FIRST WAVE HOUSING LIMITED

FIRST WAVE
HOUSING

ANNUAL REPORT
AND
FINANCIAL STATEMENTS

Year ended 31 March 2019

Company Registration No. 04533752

Contents

FIRST WAVE HOUSING LIMITED (04533752)

COMPANY INFORMATION

The directors of the Company who were in office during the year and up to the date of signing the annual report and financial statements were:

BOARD MEMBERS (Non-Executive)

George Crane		Appointed	27 September 2017
Peter Gadsdon		Appointed	27 September 2017
Martin Smith	Chair	Appointed	27 September 2017
Gail Tolley		Appointed	12 February 2018
Akintoye Durowoju		Appointed	1 May 2018
Phillip Porter		Resigned	12 February 2018

COMPANY SECRETARY

Peter Gadsdon		Appointed	27 September 2017

REGISTERED OFFICE

Brent Civic Centre, Engineers Way, Wembley, Middlesex, HA9 0FJ

COMPANY REGISTRATION NO. 04533752

RSH REGISTRATION NUMBER 4569

INDEPENDENT AUDITORS

Grant Thornton UK LLP, Chartered Accountants and Statutory Auditor, 30 Finsbury Square, EC21 1AG

BANKERS

National Westminster, 567 Kingsbury Road, London, NW9 9EP

SOLICITORS

Winckworth Sherwood LLP., 5 Montague Close, London, SE1 9BB

FIRST WAVE HOUSING LIMITED (04533752)

STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2019

The Directors present their strategic report on the Company for the year ended 31 March 2019. Reference should also be made to the Directors' Report for the year ended 31 March 2019.

Review of the business

First Wave Housing Limited (the 'Company' or 'FWH'), formerly named Brent Housing Partnership ('BHP') (name changed on 11 October 2017) is a local authority owned company of the London Borough of Brent (the 'Council' or 'LBB'), and is limited by guarantee.

FWH is a registered housing provider with the Regulator of Social Housing (RSH) and conforms to standards set out in the Regulatory Framework for Social Housing in respect of Registered Providers with properties under one thousand units. First Wave Housing is a public benefit entity.

The Company has also adopted the National Housing Federation (NHF) Governance Code 2015 (the 'Code') and has prepared its financial statements in accordance with the Statement of Recommended Practice for Registered Social Housing Providers (the 'Housing SORP 2014'), complying with the provisions of the Code. The Board takes its responsibilities under regulation and relevant good practice guidance very seriously and has taken appropriate steps to ensure compliance with the requirements set out in the Regulatory Framework.

With effect from 30 September 2017, LBB decided to terminate the Management Agreement with BHP, in relation to the Council housing stock. At that time, all BHP staff transferred from the Company to LBB under Transfer of Undertakings (TUPE) regulations; and all operations managed by BHP, at that time, were then operated and managed directly by LBB.

This also means that the pension scheme arrangement and related deficit, that previously existed, no longer falls on the Company, as all staff have transferred back to LBB; and such pension arrangements and liabilities have transferred to LBB under the TUPE obligations.

Results and performance

The Company recorded a surplus before tax of £824k in 2018/19 compared with a surplus before tax of £279k in 2017/18 (Restated). The revenue and capital budgets for the year, were managed by the London Borough of Brent (the sole guarantor) through the SLA agreement with the Council.

Strategy

The Company is committed to improving and maintaining its stock through targeted investment, which will be determined by the commissioning of a stock condition survey in conjunction with LBB. The Company will keep under review the potential for it to contribute further to the housing, investment and regeneration objectives of LBB.

Governance

During 2017/18 (consequent on the termination of the Management Agreement referred to above), all eleven BHP Board members resigned and were replaced by the FWH Board, which currently comprises of 5 members, made up of two independent directors (one of whom is Chair of the Board), and three representatives from the Council (one councillor and two officers). The Board meets on a regular basis and takes collective responsibility for the long-term success of the Company.

System of internal control

The Board of FWH is committed to the highest standards of business ethics and conduct, and seeks to maintain these standards across all of its activities.

