

Company registration number 09578014 (England and Wales)

BRICK BY BRICK CROYDON LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

BRICK BY BRICK CROYDON LIMITED

COMPANY INFORMATION

Directors	I O'Donnell D Whitfield A Percival G McCallum Marshalsay
Company number	09578014
Registered office	Zone A Bernard Weatherill House Mint Walk Croydon CR0 1EA
Auditor	Ensors Accountants LLP Connexions 159 Princes Street Ipswich IP1 1QJ

BRICK BY BRICK CROYDON LIMITED

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BRICK BY BRICK CROYDON LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 MARCH 2023

The directors present the strategic report for the year ended 31 March 2023.

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.

In 2021, LBC determined that the Company should not develop any further sites and should complete sites that were under construction and sell off the units and any surplus land it owns. All activities of the Company since have been carried out in accordance with this this direction. During the year to 31 March 2023 individual apartments were sold to owner occupiers and bulk sales of entire blocks or entire developments were sold to investors, including the bulk sale of 128 units at Kindred House to an investment group that will provide affordable housing and private housing and other properties were sold to the sole shareholder LBC for use as affordable housing. During the year the Company made loan repayments to its Lender LBC. Sales proceeds arising from the sale are used to pay suppliers of services, company overheads and to make repayments to LBC, in accordance with the general terms of the LBC loan facility.

The current economic climate has raised challenges in selling the remaining units, as individuals face difficulty in obtaining mortgages and investors evaluate the current and future interest rate and inflationary conditions. The Board remains in regular contact with its Lender/Shareholder to ensure alignment on methods to ensure repayments to LBC and the orderly winddown of the Company's activities. At the date of signing the accounts, the company is in the process of selling off its final development and will sell off undeveloped land, in order to proceed further with the winddown.

Principal Risks and Uncertainties

Funding –The Company has a loan facility from LBC. The facility agreement provides the company with the security of funding, based on its cashflow projections, to continue to 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 –The facility agreement is at a fixed rate of 6.25% per annum. The risk to the Company from interest rate rises is an indirect one, where potential purchasers may face difficulty in obtaining affordable mortgages to proceed with the purchase of homes.

Inflation – The Company faces increased costs from suppliers in terms of services and post completion works to properties. As all major construction work was carried out on fixed price terms, these inflationary increases are not material in the overall costs faced by the Company. Inflation does however affect prospective purchasers ability to afford new homes and thus has an influence on sales prices. Inflation also affects the cost of remedial works to properties.

Development and Performance

At 31 March 2023, no construction was underway. During the year the company received income from sales of completed apartments of £73m. Undeveloped land scheduled for sale was revalued based on third party valuations.

London Borough of Croydon(LBC) Relationships

The company has a number separate relationships with London Borough of Croydon, in its day to day activities. Each of these are managed by different individuals on behalf of LBC to ensure that the relevant interests are considered separately and adequately.

LBC is the sole shareholder of the company and receives regular updates from the company on its performance and is entitled under certain circumstances to given written direction on significant matters that affect it as shareholder. These directions are at times part of public decisions made by LBC Cabinet Meetings.

BRICK BY BRICK CROYDON LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

London Borough of Croydon(LBC) Relationships (continued)

LBC is the sole lender to the company. LBC as lender has a charge over the company's assets. Lender approval is required for certain asset sales and certain money transfers under the operating rules of the loan facility agreement.

LBC as provider of affordable housing in the community, will at times purchase completed developments from the company. Prices paid are arrived at by one or more of, market testing, valuations and negotiation between the relevant department at LBC and the company.

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 the company completed the construction of its final developments.

Profit/(Loss) – The company has incurred a net loss of £8m due to write downs in expected sales prices for undeveloped land and the level of interest payable to LBC. 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. The Company has an agreed facility which provides sufficient funds from recycled sales proceeds to finance its expenditure on projects and company overheads.

Section 172 (1) statement

During the financial year the directors have complied with their duty to meet the requirements of section 172 (1) of the Companies Act 2006. The directors believe they have acted in a way they consider, in good faith, would promote the success of the Company for the benefit of its sole member and have maintained regular communication with the member to ensure that to the extent possible under the prevailing circumstances the interests of the member are considered when making decisions.

