

**BRACKEN HOUSE PROPERTIES LLP**

**Report and Consolidated Financial Statements**

**Year ended 30 June 2018**



**REPORT AND CONSOLIDATED FINANCIAL STATEMENTS 2018**

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**OFFICERS AND PROFESSIONAL ADVISERS**

**DESIGNATED PARTNERS**

H N Moser  
H J Moser

**REGISTERED OFFICE**

Sterling House  
Unit G  
Waterfold Business Park  
Bury  
Lancashire  
BL9 7BR

**BANKERS**

Handelsbanken  
7 Brewery Yard  
The Deva Centre  
Manchester Trinity Way  
Manchester  
M3 7BB

National Westminster Bank Plc  
Manchester City Centre Branch  
11 Spring Gardens  
Manchester  
M60 2DB

**AUDITOR**

Deloitte LLP  
2 Hardman Street  
Manchester  
United Kingdom

## **REPORT OF THE PARTNERS**

The members present their annual report on the affairs of the Group, together with the financial statements and auditor's report, for the year ended 30 June 2018.

### **FIRM STRUCTURE**

Bracken House Properties LLP ('the Partnership') is a Limited Liability Partnership under the Limited Liability Partnerships Act 2000 registered in Bury, Lancashire.

The financial statements consolidate the accounts of Bracken House Properties LLP and its subsidiary undertakings (the 'Group'), drawn up to 30 June each year.

### **PRINCIPAL ACTIVITY AND REVIEW OF BUSINESS**

The Group is principally engaged in the provision of property investment and property development.

### **REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS**

The group noted a profit for the year after tax of £3.86m (2017: profit of £5.06m).

Turnover for the year was £13.73m (2017: £14.49m). Turnover has decreased slightly, primarily due to decreased stock property sales activity during the year. During 2018 stock property sales were £6.37m (2017: £7.67m). c£4m of stock property sales turnover during 2018 was in relation to one site in Leyland.

Rents due for the group year to June 2018 were £6.52m (2017: £5.93m). Taking into account the positive start to 2019, the partners of the group look to the future with confidence and consider that the group is well placed to ensure increased future gains.

The general economic outlook remains uncertain, primarily due to the increasing possibility of an Article 50 extension, or a "no-deal" Brexit outcome following Parliament's recent rejection of the government's Brexit withdrawal agreement in its current form. Whilst uncertain and adverse economic conditions may present challenges, particularly in relation to investment property prices, the group continues to apply its experience to actively manage the risks in this environment.

### **FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

The Group's activities expose it to a number of financial risks including credit risk, cash flow risk and liquidity risk. The use of financial derivatives is governed by the Group's policies approved by the board of partners, which provide written principles on the use of financial derivatives to manage these risks. The Group does not use derivative financial instruments.

#### ***Cash flow risk***

All of the Group's activities are in the UK, therefore there is no foreign currency exchange rates risk. Interest rates are not hedged by the group.

#### ***Credit risk***

The Group's principal financial assets are bank balances and cash, trade and other receivables, and investments.

The Group's credit risk is primarily attributable to its trade receivables. The amounts presented in the statement of financial position are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

### **STATEMENT OF GOING CONCERN**

The members believe that the group is well placed to manage its business risks successfully. The financial position of the group is sound, with adequate levels of cash. In the prior year the group increased its funding facility with Handelsbanken for a term of 5 years. The group also has funding from the D L Moser Family Settlement Trust, and the trustees have confirmed that this funding will not be withdrawn for at least a period of 12 months from the approval of the report unless there is sufficient cash available to do so.

The members believe that the group has adequate resources to continue in operational existence for the foreseeable future.

Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

## **DESIGNATED MEMBERS**

The designated members (as defined in the Limited Liability Partnerships Act 2000) during the year are listed on page 1.

## **STATEMENT OF MEMBERS' RESPONSIBILITIES**

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

Company law requires the members to prepare financial statements for each financial year. Under that law the members have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". Under company law the 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 Company and of the profit or loss of the company for that period.

In preparing these financial statements, the members are required to:

- select suitable accounting policies and then apply them consistently;
- 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 Company will continue in business.

The members 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.

## **MEMBERS' DRAWINGS AND THE SUBSCRIPTION AND REPAYMENT OF PARTNERS' CAPITAL**

The members' policy on drawings is dependent upon the working capital requirements of the LLP.

The level of members' capital is determined by the members from time to time. Capital is repaid to members on cessation of partnership of the LLP.

## **AUDITOR**

Deloitte LLP have indicated their willingness to be reappointed for another term and appropriate arrangements have been put in place for them to be deemed reappointed as auditors in accordance with the LLP agreement.