The Board is responsible for ensuring that sound systems of internal control exist within FWH, which focus on the significant risks that threaten our ability to meet our objectives, and provide reasonable assurance for the safeguarding of assets. The key means of identifying, evaluating and managing the systems of internal control are:

- Corporate governance arrangements as set out above;
- Policies and procedures for all key areas of the business, which are reviewed periodically to ensure their continued appropriateness;
- An Internal Audit function provides quality assurance and value for money. FWH uses the services of a professional firm of auditors (through the Council) and other specialists as necessary. All audit reports are reviewed by the Board, which also receives updates on the implementation of agreed external and internal audit recommendations; and
- FWH's Board regularly monitor performance against budgets and other indicators.

No weaknesses were found in internal controls which resulted in material losses, contingencies or uncertainties that require disclosure in the annual report, for the year ended 31 March 2019 and up to the date of the approval of the annual report.

Risks and Uncertainties

FWH is a registered provider and a Wholly owned council company, and therefore has to manage risk in line with the expectations of the regulator and its Guarantor is, the London Borough of Brent. The Company adopts a strategic risk based approach to manage principal risks and uncertainties. A low risk strategy has been adopted which provides the company, lender and shareholder greater reassurance in the company's ability to deliver sustainable outcomes.

The Board has placed significant emphasis on establishing a rigorous monitoring regime to seek out swift and continuous improvements to establish the controls the smaller portfolio requires. The housing portfolio of 329 residential properties and 2 commercial properties requires investment to maintain the portfolio. The Board recognises that the core affordable housing product offers only a marginal opportunity to support capital investment and maintenance. This is a principal risk for the Company in delivering its objectives as a public benefit entity.

Some of the key risks in the business have been mitigated through fixed fees for services. The Board is currently revisiting its financial model, ensuring rents and service charge income are appropriate to manage the interest repayments, the costs of service delivery and a significant property investment programme. The Board has established SLAs with LB Brent, limiting the company's exposure to risk and protecting some of the Company's financial assumptions.

Specific risks are monitored and managed through the risk register and discussed at board meetings. Risks are assessed on likelihood and impact to the Company, while also considering the Council as sole Guarantor and other key stakeholders. The board uses a RAG rating approach to risk with assessment of risks pre mitigation and post mitigation. The below table shows a summary of the post mitigation scores to some of the main risks the Company could face:

Risk Number	Risk Type	Risk	Post-mitigation Likelihood (out of 5)	Post-mitigation Impact (out of 5)	Post-mitigation Risk Score (out of 25)
1	Operational & Financial	There is a risk of unforeseen costs and loss of income as a result of poor quality housing stock	2	4	8
2	Financial	There is a risk of reduction in income in market rent because the properties cannot achieve market rent yield	4	1	4
3	Financial and Reputational	There is a risk of fraud to the Company	0	0	0
4	Operational & Financial	There is a risk that First Wave policies and procedures specific to the non-social housing tenures e.g. market rent and intermediated rent are not applied appropriately	2	3	6
5	Financial	There is a risk that business plan rent collection rates are not achieved and bad debt exceeds business plan assumptions. The introduction of universal credit may adversely affect rent collection	2	3	6
6	Financial & achieving operational objectives	There is a risk that void periods will exceed the business plan	5	3	15
7	Financial & Reputational	There is a risk that First Wave is deemed to have failed a statutory health and safety obligation as a landlord	1	5	5
8	Financial & Reputational	First Wave is deemed to have failed a statutory requirement in its corporate role	1	5	5
9.1	Fraud	There is a risk of fraud to the Company (subletting of properties by tenants)	1	2	2
9.3	Fraud	There is a risk of fraud to the Company (diversion of tenant rent payments by staff)	1	2	2
9.4	Fraud	There is a risk of fraud to the Company (tenants misrepresenting their circumstances during the eligibility assessment process)	1	3	3
9.5	Fraud	There is a risk of fraud to the Company (repairs/maintenance/major works – overcharging or charging for fictitious works)	1	3	3

The borough of Brent continues to face significant housing challenges, with a rising population, a large average family size, low incomes, high unemployment, rising demand, high prices and high rents in a changing market. This all means that housing policy changes at a national level must be carefully evaluated and, where necessary, new approaches identified to meet the challenges arising. The Government's 1% rent reduction continues to impact on the income levels and the valuation of the Company's social rented properties and the loss of housing stock through right-to-buy will still have implications for the on-going finances of the Company.

