

CREST SOVEREIGN (BROOKLANDS) LLP

Registered in England: number OC427112

Annual Report and Financial Statements

For the year ended 31 October 2021

Classified as: General



CREST SOVEREIGN (BROOKLANDS) LLP MEMBERS' REPORT

The Members have pleasure in submitting their report together with the audited financial statements for the year ended 31 October 2021.

Principal Activities and Business Review

The principal activity of Crest Sovereign (Brooklands) LLP (the "partnership") is the development of freehold land at Harry Stoke, Stoke Gifford, Bristol. The partnership has received full planning consent to build approximately 920 plots with forecast completion in 2026. All development costs will be jointly funded by both Members by way of loans incurring interest of the higher of a rate of 5% per annum or a rate of 2% above the Bank of England base rate. Profits will be shared equally between Members. All activities are conducted within the UK.

Future developments

The partnership is currently being used for the development of freehold land at Harry Stoke, Stoke Gifford, Bristol. Currently, no further development opportunities are being considered by the partnership. The future of the partnership will be reviewed on completion of the current development.

Key performance indicators

The performance in the current year reflects build work on residential units with revenue being recognised on affordable sales being recognised over time and open market sales at a point in time. Key financial statistics given below:

	2021	2020
	£m	£m
Revenue	22.0	7.4
Operating profit	3.6	0.7

Results and financial position

The partnership has revenue in the year of £22.0m (2020: £7.4m) and incurred an operating profit of £3.6m (2020: £0.7m). The partnership has net assets attributable to Members as at 31 October 2021 of £37.5m (2020: £40.3m). With the partnership's financial position, the long-term nature of the net assets attributable to Members and the continued financial support of the Members to enable the partnership to trade and meet its liabilities as they fall due (for twelve months from the date the Members approved these financial statements) the partnership therefore has prepared the financial statements on a going concern basis.

Risk management

The main risk to the partnership is that costs are not as forecasted. The partnership is engaging closely with all stakeholders to minimise the risk of unforeseen or unpredicted expected costs. The main financial risks associated with the partnership's financial instruments are credit risk, liquidity risk, market risk and interest rate risk.

Members

The Members during the year and up to the date of signing the financial statements were as follows:
Crest Nicholson Operations Limited ("Crest")
Sovereign Housing Partnerships Limited ("Sovereign")

Policy with regard to subscription of capital, drawings and repayment of capital

The Members initially provided equal value loans in accordance with the requirements of the partnership agreement ("the Agreement"), to provide general working capital to the partnership in pursuit of its development objectives.

No available profits of the partnership shall be drawn without the prior written agreement of both Members (except in circumstances where one Member has acquired a further share in the capital of the partnership, in which case the additional funder shall be entitled to withdraw an amount equal to its additional contributions without the consent of the non-funder subject to an appropriate adjustment to its share).

**CREST SOVEREIGN (BROOKLANDS) LLP
MEMBERS' REPORT (continued)**

No Member will be entitled to drawings from the partnership unless it has been expressly agreed by both parties. The Members will be entitled to share in the profit of the partnership in their relevant proportions. Each Member's share of the profit for any accounting period calculated in accordance with the partnership agreement shall be paid to it or credited to its Member's Current Account. The partnership shall maintain accounts in the name of each of the Members to which there shall be credited that Member's share of the profit (if any) and that Member's share of contributions. Distribution of profit may only be made once Member loans and contributions have been repaid to Members.

A Project Management Fee of 3% of the Gross Development Value of the project is payable to Crest by the partnership over the life of the development programme. The development programme life is determined to be the date of the Agreement to the final residential unit sale date. The Project Management Fee shall be 3% of the Gross Development Value which shall be calculated on an interim basis by reference to the Gross Development Value shown in the Development Appraisal and shall be adjusted upon the Final Sale Date.

A sales and marketing management fee of 1% is payable to Crest by the partnership on the actual Gross Development Value achieved along with a defect maintenance fee of £500 per plot.

An admin fee of £12,500 is payable to both Crest and Sovereign per annum for the provision of secretarial services payable on a quarterly basis over the length of the development on site.