Approved by the members and signed on their behalf by:



H N Moser  
Designated member  
28 March 2019

# **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BRACKEN HOUSE PROPERTIES LLP**

## **Report on the audit of the financial statements**

### **Opinion**

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent limited liability partnership's affairs as at 30 June 2018 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006 as applied to limited liability partnerships.

We have audited the financial statements of Bracken House Properties LLP (the 'parent limited liability partnership') and its subsidiaries (the 'group') which comprise:

- the consolidated statement of income and retained earnings;
- the consolidated and parent limited liability partnership statement of financial positions;
- the consolidated and parent limited liability partnership statements of changes in members' interests;
- the consolidated cash flow statement; and
- the related notes 1 to 19.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs(UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the group and of the parent limited liability partnership in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

We are required by ISAs (UK) to report in respect of the following matters where:

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

We have nothing to report in respect of these matters.

### **Other information**

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

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

We have nothing to report in respect of these matters.

### **Responsibilities of members**

As explained more fully in the members' responsibilities statement, the members 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 members 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 group's and the parent limited liability partnership'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 group or the parent limited liability partnership or to cease operations, or have no realistic alternative but to do so.

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

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

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

### **Report on other legal and regulatory requirements**

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

Under the Companies Act 2006 as applied to limited liability partnerships we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept by the parent limited liability partnership, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent limited liability partnership financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

#### **Use of our report**

This report is made solely to the limited liability partnership's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 as applied to limited liability partnerships. Our audit work has been undertaken so that we might state to the limited liability partnership's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the limited liability partnership and the limited liability partnership's members as a body, for our audit work, for this report, or for the opinions we have formed.



David Heaton (Senior statutory auditor)  
For and on behalf of Deloitte LLP  
Statutory Auditor  
Manchester, United Kingdom  
28 March 2019

**CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS**  
**Year ended 30 June 2018**

	Note	2018 £	2017 £
<b>TURNOVER</b>	1,2	13,727,198	14,489,538
Cost of sales		<u>(2,441,234)</u>	<u>(3,949,224)</u>
<b>GROSS PROFIT</b>		11,285,964	10,540,314
Administrative expenses		<u>(5,446,534)</u>	<u>(3,579,451)</u>
<b>OPERATING PROFIT</b>	3	5,839,430	6,960,863
Loss on sale of investment properties		(194,220)	(258,690)
Finance costs (net)	5	<u>(928,183)</u>	<u>(736,413)</u>
<b>PROFIT BEFORE TAXATION</b>		4,717,027	5,965,760
Taxation	6	<u>(811,536)</u>	<u>(852,153)</u>
<b>PROFIT FOR THE YEAR BEFORE MEMBERS' REMUNERATION AND PROFIT SHARES</b>		3,905,491	5,113,607
Members' remuneration charged as an expense	4	<u>(47,150)</u>	<u>(47,150)</u>
<b>PROFIT FOR THE YEAR AVAILABLE FOR DIVISION AMONGST MEMBERS</b>		<u><u>3,858,341</u></u>	<u><u>5,066,457</u></u>

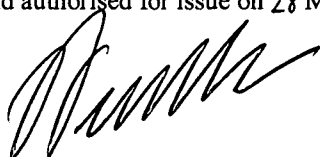
There were no items of comprehensive income in the current or prior year other than the profit for the year end, accordingly, no statement of comprehensive income is presented.

The Partnership has taken advantage of Section 408 of the Companies Act 2006 as applied by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 and has not included its own profit and loss account in these financial statements. Its own profit for the year available for discretionary division among members was £379,600 (2017: £1,699,674).

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**As at 30 June 2018**

	Note	2018 £	2017 £
<b>NON CURRENT ASSETS</b>			
Goodwill	7	9,296	10,328
Investment properties	8	79,894,124	77,124,084
Tangible fixed assets	9	1,752,954	1,147,705
Investments		19,512	19,512
Debtors: amounts falling due after more than 1 year		6,176	-
		<u>81,682,062</u>	<u>78,301,629</u>
<b>CURRENT ASSETS</b>			
Stocks	11	5,478,192	4,384,624
Debtors	12	4,654,749	2,229,677
Cash at bank and in hand		629,727	1,902,648
		<u>10,762,668</u>	<u>8,516,949</u>
<b>CREDITORS: Amounts falling due within one year</b>	13	<u>(22,324,392)</u>	<u>(17,802,103)</u>
<b>NET CURRENT LIABILITIES</b>		<u>(11,561,724)</u>	<u>(9,285,154)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>70,120,338</u>	<u>69,016,475</u>
<b>CREDITORS: Amounts falling due after more than one year</b>	14	<u>(33,729,845)</u>	<u>(31,325,593)</u>
<b>NET ASSETS ATTRIBUTABLE TO MEMBERS</b>		<u>36,390,493</u>	<u>37,690,882</u>
<b>REPRESENTED BY:</b>			
<b>Loans and other debts due to members</b>			
Members' capital classified as a liability		6,411,773	6,411,773
Other amounts		4,995,599	5,087,871
		<u>11,407,372</u>	<u>11,499,644</u>
<b>Members' other interests</b>			
Members' capital classified as equity		6,708,540	7,048,888
Revaluation reserve		18,274,581	19,142,350
		<u>24,983,121</u>	<u>26,191,238</u>
<b>TOTAL MEMBERS INTERESTS</b>		<u>36,390,493</u>	<u>37,690,882</u>