Value for Money - Key Performance Indicators

FWH aims to deliver value for money (VfM) by making the most of the available resources to maximise the social benefit to tenants, communities and the wider local area. As a small provider (with a stock of less than 1000 units), the Company measures its headline VfM performance using the metrics below. This complies with the Regulator of Social Housing Value for Money Standard introduced in April 2018 and accompanying Code of Practice.

The below metrics are measured against the National Housing Federation median average:

Metric Number	Metric Description	FWH	NHF National median
1	Reinvestment (%)	0.3%	5.8%
2a	New Supply (%)	0.0%	1.0%
2b	New Supply non-social housing (%)	0.0%	0.0%
3	Gearing (%)	58.1%	35.1%
4	EBITDA MRI interest cover (%)	157.7%	213.6%
5	Headline Social Housing Cost (£ per unit)	£6,674	£3,450
6a	Operating Margin (social housing lettings) (%)	36.2%	30.4%
6b	Operating Margin (overall) (%)	69.1%	27.9%
7	Return on Capital Employed (ROCE) (%)	4.6%	3.7%

The metrics show that as per the company's business plan and risk appetite, new supply of social housing is not a current objective. Instead, the current plan is focus on investment in existing stock. This will increase the current re-investment metric over the next 5 years as the investment plan. The gearing % is higher than average, however this risk is mitigated somewhat as the lender is the LB Brent and sole Guarantor. Other factors such as operating margin and ROCE show the model is operating above the national average. The current focus going forward is to bring about the investment plan whilst maintaining financial obligations. This has been highlighted as a main risk in the risk register and subsequent mitigation has been applied in the business plan.

By order of the board

The strategic report was approved by the Board and signed on its behalf by:

Martin Smith – Chair of the Board

Date: 19th September 2019

FIRST WAVE HOUSING LIMITED (04533752)

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2019

The Directors present their report and the audited financial statements of First Wave Housing Limited (the 'Company' or 'FWH') for the year ended 31 March 2019. Reference should also be made to the Strategic Report for the year ended 31 March 2019.

Future developments

The Directors will seek to create a vision for the Company, working in conjunction with the Council, alongside a revised long-term business plan, which will include estimated investment requirements going forward.

Financial instruments

As at 31 March 2019, FWH had outstanding loans with LBB totalling £37.7m secured against the housing stock. All loan facilities are extended with fixed interest rates for the full term of the loan, which mitigates any interest rate risk. These loans comprise the purchase of Granville New Homes (GNH) and dwellings in connection with the Settled Homes Initiative (SHI).

Directors

The directors during any part of the financial year 2018/19 are shown on page 3 – Board Information. The Company maintains insurance for the benefit of all directors of the Board against liabilities in relation to their services for the Company, there was also third party indemnity insurance in place during the financial year ended 31 March 2019 and at the date of approval of the annual report.

Employees

FWH no longer directly employs staff as all former BHP staff were transferred back to the Council under TUPE regulations in 2017/18, and instead the Company 'buys-in' services from the Council under a Service Level Agreement (SLA).

Going concern

The Company (a company limited by guarantee) is a wholly owned subsidiary of LBB. At 31 March 2019, the net assets of the Company amounted to £25.3m, principally comprising £61m of Council housing stock assets and outstanding loans due to LBB (secured on such stock) of £37.7m.

The Directors have reviewed the company's forecasts to fund the company's activities. Based on this analysis, at the date of approval of the financial statements, the Directors have a reasonable expectation that the company will continue to be operate for the foreseeable future, being a period of not less than twelve months from the date of approval of these financial statements.

In addition, a letter of support has been issued by London Borough of Brent from the section 151 officer. This states that LBB will provide continuing financial support as the sole guarantor of the Company to enable FWH to fund its liabilities as they fall due and to allow its financial statements to be prepared on a going concern basis.

Statement of directors' responsibilities in respect of the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare, the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, and applicable law, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards and the Statement of Recommended Practice (SORP) Accounting by Registered Housing Providers 2014, 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 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, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing (April 2015). 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.