Detailed arrangements for repayment of capital exist to cover resignation by a Member, appointment of a replacement Member, or, in the winding up of the partnership.

Statement of Members' Responsibilities

The members are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law, as applied to limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 (the "Regulations"), requires the members to prepare financial statements for each financial year. Under that law the members have prepared the financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. Under company law, as applied to limited liability partnerships, members 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 LLP and of the profit or loss of the LLP for that period. In preparing the financial statements, the members are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable international accounting standards in conformity with the requirements of the Companies Act 2006 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the LLP will continue in business.

The members are also responsible for safeguarding the assets of the LLP and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The members are responsible for keeping adequate accounting records that are sufficient to show and explain the LLP's transactions and disclose with reasonable accuracy at any time the financial position of the LLP and enable them to ensure that the financial statements comply with the Companies Act 2006, as applied to limited liability partnerships.

Disclosure of information to auditors

The Members who held office at the date of approval of this Members' Report confirm that, so far as they are each aware, there is no relevant audit information of which the partnership's auditors are unaware; and each Member has taken all the steps that he ought to have taken as a Member to make himself aware of any relevant audit information and to establish that the partnership's auditors are aware of that information.

CREST SOVEREIGN (BROOKLANDS) LLP
MEMBERS' REPORT (continued)

Independent auditors

PricewaterhouseCoopers LLP have been appointed as the auditors of the partnership and re-appointment will be proposed at a future meeting of the Members.

Approved by the Members and signed on their behalf:



Duncan Cooper
Director of Designated Member Crest Nicholson Operations Limited
Crest House, Pymcroft Road, Chertsey, Surrey, KT16 9GN
17 February 2022

**CREST SOVEREIGN (BROOKLANDS) LLP
INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CREST SOVEREIGN (BROOKLANDS) LLP**

Report on the audit of the financial statements

Opinion

In our opinion, Crest Sovereign (Brooklands) LLP's financial statements:

- give a true and fair view of the state of the LLP's affairs as at 31 October 2021 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 as applied to limited liability partnerships; and
- have been prepared in accordance with the requirements of the Companies Act 2006 as applied to limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the statement of financial position as at 31 October 2021; the income statement, the statement of comprehensive income, the statement of cash flows, the reconciliation of members' interests for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the LLP in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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 LLP'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.

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

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the LLP's ability to continue as a going concern.

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

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The members are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

CREST SOVEREIGN (BROOKLANDS) LLP
INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CREST SOVEREIGN (BROOKLANDS) LLP
 (continued)

Responsibilities for the financial statements and the audit

Responsibilities of the members for the financial statements

As explained more fully in the Statement of members' responsibilities set out on page 2, the members are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The members are also responsible for such internal control as they 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 members are responsible for assessing the LLP'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 members either intend to liquidate the LLP or to cease operations, or have no realistic alternative but to do so.

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

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

Based on our understanding of the LLP and industry, we identified that the principal risks of non-compliance with laws and regulations related to government guidelines on fire safety and other health and safety requirements, and employment law, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to management bias, in particular in areas of estimation uncertainty as set out in note 1 to the financial statements. Audit procedures performed by the engagement team included:

- Discussions with the management and consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Evaluation and testing of the operating effectiveness of management's controls designed to prevent and detect irregularities, in particular their controls around cost and margin forecasting;
- Challenging the assumptions and judgements made by management in determining their significant accounting estimates; and
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations including unusual or unexpected journal postings to the income statement

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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

Use of this report

This report, including the opinions, has been prepared for and only for the members of the partnership as a body in accordance with the Companies Act 2006 as applied to limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Registered No. OC427112

Classified as General

CREST SOVEREIGN (BROOKLANDS) LLP
INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CREST SOVEREIGN (BROOKLANDS) LLP
(continued)

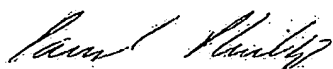
Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 as applicable to limited liability partnerships we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the LLP, 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.

We have no exceptions to report arising from this responsibility.