The directors consider the key stakeholders affected by the actions of the Company to be customers, suppliers, its bank, its sole lender,(which is the same entity as its sole member), employees, government organisations', and regulators. The directors, on behalf of the Company, engage with each of these stakeholders in a way that meets their level of interest and influence.

The directors consider principal decisions to be those that have a material impact on the Company and its stakeholders. During the financial year the Company has taken a number of strategic and operational decisions that the directors consider will promote the long-term interests of its lender, sole member and other stakeholders. The key elements of this are aligned with the strategy of the parent entity.

The directors have engaged in a number of initiatives having regard to the impact of the company's operations on the community and the environment.

The directors have continued to promote and encourage the company's reputation for high standards of business conduct.

On behalf of the board

D Whitfield

Director

11 January 2024

BRICK BY BRICK CROYDON LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2023

The directors present their annual report and financial statements for the year ended 31 March 2023.

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:

I O'Donnell
D Whitfield
A Percival
G McCallum Marshalsay

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 detailed cashflow, which is discussed with its sole lender LBC.

Interest rate risk

Increasing interest rates are not a risk to the costs of 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 2023

Energy and carbon report

As the company has not consumed more than 40,000 kWh of energy in this reporting period, it qualifies as a low energy user under these regulations and is not required to report on its emissions, energy consumption or energy efficiency activities.

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

D Whitfield

Director

11 January 2024

BRICK BY BRICK CROYDON LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 MARCH 2023

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;
- 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.

BRICK BY BRICK CROYDON LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBER OF BRICK BY BRICK CROYDON LIMITED

Qualified opinion on financial statements

We have audited the financial statements of Brick by Brick Croydon Limited (the 'company') for the year ended 31 March 2023 which comprise the income statement, the statement of comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cash flows 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 possible effects on the corresponding figures of the matters described in 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 2023 and of its loss 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 qualified opinion

During the year ended 31 March 2022, the financial statements of the company had been subject to various reviews and enquiries in respect of the transactions between itself and its parent undertaking. The impact of these reviews has been to create uncertainty over which accounting period several material transactions should be reported in. As a result, whilst we have obtained sufficient appropriate audit evidence in respect of the position shown in the statement of financial position at 31 March 2022, except as noted below, uncertainty exists in relation to the accounting period that certain transactions relate to as being the year ended 31 March 2022 or an earlier period. This uncertainty could have a material impact on the reported results for the year ended 31 March 2022 and earlier periods. We were unable to satisfy ourselves by alternative means concerning these matters. Our audit opinion on the financial statements for the year ended 31 March 2022 was modified accordingly. Our opinion on the current period's financial statements is also modified because of the possible effect of this matter on the comparability of the current period's figures and the corresponding figures.

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 qualified opinion.

Emphasis of matter - valuation of work in progress

We would like to draw your attention to note 1.3 of the financial statements, as a result of loss making developments undertaken by the company, one of which remain unsold, the valuation of work in progress is dependent upon the future sales value achieved which by its nature is fundamentally uncertain. Our opinion is not modified in respect of this matter.

Material uncertainty in relation to going concern

We would like to draw your attention to note 1.3 of the financial statements, it is the directors intention to commence the winding up the company's activities during 2024/25. There is a material uncertainty of when the company will cease trading and the winding up process will commence. The company has a letter of support from its parent company and there is only a material uncertainty in relation to going concern because the company may have ceased trading activities within 12 months of approving these accounts. The financial statements do not include the adjustments that would result if the company was not considered to be a going concern. Our opinion is not modified in respect of this matter.

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.

As described in the basis of qualified opinion section of our report, we were unable to satisfy ourselves concerning which accounting period several material transactions should be reported in. We have concluded that where other information refers to related balances such as sales and cost of sales, these maybe material misstated for the same reason.

Opinions on other matters prescribed by the Companies Act 2006

Except for the possible effects of the matter described in the basis for qualified opinion section of our report, 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

Except for the matter described in the basis for qualified opinion section of our report, 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 or the directors' report.

Arising solely from the limitation on the scope of our work relating to which accounting period several material transactions should be reported in:

- we have not obtained all the information and explanations that we consider necessary for the purpose of our audit; and
- we were unable to determine whether adequate accounting records have been kept.

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:

- 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.

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.

BRICK BY BRICK CROYDON LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBER OF BRICK BY BRICK CROYDON LIMITED

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.