Directors' confirmations

In the case of each director in office at the date the Directors' report is approved:

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

Independent auditors

Grant Thornton UK LLP, are the new auditors for FWH Limited

By order of the board

The directors' report was approved by the Board and signed on its behalf by:

Martin Smith – Chair of the Board

Date: 19th September 2019

Company registration number: 04533752

Registered address: Brent Civic Centre, Engineers Way, Wembley, Middlesex, HA9 0FJ

FIRST WAVE HOUSING LIMITED (04533752)

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF FIRST WAVE HOUSING LIMITED

Report on the audit of the financial statements

Opinion

We have audited the financial statements of First Wave Housing Limited (the 'company') for the year ended 31 March 2019, which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cashflows and the 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 Financial Reporting Standard 102; The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2019 and of its surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We have been appointed as auditor under the Companies Act 2006 and report in accordance with regulations made under that Act. We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken during the course of the 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.

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

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.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of the directors

As explained more fully in the Statement of Directors' Responsibilities set out on pages 7-8, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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. This description forms part of our auditor's report.

Use of our report

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

Joanne Love

Joanne Love

Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London

Date: 19 September 2019

FINANCIAL STATEMENTS

Statement of comprehensive income for the year ended 31 March 2019

	Notes	2018/19 £'000	(Restated) 2017/18 £'000
Turnover	6	4,196	40,345
Operating costs	6/7/8	(2,275)	(38,166)
Surplus on revaluation of investment properties	12	979	200
Surplus on revaluation of commercial properties	12	-	14
Operating surplus	8	**2,900**	**2,393**
Interest payable and similar charges	17	(2,076)	(2,114)
Surplus on ordinary activities before taxation		**824**	**279**
Tax on surplus on ordinary activities	11	(362)	(122)
Surplus on ordinary activities after taxation		**462**	**157**
Surplus for the financial year		**462**	**157**
Unrealised surplus on revaluation of social housing properties	12	61	906
Actuarial gain/(loss) in respect of pension scheme		-	1,223
Total comprehensive income for the year		**523**	**1,064**

The notes on pages 16 to 31 form part of these financial statements.

FIRST WAVE HOUSING LIMITED (04533752)

FINANCIAL STATEMENTS

Statement of financial position as at 31 March 2019

	Note	2018/19 £'000	(Restated) 2017/18 £'000
Fixed assets			
Housing properties at valuation - investment properties	12	12,070	11,090
Housing properties at valuation - social housing properties	12	48,610	48,900
Social housing properties - furniture, fixtures & fittings	12	68	90
Commercial properties	12	272	272
Total fixed assets		**61,020**	**60,352**
Current assets			
Debtors	13	2,413	1,436
Cash at bank and in hand	14	2,261	3,036
Total current assets		**4,674**	**4,472**
Creditors: amounts falling due within one year	15	(2,636)	(1,672)
Net current assets		**2,038**	**2,800**
Total assets less current liabilities		**63,058**	**63,152**
Provision for deferred tax	15	(896)	(636)
Creditors: amounts falling due after more than one year	15	(36,849)	(37,726)
Net assets including pension liability		**25,313**	**24,790**
Capital and reserves			
Revaluation reserve		13,866	13,087
Revenue reserve		11,447	11,703
Total shareholders' surplus		**25,313**	**24,790**

The notes on pages 16 to 31 form part of these financial statements

The financial statements on pages 11 to 31 were approved by the Board of First Wave Housing Limited (registered number 04533752) and signed on its behalf by:

Martin Smith
Chair of the Board

Date: 19 September 2019

FINANCIAL STATEMENTS

Statement of changes in equity for the year ended 31 March 2019

	Note	Revaluation reserve commercial properties £'000	Revaluation reserve investment properties £'000	Revaluation reserve social housing properties £'000	Total Revaluation reserve £'000	Revenue reserve (including Pension reserve) £'000	Total shareholders surplus £'000
Balance at 01 April 2017		**215**	**4,242**	**7,505**	**11,962**	**(7,110)**	**4,852**
Surplus for the financial year		-	-	-	-	157	157
(Restated)							
Other Comprehensive Income:							
Revaluation of social housing properties	12	-	-	906	906	-	906
Actuarial Gains						1,223	1,223
Derecognition of Pension Liability		-	-	-	-	17,648	17,648
Transfers Between Reserves:							
Movement of Investment Property Revaluation	11-Dec	12	207	-	219	(215)	4
Balance at 1 April 2018		**227**	**4,449**	**8,411**	**13,087**	**11,703**	**24,790**
Surplus for the financial year		-	-	-	-	462	**462**
Other Comprehensive Income:							
Revaluation of social housing properties	12	-	-	61	**61**	-	**61**
Transfers Between Reserves:							
Movement of IP revaluation in reserves	11-Dec	-	718	-	**718**	(718)	-
Balance at 31 March 2019		**227**	**5,167**	**8,472**	**13,866**	**11,447**	**25,313**