Darryl Phillips (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
17 February 2022

CREST SOVEREIGN (BROOKLANDS) LLP
INCOME STATEMENT
For the year ended 31 October 2021

	Note	2021 £m	2020 £m
Revenue	2	22.0	7.4
Cost of sales		(18.4)	(6.7)
Gross profit		3.6	0.7
Administrative expenses		-	-
Operating profit		3.6	0.7
Finance expense	3	(2.2)	(2.1)
Profit/(loss) for the year before Members' remuneration and share of profits/(losses)	4	1.4	(1.4)
Members' remuneration charged as an expense	5	-	-
Profit/(loss) for the year available for discretionary division among Members		1.4	(1.4)

The notes on pages 11 to 16 form part of these financial statements.

CREST SOVEREIGN (BROOKLANDS) LLP
STATEMENT OF COMPREHENSIVE INCOME

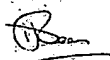
	2021 £m	2020 £m
Profit/(loss) for the year attributable to Members	1.4	(1.4)
Total comprehensive income/(expense) attributable to Members	1.4	(1.4)

The notes on pages 11 to 16 form part of these financial statements.

CREST SOVEREIGN (BROOKLANDS) LLP
STATEMENT OF FINANCIAL POSITION
As at 31 October 2021

	Note	2021 £m	2020 £m
ASSETS			
Current assets			
Inventories	6	41.2	39.3
Trade and other receivables	7	0.1	0.3
Cash		0.8	3.0
Total assets		42.1	42.6
LIABILITIES			
Current liabilities			
Trade and other payables	8	(4.6)	(2.3)
Net current assets		37.5	40.3
Total assets less current liabilities		37.5	40.3
NET ASSETS ATTRIBUTABLE TO MEMBERS			
		37.5	40.3
REPRESENTED BY:			
Balance due from Members within one year			
Loans and other debts due from Members	7	(4.6)	(2.4)
Balance due to Members within one year			
Loans and other debts due to Members	8	22.4	7.8
Amounts due in respect of profits and losses		(1.1)	(2.5)
Balance due to Members after one year			
Loans and other debts due to Members	8	20.8	37.4
TOTAL MEMBERS' INTERESTS		37.5	40.3

The financial statements on pages 7 to 16 were approved by the Members on 17 February 2022 and signed on its behalf by:



Duncan Cooper
 Director of Designated Member Crest Nicholson Operations Limited

CREST SOVEREIGN (BROOKLANDS) LLP
RECONCILIATION OF MEMBERS' INTERESTS
For the year ended 31 October 2021

Current financial year

	Equity		Debt		TOTAL MEMBERS' INTERESTS
	Members' Other Interests		Loans and other debts due to Members less any amounts due from Members in debtors		
	Other reserves £m	Total £m	Other amounts £m	Total £m	Total 2021 £m
Members' interests at 1 November 2020	(2.5)	(2.5)	42.8	42.8	40.3
Profit for the financial year available for discretionary division among Members	1.4	1.4	-	-	1.4
Members' interests after profit and remuneration for the year	(1.1)	(1.1)	42.8	42.8	41.7
Introduced by Members	-	-	10.5	10.5	10.5
Drawn by Members	-	-	(14.7)	(14.7)	(14.7)
Members' interests at 31 October 2021	(1.1)	(1.1)	38.6	38.6	37.5

Loans and other debts due to Members rank equally with debts due to ordinary creditors in a winding up. Members' capital contribution is £1 each.

Prior financial year

	Equity		Debt		TOTAL MEMBERS' INTERESTS
	Members' Other Interests		Loans and other debts due to Members less any amounts due from Members in debtors		
	Other reserves £m	Total £m	Other amounts £m	Total £m	Total 2020 £m
Members' interests at 1 November 2019	(1.1)	(1.1)	38.9	38.9	37.8
Loss for the financial year available for discretionary division among Members	(1.4)	(1.4)	-	-	(1.4)
Members' interests after loss and remuneration for the year	(2.5)	(2.5)	38.9	38.9	36.4
Introduced by Members	-	-	10.0	10.0	10.0
Drawn by Members	-	-	(6.1)	(6.1)	(6.1)
Members' interests at 31 October 2020	(2.5)	(2.5)	42.8	42.8	40.3

CREST SOVEREIGN (BROOKLANDS) LLP
STATEMENT OF CASH FLOWS
For the year ended 31 October 2021