The financial statements of Bracken House Properties LLP (registered number OC320193) were approved by the members and authorised for issue on 28 March 2019. They were signed on behalf of the members by:

J 

H N Moser

Designated Member

## PARTNERSHIP STATEMENT OF FINANCIAL POSITION

Year ended 30 June 2018

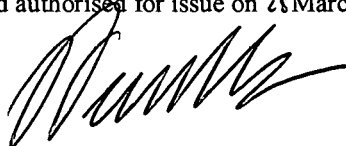
	Note	2018 £	2017 £
<b>NON CURRENT ASSETS</b>			
Investment properties	8	77,324,507	74,561,090
Tangible fixed assets	9	1,551,276	1,003,707
Investments		77,193	77,193
		<u>78,952,976</u>	<u>75,641,990</u>
<b>CURRENT ASSETS</b>			
Debtors	12	1,118,061	839,313
Cash at bank and in hand		275,119	277,096
		<u>1,393,180</u>	<u>1,116,409</u>
<b>CREDITORS: Amounts falling due within one year</b>	13	<u>(21,536,464)</u>	<u>(15,573,829)</u>
<b>NET CURRENT LIABILITIES</b>		<u>(20,143,284)</u>	<u>(14,457,420)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>58,809,693</u>	<u>61,184,570</u>
<b>CREDITORS: Amounts falling due in more than one year</b>	14	<u>(33,729,845)</u>	<u>(31,325,592)</u>
<b>NET ASSETS ATTRIBUTABLE TO MEMBERS</b>		<u>25,079,848</u>	<u>29,858,978</u>
<b>REPRESENTED BY:</b>			
<b>Loans and other debts due to members</b>			
Members' capital classified as a liability		6,411,773	6,411,773
Other amounts		(1,574,872)	1,884,184
		<u>4,836,901</u>	<u>8,295,957</u>
<b>Members' other interests</b>			
Members' capital classified as equity		2,432,026	2,920,544
Revaluation reserve		17,810,921	18,642,477
<b>TOTAL MEMBERS INTERESTS</b>		<u>25,079,848</u>	<u>29,858,978</u>

The financial statements of Bracken House Properties LLP (registered number OC320193) were approved by the members and authorised for issue on 26 March 2019. They were signed on behalf of the members by:



H N Moser

Designated Member



**CONSOLIDATED STATEMENT OF CHANGES IN MEMBERS' INTEREST**  
**Year ended 30 June 2018**

	Members' other interests			Loans and other debts due to/(from) members		
	Revaluation Reserve £	Other Reserves £	Total Equity £	Members' capital classified as a liability £	Other amounts £	Total members' interests £
Balance at 1 July 2017	19,142,350	7,048,888	26,191,238	6,411,773	5,087,871	37,690,882
Allocation of prior years' profit	-	(5,066,457)	(5,066,457)	-	5,066,457	-
Profit for the year available for division amongst members	-	3,858,341	3,858,341	-	-	3,858,341
Drawings	-	-	-	-	(5,158,730)	(5,158,730)
Revaluation other movements	(867,769)	867,769	-	-	-	-
Balance at 30 June 2018	<u>18,274,581</u>	<u>6,708,540</u>	<u>24,983,121</u>	<u>6,411,773</u>	<u>4,995,598</u>	<u>36,390,493</u>

	Members' other interests			Loans and other debts due to/(from) members		
	Revaluation Reserve £	Other Reserves £	Total Equity £	Members' capital classified as a liability £	Other amounts £	Total members' interests £
Balance at 1 July 2016	19,680,751	4,033,518	23,714,269	6,411,773	5,734,565	35,860,607
Allocation of prior years' profit	-	(2,589,489)	(2,589,489)	-	2,589,489	-
Profit for the year available for division amongst members	-	5,066,458	5,066,458	-	-	5,066,458
Drawings	-	-	-	-	(3,236,183)	(3,236,183)
Revaluation other movements	(538,401)	538,401	-	-	-	-
Balance at 30 June 2017	<u>19,142,350</u>	<u>7,048,888</u>	<u>26,191,238</u>	<u>6,411,773</u>	<u>5,087,871</u>	<u>37,690,882</u>