FIRST WAVE HOUSING LIMITED (04533752)

FINANCIAL STATEMENTS

Statement of cash flows for the year ended 31 March 2019

	Note	2018/19 £'000	(Restated) 2017/18 £'000
Cash flows from operating activities			
Surplus for the financial year		462	157
Adjustments for:			
Depreciation of tangible fixed assets	*12*	560	557
Post-employment benefits less payments		-	335
Surplus on revaluation	*12*	(979)	(214)
Interest paid	*17*	2,076	2,114
Tax charge for the year	*11*	362	122
Increase in debtors	*13*	(977)	3,461
Decrease in stocks		-	7
Increase(decrease) in creditors	*15*	838	(9,658)
Cash (used in)/generated from operations		**2,342**	**(3,120)**
Tax paid	*11*	(122)	(151)
Net cash (used in)/generated from operating activities		**2,220**	**(3,271)**
Cash flows from investing activities			
Purchase of Fixed Assets	*12*	(186)	0
Net cash used in investing activities		**(186)**	**0**
Cash flows from financing activities			
Repayment of loans to the Council	*15*	(733)	(695)
Interest paid	*17*	(2,076)	(2,114)
Net cash used in financing activities		**(2809)**	**(695)**
Net (decrease)/increase in cash and cash equivalents		**(775)**	**(6,080)**
Cash and cash equivalents at beginning of year		3,036	9,116
Cash and cash equivalents at end of year	*14*	**2,261**	**3,036**

The notes on pages 16 to 31 form part of these financial statements.

The Financial statements on pages 11 to 31 were approved by the board of First Wave Housing Limited (registered number 04533752) and signed on its behalf by:

Martin Smith
Chair of the Board

Date:

FIRST WAVE HOUSING LIMITED (04533752)

Notes to the financial statements for the year ended 31 March 2019

1. General Information

First Wave Housing Limited (the 'Company' or 'FWH') managed and maintained social housing and other investment and commercial properties on behalf of its parent local authority, the London Borough of Brent (the 'Council' or 'LBB') up until 30 September 2017, when the Company's Management Agreement with the Council was terminated by LBB. Since that date, the principal activity of FWH is to own and hold its stock of properties. All operations and services in respect of this housing portfolio are now directly managed by LBB. FWH no longer directly employs staff as all former staff were transferred to LBB and, instead, the Company 'buys-in' services from the Council under a Service Level Agreement (SLA) where required.

The Company is a private company limited by guarantee and is incorporated in England (registered number 04533752). The address of its registered office is Brent Civic Centre, Engineers Way, Wembley, Middlesex, HA9 OFJ.

2. Statement of compliance

The financial statements of the Company have been prepared in compliance with the Generally Accepted Accounting Practice in the UK; including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102"), the Companies Act 2006 and the Accounting Direction for Social Housing in England from April 2015 and the Housing SORP 2014 Statement of Recommended Practice for Social Housing Providers (the "2014 SORP").

First Wave Housing is a public benefit entity. The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

3. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

These financial statements are prepared on a going concern basis, under the historical cost basis, as modified by the revaluation of certain assets annually tested for revaluation gains and impairment.

The financial statements have been prepared on an accruals basis. Assets and liabilities are recognised on the Company's statement of financial position when it is probable that future economic benefits or costs will flow and the amounts of the assets and liabilities can be reliably measured, Turnover and expenditure is recognised in the statement of comprehensive income where it can be reliably measured that income has become due to the Company or expenditure has been incurred by the Company.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The accounting policies have been applied consistently in dealing with items which are considered to be material in relation to the financial statements.

(b) Going concern

The Company (a company limited by guarantee) is a wholly owned subsidiary of LBB. The Company is a registered housing provider owning 332 properties at 31 March 2019 with a net book value £61.2m the funding for which is fully provided by the Council through loans of £37.7m secured against these properties.