	2021 £m	2020 £m
Cash flows from operating activities		
Profit/(loss) for the year	1.4	(1.4)
<i>Adjustments for:</i>		
Finance expense	2.2	2.1
	<hr/>	<hr/>
Operating profit before changes in working capital and provisions	3.6	0.7
Decrease in trade and other receivables	0.2	-
Increase in inventories	(1.9)	(2.3)
Increase in trade and other payables	2.3	1.3
Cash generated/(used) by operations	<hr/> 4.2	<hr/> (0.3)
Finance expense paid	<hr/> -	<hr/> -
Net cash inflow/(outflow) from operating activities	4.2	(0.3)
Cash flows from financing activities		
Amounts introduced by Members	8.3	7.9
Amounts drawn by Members	(14.7)	(6.1)
Net cash (outflow)/inflow from financing activities	<hr/> (6.4)	<hr/> 1.8
Net (decrease)/increase in cash	<hr/> (2.2)	<hr/> 1.5
Cash at the beginning of the year	3.0	1.5
	<hr/>	<hr/>
Cash at end of the year	0.8	3.0

CREST SOVEREIGN (BROOKLANDS) LLP
NOTES TO THE FINANCIAL STATEMENTS
1. Accounting policies

Basis of preparation

Crest Sovereign (Brooklands) LLP is a partnership incorporated in England. The address of the registered office is Sovereign House, Basing View, Basingstoke, England, RG21 4FA. The financial statements have been prepared and approved by the Members in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and have been prepared on the historical cost basis as well as in accordance with the Statement of Recommended Practice "Accounting by Limited Liability Partnerships" (LLP SORP).

The preparation of financial statements in conformity with IFRSs requires management to make assumptions and judgements that affect the application of policies and reported amounts within the financial statements. Assumptions and judgements are based on experience and other factors that management consider reasonable under the circumstances. Actual results may differ from these estimates.

The financial statements are presented in pounds sterling and amounts stated are denominated in millions (£m). The functional currency of the partnership is considered to be pounds sterling because that is the currency of the primary economic environment in which it operates. The accounting policies have been applied consistently in dealing with items which are considered material. Assets and liabilities are stated at amortised cost, which equals their fair value.

With the partnership's financial position, the long-term nature of the net assets attributable to Members and the continued financial support of the Members to enable the partnership to trade and meet its liabilities as they fall due (for twelve months from the date the Members approved these financial statements) the partnership has prepared the financial statements on a going concern basis.

The principal accounting policies adopted are set out below.

Impact of standards and interpretations in issue but not yet effective

There are a number of standards, amendments and interpretations that have been published that are not mandatory for the 31 October 2021 reporting period and have not been adopted early by the Group. The Group does not expect that the adoption of these standards, amendments and interpretations will have a material impact on the financial statements of the Group in future years.

Revenue and profit recognition

Revenue is recognised on house and apartment sales at legal completion. Revenue comprises the fair value of the consideration received or receivable, net of value added tax, rebates and discounts. The Company does not recognise revenue on the proceeds received on the disposal of properties taken in part exchange against a new property as they are incidental to the main revenue generating activities of the Company. Surpluses or deficits on the disposal of part exchange properties, which are bought in at their forecast recoverable amount, are recognised directly within gross profit.

Revenue is recognised on house and apartment sales at legal completion. For affordable and other sales in bulk, revenue recognition is dependent on freehold legal title being passed to the investor as it is considered that upon transfer of freehold title that the investor controls the work in progress. Where freehold legal title and control is passed to the investor, revenue is recognised on the upfront sale of land and then on the housing units as the build of the related units progresses. Where freehold legal title is not passed to the investor, revenue is not recognised on any upfront sale of land and the revenue on the housing units and sale of land is recognised at handover of completed units to the investor.

Revenue on specification upgrades paid for by the purchaser or on the cost of specification upgrades offered to the purchaser as part of the purchase price is recognised when title passes to the buyer.

Profit is recognised on a plot-by-plot basis, by reference to the margin forecast across the related development site. Due to the development cycle often exceeding one financial year, plot margins are forecast, taking into account the allocation of site-wide development costs such as infrastructure, and estimates required for the cost to complete such developments.