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 the member 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

6 February 2024

Chartered Accountants
Statutory Auditor

Connexions
159 Princes Street
Ipswich
IP1 1QJ

BRICK BY BRICK CROYDON LIMITED

INCOME STATEMENT

FOR THE YEAR ENDED 31 MARCH 2023

	Notes	2023 £	2022 £
Revenue	3	72,997,228	85,395,914
Cost of sales		(70,742,198)	(95,771,174)
Gross profit/(loss)		2,255,030	(10,375,260)
Administrative expenses		(1,467,106)	(1,511,904)
Other operating income		-	11,861
Operating profit/(loss)	4	787,924	(11,875,303)
Finance costs	8	(8,436,267)	(8,144,094)
Loss before taxation		(7,648,343)	(20,019,397)
Tax on loss	9	-	-
Loss for the financial year		(7,648,343)	(20,019,397)

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 2023***

	2023	2022
	£	£
Loss for the year	(7,648,343)	(20,019,397)
Other comprehensive income	-	-
Total comprehensive income for the year	<u>(7,648,343)</u>	<u>(20,019,397)</u>

BRICK BY BRICK CROYDON LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2023

	Notes	2023 £	£	2022 £	£
Non-current assets					
Property, plant and equipment	10		5,440		159,132
Current assets					
Inventories and work in progress	11	44,644,054		99,958,842	
Trade and other receivables	12	63,725,719		65,340,593	
Cash and cash equivalents	13	15,318,964		13,819,207	
		123,688,737		179,118,642	
Current liabilities	14	(75,209,302)		(84,280,823)	
Net current assets			48,479,435		94,837,819
Total assets less current liabilities			48,484,875		94,996,951
Non-current liabilities	15	(103,353,031)		(142,216,764)	
Net liabilities			(54,868,156)		(47,219,813)
Equity					
Called up share capital	18		100		100
Retained earnings			(54,868,256)		(47,219,913)
Total equity			(54,868,156)		(47,219,813)

The financial statements were approved by the board of directors and authorised for issue on 11 January 2024 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 2023

	Share capital	Retained earnings	Total
	£	£	£
Balance at 1 April 2021	100	(27,200,516)	(27,200,416)
Year ended 31 March 2022:			
Loss and total comprehensive income for the year	-	(20,019,397)	(20,019,397)
Balance at 31 March 2022	100	(47,219,913)	(47,219,813)
Year ended 31 March 2023:			
Loss and total comprehensive income for the year	-	(7,648,343)	(7,648,343)
Balance at 31 March 2023	100	(54,868,256)	(54,868,156)

BRICK BY BRICK CROYDON LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2023

		2023		2022	
	Notes	£	£	£	£
Cash flows from operating activities					
Cash generated from operations	22	48,796,599		40,921,296	
Interest paid		(8,436,267)		(8,144,094)	
Net cash inflow from operating activities		40,360,332		32,777,202	
Investing activities					
Purchase of property, plant and equipment		-		(12,566)	
Proceeds from disposal of property, plant and equipment		3,158		-	
Net cash generated from/(used in) investing activities		3,158		(12,566)	
Financing activities					
Proceeds from borrowings		8,436,267		14,976,589	
Repayment of borrowings		(47,300,000)		(38,612,637)	
Net cash used in financing activities		(38,863,733)		(23,636,048)	
Net increase in cash and cash equivalents		1,499,757		9,128,588	
Cash and cash equivalents at beginning of year		13,819,207		4,690,619	
Cash and cash equivalents at end of year		15,318,964		13,819,207	

BRICK BY BRICK CROYDON LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

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 Zone A, Bernard Weatherill House, Mint Walk, Croydon, CR0 1EA.

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 Basis of preparation

During the year end all of the company's construction projects have been substantially completed although a number of completed property units remain unsold at the date of approval of the financial statements. Most of these unsold property units relate to a single loss making project where the expected loss has been accounted for in these financial statements. However should the ultimate sales of the company's remaining property units result in lower sales proceeds or delays in the realisation of such sales the net realisable value of the work in progress shown in these financial statements may proved to be further impaired. The uncertainty over the timing and value of these sales transactions represents a fundamental uncertainty in respect of the financial position of the company.

BRICK BY BRICK CROYDON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

1 Accounting policies

(Continued)

1.3 Going concern

At the time of approving the financial statements, the directors have up to the point in time that the company can be wound up in an orderly fashion 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. The directors expect that orderly winding up will commence during 2024/25 which is likely to require a period of more than 12 months from the date of the adoption of these financial statements to complete. 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 enable the company to continue to bring its development sites to a conclusion. Should continuing support not be forthcoming from the parent undertaking 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, 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.

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. 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.

The parent undertaking has indicated to the directors that the company will be brought to an orderly conclusion in the next few years and as a result, as projects are completed the directors do not envisage any new projects commencing. In the director's opinion this decision has no significant impact on the carrying values of assets or liabilities in the financial statements.

1.4 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).

1.5 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, net of depreciation and any impairment losses.

BRICK BY BRICK CROYDON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

1 Accounting policies

(Continued)

Depreciation is recognised so as to write off the cost 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.

1.6 Impairment of non-current assets

Assets are assessed for impairment at the statement of financial position 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.

1.7 Inventories

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 development, 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 an 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 the 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.

BRICK BY BRICK CROYDON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

1 Accounting policies

(Continued)

1.8 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.

The majority cash and cash equivalents balance is in the name of the London Borough of Croydon designed to the company. This is shown as cash and cash equivalents rather than a debtor as the company is deemed to have substantial control of these bank accounts, although the London Borough of Croydon could access these funds at any time.

1.9 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.

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.

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.

BRICK BY BRICK CROYDON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

1 Accounting policies

(Continued)

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.

Derecognition of financial liabilities

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

1.10 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.

1.11 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.

1.12 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.

1.13 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 2023

1 Accounting policies

(Continued)

1.14 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.

Grants due to the company but not received by the year end are shown in accrued income.

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

1.15 Borrowing costs

Finance costs are charged to the Statement of Comprehensive Income or capitalised and included in work in progress where the directors are certain that these finance costs are recoverable.

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.

3 Revenue

	2023	2022
	£	£
Revenue analysed by class of business		
Property sales and refurbishment	72,997,228	85,395,914

BRICK BY BRICK CROYDON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

3	Revenue	(Continued)	
		2023	2022
		£	£
	Other revenue		
	Grants received	-	10,860
		<u> </u>	<u> </u>

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

4	Operating profit/(loss)	2023	2022
		£	£
	Operating profit/(loss) for the year is stated after charging/(crediting):		
	Government grants	-	(10,860)
	Depreciation of owned property, plant and equipment	150,534	178,142
	Operating lease charges	45,000	45,000
		<u> </u>	<u> </u>

5	Auditor's remuneration	2023	2022
		£	£
	Fees payable to the company's auditor and associates:		
	For audit services		
	Audit of the financial statements of the company	40,305	18,020
		<u> </u>	<u> </u>
	For other services		
	Taxation compliance services	1,470	2,035
	All other non-audit services	6,880	2,360
		<u> </u>	<u> </u>
		8,350	4,395
		<u> </u>	<u> </u>

6	Employees	2023	2022
		Number	Number
	The average monthly number of persons (including directors) employed by the company during the year was:		
		14	22
		<u> </u>	<u> </u>

BRICK BY BRICK CROYDON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

6 Employees (Continued)

Their aggregate remuneration comprised:

	2023 £	2022 £
Wages and salaries	1,007,458	1,423,569
Social security costs	113,806	157,697
Pension costs	53,621	91,147
	<u>1,174,885</u>	<u>1,672,413</u>

7 Directors' remuneration

	2023 £	2022 £
Remuneration for qualifying services	<u>197,543</u>	<u>26,277</u>

8 Finance costs

	2023 £	2022 £
Interest payable to group undertakings	<u>8,436,267</u>	<u>8,144,094</u>

During 2022, in addition to the above, interest payable to group undertakings of £1,820,000 was capitalised as work in progress. No interest was capitalised as working progress during 2023.

9 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:

	2023 £	2022 £
Loss before taxation	<u>(7,648,343)</u>	<u>(20,019,397)</u>
Expected tax credit based on the standard rate of corporation tax in the UK of 19.00% (2022: 19.00%)	(1,453,185)	(3,803,685)
Tax effect of expenses that are not deductible in determining taxable profit	1,056,568	327,106
Fixed asset differences	21,727	23,979
Movement in deferred tax not recognised	(766,868)	4,710,637
Transfer pricing adjustments	957,710	470,890
Remeasurement of deferred tax for changes in rates	<u>184,048</u>	<u>(1,728,927)</u>
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 2023

10 Property, plant and equipment

	Leasehold improvements £	Fixtures and fittings £	Computers £	Total £
Cost				
At 1 April 2022	571,795	23,705	179,645	775,145
Disposals	-	-	(78,158)	(78,158)
At 31 March 2023	571,795	23,705	101,487	696,987
Depreciation and impairment				
At 1 April 2022	452,941	20,394	142,678	616,013
Depreciation charged in the year	114,355	2,370	33,809	150,534
Eliminated in respect of disposals	-	-	(75,000)	(75,000)
At 31 March 2023	567,296	22,764	101,487	691,547
Carrying amount				
At 31 March 2023	4,499	941	-	5,440
At 31 March 2022	118,854	3,311	36,967	159,132

11 Inventories and work in progress

	2023 £	2022 £
Work in progress	-	62,569,924
Inventories	44,644,054	37,388,918
	44,644,054	99,958,842

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

12 Trade and other receivables

	2023 £	2022 £
Amounts falling due within one year:		
Trade receivables	33,839	335,600
Amounts owed by group undertakings	62,424,114	62,424,113
Other receivables	100	33,550
Prepayments and accrued income	1,267,666	2,547,330
	63,725,719	65,340,593

BRICK BY BRICK CROYDON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

13 Cash and cash equivalents

Cash and cash equivalents includes restricted bank accounts totalling £15,318,964 (2022: £13,818,148) jointly controlled by London Borough of Croydon and the company. The company has the beneficial entitlement of these funds.

14 Current liabilities

	Notes	2023 £	2022 £
Other borrowings	16	63,734,238	63,734,238
Trade payables		306,950	31,877
Amounts owed to group undertakings		3,764,367	3,764,367
Taxation and social security		1,051,423	993,983
Other payables		1,291	5,510
Accruals and deferred income		6,351,033	15,750,848
		<u>75,209,302</u>	<u>84,280,823</u>

Other borrowings are owed to the parent undertaking.

15 Non-current liabilities

	Notes	2023 £	2022 £
Loans payable to group undertakings	16	<u>103,353,031</u>	<u>142,216,764</u>

16 Borrowings

	2023 £	2022 £
Loans from group undertakings	<u>167,087,269</u>	<u>205,951,002</u>
Payable within one year	63,734,238	63,734,238
Payable after one year	<u>103,353,031</u>	<u>142,216,764</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.

A new loan agreement dated 27th May 2021 consolidated existing agreements. Interest under the new agreement accrues at a rate of 6.25%.

BRICK BY BRICK CROYDON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

17 Retirement benefit schemes

	2023 £	2022 £
Charge to profit or loss in respect of pension schemes	53,621	91,147

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 £24,199 (2022: £37,199).

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 £29,421 (2022: £53,948).

18 Share capital

	2023 Number	2022 Number	2023 £	2022 £
Ordinary share capital				
Issued and fully paid				
Ordinary Shares of £1 each	100	100	100	100

19 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:

	2023 £	2022 £
Within one year	22,500	45,000
Between two and five years	-	22,500
	22,500	67,500

20 Events after the reporting date

Since the year end the London Borough of Croydon in its lender capacity confirmed that the event of default will be waived in relation to the late submission of the 2021/22 statutory draft and audited accounts.

21 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

BRICK BY BRICK CROYDON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

22 Cash generated from operations

	2023 £	2022 £
Loss for the year after tax	(7,648,343)	(20,019,397)
Adjustments for:		
Finance costs	8,436,267	8,144,094
Depreciation and impairment of property, plant and equipment	150,534	178,142
Movements in working capital:		
Decrease in inventories	55,314,788	45,960,492
Decrease in trade and other receivables	1,614,874	7,507,382
Decrease in trade and other payables	(9,071,521)	(849,417)
Cash generated from operations	48,796,599	40,921,296

23 Analysis of changes in net debt

	1 April 2022 £	Cash flows £	31 March 2023 £
Cash at bank and in hand	13,819,207	1,499,757	15,318,964
Borrowings excluding overdrafts	(205,951,002)	38,863,733	(167,087,269)
	<u>(192,131,795)</u>	<u>40,363,490</u>	<u>(151,768,305)</u>

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.