The Council has confirmed, in writing, of its intention for FWH to remain as a going concern for at least twelve months from the date of approval of the annual report and financial statements. Accordingly, the directors have a reasonable explanation that the company will continue to operate for the foreseeable future. Accordingly, they have adopted the going concern basis of preparation in these financial statements.

(c) **Turnover**

Turnover comprises rental income receivable in the year. Rental income is recognised from the point when properties become available for letting, net of voids. The Company operates both fixed and variable service charges based on the services received by each property. All income is recognised on a receivable basis.

(d) **Taxation**

Taxation expense for the year comprises current and deferred tax recognised in the reporting period. Tax is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively. Current or deferred taxation assets and liabilities are not discounted.

(i) Current tax

Current tax is recognised for the amount of tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the year end.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(ii) Deferred tax

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is recognised on all timing differences at the reporting date. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the year end and that are expected to apply to the reversal of the timing difference.

The revaluation of the Company's investment properties creates a timing difference, because the gain is recognised in the statement of comprehensive income in the current period, but it will be recognised in taxable profits in a later period (either when the asset is sold and a gain is realised, or as the asset is used, generating taxable income). Accordingly, a deferred tax liability is recognised in the statement of changes in equity.

(iii) Value added tax (VAT)

The Company's VAT affairs are in the name of First Wave Housing Limited. The Company is not registered for VAT and therefore expenditure on its own property portfolio is shown inclusive of VAT, to the extent that it is not recoverable.

(e) **Tangible assets**

Tangible assets are stated at valuation or cost less accumulated depreciation and accumulated impairment losses. Cost includes the original purchase price, costs directly attributable to bringing the asset to its working condition for its intended use, dismantling and restoration costs. Tangible fixed assets of a value exceeding £1,500 will be capitalised and depreciated.

(i) Land and buildings
Land and buildings include freehold and leasehold properties. Land and buildings are stated at cost or deemed cost for land and buildings held at valuation at the date of transition to FRS 102 less accumulated depreciation and accumulated impairment losses.

The directly attributable costs are the labour costs of own employees arising directly from the construction or acquisition of the property and the incremental costs that would have been avoided only if individual properties had not been constructed or acquired. Interest is capitalised on a fair proportion of the borrowings of the Company as a whole, calculated on the costs incurred during the period of development, less social housing grant (SHG) received. Improvements are capitalised only when they result in an increase in the net rental income, a reduction in future maintenance costs, or in a significant extension of the useful economic life of the property. All other improvement expenditure is charged to the statement of comprehensive income when incurred.

Commercial properties

Commercial properties have been valued on a market value basis using a conventional investment approach based on the current or anticipated rental income.

Housing properties held for investment

Housing properties held for investment are the land and buildings in the market-rent scheme. Investment properties are carried at fair value, which is based on active market prices adjusted, if necessary, for any difference in the nature, location or condition of the specific asset.

Jones Lang LaSalle (JLL), independent valuers, formed an opinion on the values, in accordance with the Royal Institution & Chartered Surveyors (RICS) publication 'RICS Valuation Professional Standards' (January 2014 edition) as at 31 March 2019.

These valuations are reviewed annually. Following the adoption of FRS 102 standard, gains in fair values are recognised in the statement of comprehensive income and transferred to the revenue reserve. Revaluations which are below carrying value are shown as an impairment and are recognised in the statement of comprehensive income.

Investment properties are included in the statement of financial position at fair value and, in accordance with FRS 102, investment properties are not subject to periodic charges for depreciation.

Social housing properties

This class of asset is made up of social rented properties (general needs), intermediate market rented properties, settled homes initiative properties, new build properties and an equity share property and are subject to depreciation over their estimated useful economic life (100 years). These properties were revalued by JLL as at 31 March 2019 on the basis of their existing use value - social housing (EUV-SH). The Company conducts an annual review of the need to adopt component accounting as per the 2014 SORP.

(ii) Furniture, fixtures and fittings
Furniture, fixtures, and fittings are stated at cost less accumulated depreciation and accumulated impairment losses.

(iii) Depreciation and residual values
The assets' residual values and useful lives are reviewed, and adjusted, if appropriate, at the end of each reporting period. The effect of any change is accounted for prospectively. