,182,535 (2020: £9,219,615) was capitalised as work in progress.

8 Taxation

The actual charge for the year can be reconciled to the expected credit for the year based on the profit or loss and the standard rate of tax as follows:

| | 2021 £ | 2020 £ |
|--|--------------|-----------|
| Loss before taxation | (25,260,491) | (803,451) |
| Expected tax credit based on the standard rate of corporation tax in the UK of 19.00% (2020: 19.00%) | (4,799,493) | (152,656) |
| Tax effect of expenses that are not deductible in determining taxable profit | 216,277 | 101,004 |
| Fixed asset differences | 10,625 | (25,527) |
| Adjustment of losses | - | 940,746 |
| Deferred tax not recognised | 4,560,229 | (753,483) |
| Transfer pricing adjustments | 12,362 | 6,306 |
| Remeasurement of deferred tax for changes in rates | - | (116,390) |
| Taxation charge for the year | <u>-</u> | <u>-</u> |

BRICK BY BRICK CROYDON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

9 Property, plant and equipment

| | Leasehold improvements £ | Fixtures and fittings £ | Computers £ | Total £ |
|------------------------------------|--------------------------------|-------------------------------|----------------|------------|
| Cost | | | | |
| At 1 April 2020 and 31 March 2021 | 559,229 | 23,705 | 179,645 | 762,579 |
| Depreciation and impairment | | | | |
| At 1 April 2020 | 107,446 | 4,742 | 68,092 | 180,280 |
| Depreciation charged in the year | 219,292 | 2,370 | 35,929 | 257,591 |
| At 31 March 2021 | 326,738 | 7,112 | 104,021 | 437,871 |
| Carrying amount | | | | |
| At 31 March 2021 | 232,491 | 16,593 | 75,624 | 324,708 |
| At 31 March 2020 | 451,783 | 18,963 | 111,553 | 582,299 |

10 Inventories and work in progress

| | 2021 £ | 2020 £ |
|------------------|-------------|-------------|
| Work in progress | 108,090,909 | 190,399,871 |
| Inventories | 37,828,425 | 6,166,068 |
| | 145,919,334 | 196,565,939 |

The cost of sales figures represents working in progress and inventories recognised as an expense during the year.

11 Trade and other receivables

| | 2021 £ | 2020 £ |
|---|------------|-----------|
| Amounts falling due within one year: | | |
| Trade receivables | 788,250 | 785,628 |
| Amounts owed by group undertakings | 71,817,362 | 3,750,000 |
| Other receivables | 231,113 | 5,140,296 |
| Prepayments and accrued income | 11,250 | 69,431 |
| | 72,847,975 | 9,745,355 |

BRICK BY BRICK CROYDON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

12 Current liabilities

| | Notes | 2021 £ | 2020 £ |
|------------------------------------|-------|--------------------|-------------------|
| Other borrowings | 14 | 229,587,050 | - |
| Trade payables | | 3,482,549 | 1,925,095 |
| Amounts owed to group undertakings | | 3,764,367 | 3,764,367 |
| Taxation and social security | | 2,996 | - |
| Other payables | | 19,892 | - |
| Accruals and deferred income | | 10,771,478 | 7,606,542 |
| | | <u>247,628,332</u> | <u>13,296,004</u> |

Other borrowings are owed to the parent undertaking.

13 Non-current liabilities

| | Notes | 2021 £ | 2020 £ |
|-------------------------------------|-------|------------------|--------------------|
| Loans payable to group undertakings | 14 | - | 207,907,626 |
| Deferred income | 15 | - | 10,250,000 |
| Accruals and deferred income | | 3,354,720 | - |
| | | <u>3,354,720</u> | <u>218,157,626</u> |

14 Borrowings

| | 2021 £ | 2020 £ |
|-------------------------------|--------------------|--------------------|
| Loans from group undertakings | <u>229,587,050</u> | <u>207,907,626</u> |
| Payable within one year | 229,587,050 | - |
| Payable after one year | <u>-</u> | <u>207,907,626</u> |

The loans payable to group relate to partially secured loan facilities arranged with the London Borough of Croydon. These are secured on fixed and floating charges over the assets of the company.

For loan drawdowns to 31st March 2017 an interest rate of 5% is applied. All subsequent loans accrue interest at a rate of 6.25%.

Since the year end the company agreed a new loan facility as detailed in note 19.

BRICK BY BRICK CROYDON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

15 Deferred income

| | 2021 £ | 2020 £ |
|-----------------------|-----------|------------|
| Other deferred income | - | 10,250,000 |

16 Retirement benefit schemes

| | 2021 £ | 2020 £ |
|--|-----------|-----------|
| Charge to profit or loss in respect of pension schemes | 158,079 | 138,329 |

The above contributions include both the employer contributions to the defined contribution scheme and the employer contributions to the defined benefit scheme, the LGPS.

The employer contributions to the LGPS during the year were £65,394 (2020: £70,343).

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund. The employer contributions to this scheme during the year were £92,685 (2020: £67,986).

17 Share capital

| | 2021 Number | 2020 Number | 2021 £ | 2020 £ |
|---|----------------|----------------|-----------|-----------|
| Ordinary share capital Issued and fully paid | | | | |
| Ordinary Shares of £1 each | 100 | 100 | 100 | 100 |

18 Operating lease commitments

Lessee

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

| | 2021 £ | 2020 £ |
|----------------------------|-----------|-----------|
| Within one year | 45,000 | 45,000 |
| Between two and five years | 67,500 | 112,500 |
| | 112,500 | 157,500 |

19 Events after the reporting date

On 27 May 2021 the company consolidated the existing facilities into a new working capital facility of up to £161,566,688 repayable on 27 May 2025. £71,817,362 was transferred from loans to a non interest bearing intercompany account at the same time.

BRICK BY BRICK CROYDON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

20 Ultimate controlling party

Brick by Brick Croydon Limited is 100% owned by the London Borough of Croydon, which is the immediate and ultimate controlling party. The controlling parties registered address is Bernard Weatherill House , Mint Walk , Croydon , CR0 1EA

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.