Provision is made for any losses foreseen in completing a site as soon as they become apparent.

CREST SOVEREIGN (BROOKLANDS) LLP
NOTES TO THE FINANCIAL STATEMENTS
1. Accounting policies (continued)

Inventories

Inventories are stated at the lower of cost and net realisable value ('NRV'). Work in progress and completed buildings including show homes comprises land under development, undeveloped land, land option payments, direct materials, sub-contract work, labour costs, site overheads, associated professional fees and other attributable overheads, but excludes interest costs.

Financial assets

Financial assets are initially recognised at fair value and subsequently classified into one of the following measurement categories:

- measured at amortised cost;
- measured subsequently at fair value through profit and loss ('FVTPL'); and
- measured subsequently at fair value through other comprehensive income ('FVOCI').

The classification of financial assets depends on the partnership's business model for managing the asset and the contractual terms of the cash flows. Assets that are held for the collection of contractual cash flows that represent solely payments of principal and interest are measured at amortised cost, with any interest income recognised in the income statement using the effective interest rate method. Financial assets that do not meet the criteria to be measured at amortised cost are classified by the partnership as measured at FVTPL. Fair value gains and losses on financial assets measured at FVTPL are recognised in the income statement and presented within net operating expenses. The partnership currently has no financial assets measured at fair value.

Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost, using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established based on an expected credit loss model applying the simplified approach, which uses a lifetime expected loss allowance for all trade receivables and other receivables. The amount of the loss is recognised in the income statement. Current trade and other receivables do not carry any interest and are stated at their amortised cost, as reduced by appropriate allowances for estimated irrecoverable amounts. Non-current trade and other receivables are discounted to present value when the impact of discounting is deemed to be material, with any discount to nominal value being recognised in the income statement as interest income over the duration of the deferred payment.

Cash

Cash is cash balances in hand and in the bank and are carried in the statement of financial position at nominal value.

Financial liabilities

Financial liabilities are initially recognised at fair value and subsequently classified into one of the following measurement categories:

- measured at amortised cost; and
- measured subsequently at fair value through profit and loss ('FVTPL').

Non-derivative financial liabilities are measured at FVTPL when they are considered held for trading or designated as such on initial recognition. The partnership has no non-derivative financial liabilities measured at fair value.

Trade and other payables

Trade and other payables are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method. Trade and other payables on deferred terms are initially recorded at their fair value, with the discount to nominal value being charged to the income statement as interest expense over the duration of the deferred period.

Critical accounting estimates and judgements

The preparation of the financial statements under IFRS requires management to make estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses and related disclosures.

In applying the partnership's accounting policies, the Members have made no individual judgements that have a significant impact on the financial statements. Areas of significant estimation are described below.

CREST SOVEREIGN (BROOKLANDS) LLP
NOTES TO THE FINANCIAL STATEMENTS
1. Accounting policies (continued)

Estimates and associated assumptions affecting the financial statements are based on historical experience and various other factors that are believed to be reasonable under the circumstances. The estimates and underlying assumptions are reviewed on an ongoing basis. Changes in accounting estimates may be necessary if there are changes in the circumstances on which the estimate was based or as a result of new information. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year, or in the year of revision and future years if the revision affects both current and future years.

Management considers the key sources of estimation uncertainty that has a risk of causing a material adjustment to the carrying value of assets and liabilities are described below:

Carrying value of inventories

Inventories of work in progress, completed buildings including show homes and part exchange inventories are stated in the statement of financial position at the lower of cost and NRV. On a monthly basis management update estimates of future revenue and expenditure for each development. Future revenue and expenditure may differ from estimate which could lead to an impairment of inventory. Where forecast revenues are lower than forecast expenditure an inventory provision is made. This provision may be reversed in subsequent periods if there is evidence of improved revenue or reduced expenditure forecast on a development. Reasonably foreseeable changes in prices at the balance sheet date would not have a significant impact on the NRV provision. If forecast costs were 10% higher on this development the profit before tax in the current year would have been £1.8m lower (2020: £0.6m lower). If revenue is 10% lower on forecast sales made on this development, the impact on profit before tax would be £2.3m (2020: £0.7), which is less than current forecast profitability, but the development would remain profitable.

Members' capital

The capital requirements of the partnership are determined from time to time by the partnership. No interest is paid on capital. On leaving the partnership a Member's capital is repaid, subject to a valuation formula agreed between the Members.

Members' remuneration and drawings

A Project Management Fee of 3% of the Gross Development Value of the project is payable to Crest by the partnership over the life of the development programme. The development programme life is determined to be the date of the Agreement to the final residential unit sale date. The Project Management Fee shall be 3% of the Gross Development Value which shall be calculated on an interim basis by reference to the Gross Development Value shown in the Development Appraisal and shall be adjusted upon the Final Sale Date.

A sales and marketing management fee of 1% is payable to Crest by the partnership on the actual Gross Development Value achieved along with a defect maintenance fee of £500 per plot.

An admin fee of £12,500 is payable to both Crest and Sovereign per annum for the provision of secretarial services payable on a quarterly basis over the length of the development on site.

Taxation

Taxation on all partnership profits is solely the liability of individual Members. Consequently, neither taxation nor related deferred taxation arising in the partnership are accounted for in these financial statements. Amounts retained for tax are treated in the same way as other profits of the partnership and so are included in 'Members' interests' or in 'Loans and other debts due to Members' depending on whether or not division of profits has occurred.

CREST SOVEREIGN (BROOKLANDS) LLP
NOTES TO THE FINANCIAL STATEMENTS

2. Revenue

Revenue type	2021 £m	2020 £m
Open market housing revenue	19.6	5.3
Affordable housing	2.4	2.1
Total revenue	<u>22.0</u>	<u>7.4</u>

Timing of revenue recognition

	2021 £m	2020 £m
Revenue recognised at a point in time	16.4	4.9
Revenue recognised over time	5.6	2.5
Total revenue	<u>22.0</u>	<u>7.4</u>

Assets and liabilities related to contracts with customers

	2021 £000	2020 £000
Contract assets	-	-
Contract liabilities	-	-

3. Finance expense

	2021 £m	2020 £m
Interest on Member loans	2.2	2.1
	<u>2.2</u>	<u>2.1</u>

4. Profit/(loss) for the year before Members' remuneration and share of losses

Auditors' remuneration of £16,000 (2020: £14,000) was charged in the year. The partnership had no employees during the year (2020: none).

5. Members' remuneration charged as an expense

No Members' remuneration was paid in the year (2020: none).

6. Inventories

	2021 £m	2020 £m
Work in progress	41.2	39.3
	<u>41.2</u>	<u>39.3</u>

Inventories of £17.8m (2020: £6.1m) were recognised as expenses in the year. Inventories are stated net of a net realisable provision of £nil (2020: £nil).

7. Trade and other receivables

	2021 £m	2020 £m
Trade receivables	-	0.2
VAT recoverable	0.1	0.1
Total – Trade and other receivables	<u>0.1</u>	<u>0.3</u>
Amounts due from Members (Sovereign)	4.6	2.4
	<u>4.7</u>	<u>2.7</u>

The expected credit loss on current receivables is expected to be immaterial in both 2021 and 2020.

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8. Trade and other payables

	2021	2020
	£m	£m
Current liabilities - Trade and other payables		
Trade payables	1.9	0.4
Other payables	0.1	0.1
Accruals	2.6	1.5
Taxes and social security costs	-	0.3
Total – Trade and other payables	4.6	2.3
Amounts owed to Members (Crest)	11.2	3.9
Amounts owed to Members (Sovereign)	11.2	3.9
	<u>27.0</u>	<u>10.1</u>

	2021	2020
	£m	£m
Non-current liabilities - Trade and other payables		
Amounts owed to Members (Crest)	10.4	18.7
Amounts owed to Members (Sovereign)	10.4	18.7
	<u>20.8</u>	<u>37.4</u>

Amounts owed to Members are secured on a legal charge, incurring an interest rate of 5% per annum or a rate of 2% above the Bank of England base rate and are repayable from net sales proceeds with full repayment expected in April 2024. During the year the rate of interest applied was 5%.