## PARTNERSHIP STATEMENT OF CHANGES IN MEMBERS' INTERESTS

Year ended 30 June 2018

	Members' other interests			Loans and other debts due to/(from) members		
	Revaluation Reserve £	Other Reserves £	Total Equity £	Members' capital classified as a liability £	Other amounts £	Total members' interests £
Balance at 1 July 2017	18,642,477	2,920,544	21,563,021	6,411,773	1,884,184	29,858,978
Allocation of prior years' profit	-	(1,699,674)	(1,699,674)	-	1,699,674	-
Profit for the year available for division amongst members	-	379,600	379,600	-	-	379,600
Drawings	-	-	-	-	(5,158,730)	(5,158,730)
Revaluation other movements	(831,556)	831,556	-	-	-	-
Balance at 30 June 2018	<u>17,810,921</u>	<u>2,432,026</u>	<u>20,242,947</u>	<u>6,411,773</u>	<u>(1,574,872)</u>	<u>25,079,848</u>

	Members' other interests			Loans and other debts due to/(from) members		
	Revaluation Reserve £	Other Reserves £	Total Equity £	Members' capital classified as a liability £	Other amounts £	Total members' interests £
Balance at 1 July 2016	19,163,087	2,968,628	22,131,715	6,411,773	2,851,999	31,395,486
Allocation of prior years' profit	-	(2,268,368)	(2,268,368)	-	2,268,368	-
Profit for the year available for division amongst members	-	1,699,674	1,699,674	-	-	1,699,674
Drawings	-	-	-	-	(3,236,183)	(3,236,183)
Revaluation other movements	(520,610)	520,610	-	-	-	-
Balance at 30 June 2017	<u>18,642,477</u>	<u>2,920,544</u>	<u>21,563,021</u>	<u>6,411,773</u>	<u>1,884,184</u>	<u>29,858,978</u>

**CONSOLIDATED CASH FLOW STATEMENT**  
**Year ended 30 June 2018**

	Note	£	2018 £	£	2017 £
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	18a		3,533,133		9,839,997
<b>CORPORATION TAX PAID</b>			(74,022)		(152,499)
<b>RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>					
Net interest paid			(928,183)		(736,412)
<b>CAPITAL EXPENDITURE</b>					
Payments to acquire tangible fixed assets		(712,984)		(549,634)	
Payments to acquire investment properties		(7,531,362)		(10,262,629)	
Proceeds from disposal of tangible fixed assets		7,001		9,048	
Proceeds from disposal of investment properties		4,567,098		2,657,150	
			(3,670,247)		(8,146,065)
<b>TRANSACTIONS WITH MEMBERS</b>					
Payments to members (including capital withdrawn)		(5,158,730)		(3,236,183)	
			(5,158,730)		(3,236,183)
<b>CASH OUTFLOW BEFORE FINANCING</b>			(6,298,049)		(2,431,162)
<b>FINANCING</b>					
Increase (Payment) of related party borrowings (note 15)	18b)		2,550,000		115,000
Increase in Bank Borrowings			2,475,128		2,180,638
<b>NET DECREASE IN CASH</b>	18c)		(1,272,921)		(135,524)
<b>CASH AT BEGINNING OF YEAR</b>			1,902,648		2,038,169
<b>CASH AT END OF YEAR</b>			<u>629,727</u>		<u>1,902,648</u>

## **1. ACCOUNTING POLICIES**

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and to the preceding year.

### **General information and basis of accounting**

Bracken House Properties LLP (“the Partnership”) is incorporated in the United Kingdom under the Limited Liability Partnership Act 2000. The address of the registered office is given on page 1. The nature of the group’s operations and its principle activities are set out in the members’ report on pages 2 to 3.

The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value, and in accordance with Financial Reporting Standard 102 (FRS 102) ‘The Financial Reporting Standard applicable in the UK and Republic of Ireland’ issued by the Financial Reporting Council and the requirements of the Statement of Recommended Practice Accounting by Limited Liability Partnerships (issued July 2014).

The functional currency of Bracken House Properties LLP is considered to be pounds sterling because that is the currency of the primary economic environment in which the Partnership operates. The consolidated financial statements are also presented in pounds sterling.

### **Basis of consolidation**

Bracken House Properties LLP financial statements consolidate the financial statements of the partnership and its subsidiary undertakings drawn up to 30 June each year. Sterling Property Co Limited is accounted for at cost less impairment.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

### **Going concern**

The members believe that the group is well placed to manage its’ business risks and has adequate resources to continue in operational existence for the foreseeable future. The financial position of the group is sound, with adequate levels of cash. The group has no material financial commitments other than those already disclosed in the accounts. The group is reliant on funding from the D L Moser Family Settlement Trust, and the trustees have confirmed that this funding will not be withdrawn for at least a period of 12 months from the approval date of the accounts, unless the Partnership has sufficient cash to do so.

The financial statements have been prepared using the going concern basis of accounting

### **Investments**

Investments held as fixed assets are stated at cost less provision for any permanent diminution in value. The investments balance comprises motor vehicle number plates. These are deemed to have an indefinite useful economic life, therefore no depreciation has been provided in respect of the investments.

### **Goodwill**

Goodwill arising on the acquisition of subsidiary undertakings and businesses, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and written off on a straight line basis over its useful economic life, which is 20 years. The results of subsidiary undertakings acquired are consolidated from the date when control passes to the Partnership.

### **Investment properties**

Properties which are not held for immediate or short term re-sale are classified as investment properties. Investment properties for which fair value can be measured reliably without undue cost or effort on an ongoing basis are measured at fair value annually as at the balance sheet date using open market values and based on previous valuations conducted by external chartered surveyors. Any changes are recognised in the profit and loss account.

## 1. ACCOUNTING POLICIES (continued)

### Tangible fixed assets

Tangible fixed assets are stated at cost or valuation, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets, other than investment properties, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Computer equipment	33% per annum
Fixtures and fittings	33% per annum

Motor vehicles are written down on a reducing balance basis over its expected useful life at 25% per annum.

### Stocks

Properties held for resale are valued at the lower of cost and estimated net realisable value. The net realisable value is equivalent to the estimated selling price less costs to sell. Any increase or decrease in the valuation of stock properties is recognised in operating expenses.

### Turnover

Turnover consists of proceeds of properties disposed of which were previously held for resale (stock properties), rental income and fees due for goods and services supplied to third parties. All turnover is derived in the United Kingdom and is recognised when the significant risks and rewards are considered to have been transferred to the buyer. Turnover from the supply of services represents the value of services provided under contracts to the extent that there is a right to consideration and is recorded at the fair value of the consideration received or receivable. Where a contract has only been partially completed at the balance sheet date turnover represents the fair value of the service provided to date based on the stage of completion of the contract activity at the balance sheet date. Where payments are received from customers in advance of services provided, the amounts are included as part of creditors due within one year.

### Divisible profits and members' remuneration

The SORP recognises that the basis of calculating profits for allocation may differ from the profits reflected through the financial statements prepared in compliance with recommended practice, given the established need to seek to focus profit allocation on ensuring equity between different generations and populations of members.

Members' fixed shares of profits (excluding discretionary fixed share bonuses) and interest earned on members' balances are automatically allocated and, are treated as members' remuneration charged as an expense to the profit and loss account in arriving at profit available for discretionary division among members.

The remainder of profit shares, which have not been allocated until after the balance sheet date, are treated in these financial statements as unallocated at the balance sheet date and included within other reserves.

The members' policy on drawings is dependent upon the working capital requirements of the firm. Profits are allocated in accordance with the provisions set out in the Partnership agreement.

### Members' interests

Members' capital is repayable on retirement of the member and is therefore classified as a liability. Because members may retire with less than one year's notice and typically have their capital repaid within one year of serving notice, members' capital is shown as being due within one year.

### Taxation

The taxation payable on the Partnership's profits is the personal liability of the members, although payment of such liabilities is administered by the partnership on behalf of the members. Consequently, neither partnership taxation nor related deferred taxation are accounted for in the financial statements. Sums set aside in respect of members' tax obligations are included in the balance sheet within loans and other debts due to members or set against amounts due from members as appropriate.

The tax expense represents the sum of the current and deferred tax relating to the subsidiary. The current tax expense is based on taxable profits of this company.

## 1. ACCOUNTING POLICIES (continued)

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax relating to the subsidiary is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Group's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of the timing difference. Deferred tax relating to non-depreciable property, plant and equipment measured using the revaluation model and investment property is measured using the tax rates and allowances that apply to sale of the asset. In other cases, the measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

### Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies described above, the directors are required to make certain estimates and assumptions about the carrying value of assets and liabilities. Estimates are evaluated based on historical experiences and expected outcomes and are believed to be reasonable at the time such estimates are made, although actual experience may vary from these estimates. There are no critical judgements made and the only key source of estimation uncertainty relates to the fair value of investment properties. The investment property portfolio is valued annually at the balance sheet date by the partners, on an open market basis, using previous external valuations undertaken by independent RICS valuers and market data.

## 2. TURNOVER

An analysis of the Group's turnover by class of business is set out below.

	2018 £	2017 £
Rental income	6,519,297	5,929,778
Management fees, maintenance recharges, letting fees and commission	836,283	889,647
Proceeds from sale of stock properties	6,371,618	7,670,113
	<u>13,727,198</u>	<u>14,489,538</u>

## 3. PROFIT BEFORE TAXATION

	2018 £	2017 £
Profit before taxation is stated after charging:		
Amortisation of goodwill	1,033	1,033
Depreciation and amounts written off tangible fixed assets		
- owned assets	102,745	123,572
Gain on disposal of fixed assets	2,011	1,398
	<u></u>	<u></u>

### 3. PROFIT BEFORE TAXATION (continued)

The analysis of the auditor's remuneration is as follows:

<b>Total audit fees</b>		
- Fees payable to the company's auditor for the audit of the Limited Liability Partnership's annual accounts	5,000	7,200
- Fees payable to the company's auditor for the audit of the Partnership's subsidiary	5,000	7,200
<b>Total non-audit fees</b>		
- Fees payable in respect of taxation for the Partnership's subsidiary	3,650	3,650
	<u>13,650</u>	<u>18,050</u>

### 4. STAFF NUMBERS AND COSTS

The average monthly number of employees (including members) was:

	<b>2018 No.</b>	<b>2017 No.</b>
Office and management	<u>26</u>	<u>28</u>

	<b>£</b>	<b>£</b>
<b>The aggregate remuneration comprised (excluding members):</b>		
Wages and salaries	690,226	744,902
Social security costs	73,331	79,034
Pension costs	<u>10,169</u>	<u>10,661</u>
	<u>773,726</u>	<u>834,597</u>

All salary costs are borne by Sterling Property Co Limited

	<b>No.</b>	<b>No.</b>
<b>Average number of members during the year</b>	<u>2</u>	<u>2</u>
	<b>£</b>	<b>£</b>
<b>Members' remuneration</b>		
Remuneration	<u>47,150</u>	<u>47,150</u>

Profits are shared among the members in accordance with agreed profit sharing arrangements. Only those profits payable to members under employment contracts as directors of companies or employees are recognised as an expense in the consolidated statement of income and retained earnings as members' remuneration.

The share of profit (including remuneration) attributable to the members with the largest entitlement to profit, consisting of profits allocated after the balance sheet date and remuneration, was £3,819,757 (2017: £5,015,793).

## 5. FINANCE COSTS (NET)

	2018 £	2017 £
Other finance income	100,068	130,975
Interest payable and similar charges	(1,028,251)	(867,387)
	<u>(928,183)</u>	<u>(736,413)</u>

## 6. TAXATION

The taxation payable on profits of the Partnership is the personal liability of the partners and is not dealt with in these financial statements. Accordingly, the disclosures provided below relate only to current and deferred tax in respect of the corporate subsidiary.

The tax charge comprises:

	2018 £	2017 £
<b>Current tax</b>		
UK corporation tax	814,045	830,918
Adjustments in respect of prior years	455	18,532
<b>Total current tax</b>	<u>814,500</u>	<u>849,450</u>
<b>Deferred tax (see note 16)</b>		
Origination and reversal of timing differences	774	2,759
Adjustment in respect of previous periods	(3,657)	-
Effect of changes in tax rates	(81)	(56)
<b>Total tax on profit</b>	<u>811,536</u>	<u>852,153</u>

The differences between the total tax charge shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax are as follows:

	2018 £	2017 £
Profit before tax & after partner remuneration	4,669,877	5,918,610
Profit of the Partnership not subject to corporation tax	378,567	(1,698,640)
<b>Profit subject to corporation tax</b>	<u>4,291,310</u>	<u>4,219,970</u>
Tax on profit on ordinary activities at standard UK corporation tax rate of 19.00% (2017: 19.75%)	815,349	833,473
Effects of:		
Expenses not deductible for tax purposes	(17,687)	(14,703)
Depreciation for year in excess of capital allowances	-	-
Gains/rollover relief	17,156	14,908
Tax rate changes	(81)	(57)
Adjustments to tax charge in respect of previous periods	(3,202)	18,532
<b>Group total tax charge for the period</b>	<u>811,536</u>	<u>852,153</u>

## 7. GOODWILL

### Group

	£
<b>Cost</b>	
At 1 July 2017	20,658
At 30 June 2018	20,658
<b>Amortisation</b>	
At 1 July 2017	10,330
Charge for the year	1,034
At 30 June 2018	11,364
<b>Net book value</b>	
At 30 June 2017	10,328
At 30 June 2018	9,296

## 8. INVESTMENT PROPERTIES

	Group £	LLP £
<b>Valuation</b>		
At 1 July 2017	77,124,084	74,561,090
Additions	7,531,363	7,199,740
Disposals	(4,761,323)	(4,436,323)
At 30 June 2018	79,894,124	77,324,507

A valuation of investment properties is made annually as at the balance sheet date by the partners, at open market value based on previous external valuations. Investment properties were revalued to fair value at 30 June 2015, based on a valuation undertaken by independent RICS valuers with recent experience in the location and class of the investment property being valued. As set out in note 2, property rental income earned during the year for the Group was £6,519,297 (2017: £5,929,778).

## 9. TANGIBLE FIXED ASSETS

### Group

	Motor Vehicles £
<b>Cost</b>	
At 1 July 2017	1,693,020
Additions	712,984
Disposals	(25,690)
At 30 June 2018	2,380,314
<b>Depreciation</b>	
At 1 July 2017	545,313
Charge for the year	102,746
Disposals	(20,699)
At 30 June 2018	627,360
<b>Net book value</b>	
At 30 June 2018	1,752,954
At 30 June 2017	1,147,707

## 9. TANGIBLE FIXED ASSETS (CONTINUED)

Partnership	Motor Vehicles £
<b>Cost</b>	
At 1 July 2017	1,390,800
Additions	614,337
Disposals	(9,690)
At 30 June 2018	<u>1,995,447</u>
<b>Depreciation</b>	
At 1 July 2017	387,092
Charge for the year	65,017
Disposals	(7,938)
At 30 June 2018	<u>444,171</u>
<b>Net book value</b>	
At 30 June 2018	<u><u>1,551,276</u></u>
At 30 June 2017	<u><u>1,003,707</u></u>

## 10. FIXED ASSET INVESTMENTS

The parent Partnership has investments in the following subsidiary undertaking:

	Country of registration	Interest in ordinary shares and voting rights	Principal activity
Sterling Property Co. Limited	England and Wales	100%	Property management and investment

## 11. STOCKS

	Group 2018 £	LLP 2018 £	Group 2017 £	LLP 2017 £
Work in progress	<u>5,478,192</u>	<u>-</u>	<u>4,384,624</u>	<u>-</u>

The members deem all stock properties and land sites to be valued at the lower of cost and net realisable value.

## 12. DEBTORS

	Group 2018 £	LLP 2018 £	Group 2017 £	LLP 2017 £
Amounts falling due within one year:				
Trade debtors	398,508	398,508	208,851	161,968
Amounts owed by associated companies (note 17)	32,392	-	591,250	-
Amounts owed by group undertakings	-	-	-	-
Other debtors	4,107,090	628,382	1,350,774	628,382
Prepayments	116,759	91,171	75,590	48,963
	<u>4,654,749</u>	<u>1,118,061</u>	<u>2,226,465</u>	<u>839,313</u>
Amounts falling due after more than one year:				
Deferred tax asset (note 16)	<u>6,176</u>	<u>-</u>	<u>3,212</u>	<u>-</u>

## 13. CREDITORS: Amounts falling due within one year

	Group 2018 £	LLP 2018 £	Group 2017 £	LLP 2017 £
Bank loan	1,650,000	1,650,000	1,650,000	1,650,000
Trade creditors	740,176	185,785	726,315	343,550
Related party loans (note 15)	13,934,901	13,934,901	11,384,901	11,384,901
Amounts owed to associated companies (note 17)	1,081,104	-	278,661	-
Amounts owed to group undertakings	-	4,057,651	-	897,509
Corporation tax	1,663,950	-	923,472	-
Other taxation and social security	44,479	11,441	65,460	27,742
Other creditors	1,517,369	330,946	1,373,281	62,717
Accruals and deferred income	1,621,538	1,365,740	1,400,013	1,207,410
Hire purchase	70,875	-	-	-
	<u>22,324,392</u>	<u>21,536,464</u>	<u>17,802,103</u>	<u>15,573,829</u>

## 14. CREDITORS: Amounts falling due in more than one year

	Group 2018 £	LLP 2018 £	Group 2017 £	LLP 2017 £
Bank loan	<u>33,729,845</u>	<u>33,729,845</u>	<u>31,325,592</u>	<u>31,325,592</u>

Interest is payable on the bank loan at a variable rate of LIBOR + 2.5% on the principal amount.