9. Financial risk management

The partnership's financial instruments comprise cash, trade and other receivables, and trade and other payables. The main objective of the partnership's policy towards financial instruments is to maximise returns on the partnership's cash balances, manage the partnership's working capital requirements and finance the partnership's ongoing operations.

Capital management

The partnership's policies seek to match long-term assets with long-term finance and ensure that there is sufficient working capital to meet the partnership's commitments as they fall due and continue to sustain trading.

Financial risk

The main risks associated with the partnership's financial instruments are credit risk, liquidity risk, market risk and interest rate risk. The Members are responsible for managing these risks and the policies adopted are as set out below.

Credit risk

Credit risk is the risk of financial loss to the partnership if a customer or other counterparty to a financial instrument fails to meet its contractual obligations. Trade and other receivables, as set out in note 7, are due from housing association sales, contract assets and HMRC, and as such credit risk is considered a main risk. In managing risk, the partnership assesses the credit risk of its counterparties before entering into a transaction. No credit limits were exceeded during the reporting period, and management does not expect any material losses from non-performance of any counterparties, including in respect of receivables not yet due.

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Liquidity risk

Liquidity risk is the risk that the partnership will not be able to meet its financial obligations as they fall due. Cash flow forecasts are produced to monitor the expected cash flow requirements of the partnership against the available facilities. The principal risks within these cash flows relate to achieving the level of sales volume and prices in line with current forecasts, and the Members providing sufficient funding through the early stages of the development cycle.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the partnership's income or the value of its holdings of financial instruments.

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9. Financial risk management (continued)

Interest rate risk

Interest rate risk reflects the partnership's exposure to fluctuations to interest rates in the market. The risk arises because the amounts due to Members can be subject to floating interest rates based on the Bank of England base rate as detailed in note 8.

Fair Values

Financial assets

The partnership's financial assets comprise cash and trade receivables. The carrying amounts of financial assets equate to their fair value and are listed in the below table.

Financial liabilities

The partnership's financial liabilities comprise amounts interest free amounts due to Crest, interest-bearing Member loans, trade payables, other payables and accruals. The carrying amount of the trade payables and accruals equate to their fair value.

Financial assets and liabilities by category

	2021	2020
	£m	£m
Financial assets		
Trade receivables	-	0.2
Sterling cash deposits	0.8	3.0
Total financial assets	0.8	3.2
	2021	2020
	£m	£m
Financial liabilities		
Amounts due to Sovereign – interest bearing	11.2	3.9
Amounts due to Crest – interest bearing	11.2	3.9
Member loans - interest bearing	20.8	37.4
Trade payables	1.9	0.4
Other payables	0.1	0.1
Accruals	2.6	1.5
Total financial liabilities	47.8	47.2

10. Related party transactions

During the year revenue of £5.6m (2020: £5.9m) was recorded to Sovereign. Sales are made on normal commercial terms:

At 31 October 2021 £21.5m (2020: £22.6m) was due to Crest, £21.5m (2020: £22.6m) was due to Sovereign, both amounts attract interest and £4.6m (2020: £2.5m) was a contract asset due from Sovereign which does not attract interest.

Interest of £1.1m (2020: £1.1m) was charged on each of the Member loans from Crest and Sovereign in the year. A sales and marketing management fee of £0.2m (2020: £0.2m) was charged in the year by Crest. A Project Management Fee of £1.0m (2020: £1.0m) was charged in the year by Crest, which was capitalised into inventory to be expensed in the future as cost of sales as units are taken to profit

Company Secretarial Services fees of £12,500 (2020: £12,500) were charged in the year by Crest and £12,500 (2020: £12,500) were charged in the year by Sovereign.

Defect maintenance fees of £19,200 (2020: £nil) were charged in the year by Crest.

At 31 October 2021, the partnership has accrued costs of £nil (2020: £47,500) for Company Secretarial Services fees and sales and marketing management fees which has been included in trade and other payables at the year end.

11. Controlling Party and Ultimate Controlling Party

Crest Sovereign (Brooklands) LLP is jointly controlled by Crest and Sovereign.

Crest is 100% controlled by Crest Nicholson Holdings plc and Sovereign is 100% controlled by Sovereign Housing Association Limited. No one Member has overall control.

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