## 15. RELATED PARTY LOAN

The related party loan is repayable as follows:

	<b>Group 2018 £</b>	<b>LLP 2018 £</b>	<b>Group 2017 £</b>	<b>LLP 2017 £</b>
On demand	<u>13,934,901</u>	<u>13,934,901</u>	<u>11,384,901</u>	<u>11,384,901</u>

£13.9m (2017: £11.4m) is due to 'D.L. Moser Family Settlement Trust', a related party, and is repayable within 7 days of written demand. The loan is interest free. The trustees have confirmed that they do not intend to withdraw funding from the Group within the twelve month period from the signing of the accounts, unless there is adequate levels of cash to do so, whilst also taking into account banking covenants.

## 16. DEFERRED TAXATION ASSET

### Group

	<b>£</b>
On 1 July 2017	3,212
Adjustment in respect of prior years	3,657
Deferred tax charge for the year	<u>(693)</u>
Balance at 30 June 2018	<u>6,176</u>

The amounts provided in the financial statements comprising full provision as follows:

	<b>2018 £</b>	<b>2017 £</b>
Depreciation in advance of capital allowances	<u>6,176</u>	<u>3,212</u>

## 17. RELATED PARTIES

The LLP has taken advantage of the exemption in Section 33 "Related party disclosures" to not disclose transactions with the wholly owned subsidiary.

Borrowings from related parties are shown in note 15.

The Group had the following balances with associated entities at year end:

	<b>Balances due to 2018 £</b>	<b>Balances due from 2018 £</b>	<b>Balances due to 2017 £</b>	<b>Balances due from 2017 £</b>
Blemain Finance Limited	(10,049)	-	(10,719)	-
Factfocus Limited	(7,763)	-	(7,610)	-
Lancashire Mortgage Corporation Limited	(9,985)	-	(26,283)	-
Jerrold Mortgage Corporation Limited	-	57	-	1,793
Supashow Limited	-	-	(53)	-
Jerrold Manufacturing Pension Fund	(1,053,307)	-	(233,996)	-
Blemain Finance Pension Fund	-	32,335	-	589,457
	<u>(1,081,104)</u>	<u>32,392</u>	<u>(278,661)</u>	<u>591,250</u>

## 17. RELATED PARTIES (continued)

All of the above mentioned companies and pension funds are associated with Henry Moser.

During the year, the subsidiary, Sterling Property Co Ltd, charged a total of £205,702 (2017: £199,768) in property management fees to the associated entities noted above.

Included within other creditors is a balance of £112,044 (2017: £22,735) due to Henry Moser. Also included within other creditors is a balance of £540,411 (2017: £540,411) due to Hayley Moser (member).

Sterling Property rent an office, Sterling House, Bury from the Blemain Finance Pension Fund, of which Henry Moser is a trustee. Rents & service charge paid during the year was £28,002 (2017: £28,002).

Bracken House Properties LLP leases property to Jerrold Holdings Limited of which Henry Moser is the controlling party. Rents due & paid during the year to June 2018 by Jerrold Holdings were £1.4m (2017: £1.1m). As at 30<sup>th</sup> June 2018, the balance outstanding (included within trade debtors) was £0.3m (2017: £0.0m)

## 18. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

### a) Reconciliation of operating profit to net cash flow from operating activities:

	2018 £	2017 £
Operating profit (after partner remuneration)	5,792,280	6,913,713
Depreciation	102,744	123,571
Amortisation	1,034	1,033
Profit on sale of fixed assets	(2,011)	(1,647)
(Increase)/Decrease in stocks	(1,093,568)	3,129,743
Increase in debtors	(2,428,284)	(666,579)
Increase in creditors (ignoring loans & corporation tax)	1,160,938	340,162
Net cash inflow from operating activities	<u>3,533,133</u>	<u>9,839,997</u>

### b) Analysis of net debt

	At 1 July 2017 £	Cash flow £	At 30 June 2018 £
Cash at bank and in hand	1,902,648	(1,272,921)	629,727
Loans due	(44,360,493)	(5,025,128)	(49,385,621)
Partner's capital classified as debt and other amounts	11,234,325	5,158,730	16,393,055
Net debt	<u>(31,223,520)</u>	<u>(1,139,319)</u>	<u>(32,362,839)</u>

### c) Reconciliation of net cash flow to movement in net debt

	2018 £	2017 £
Increase /(decrease) in cash in year	(1,272,921)	(135,521)
Cash flow from debt and lease financing	133,602	940,546
Change in net debt resulting from cash flows	<u>(1,139,319)</u>	<u>805,025</u>
Movement in net debt in year	(1,139,319)	805,025
Net debt at beginning of year	<u>(31,223,520)</u>	<u>(32,028,535)</u>
Net debt at end of year	<u>(32,362,839)</u>	<u>(31,223,520)</u>

**19. CONTROLLING PARTY**

The LLP is controlled by its members. The split is 99% for Henry Moser and as such, Henry Moser is the controlling party.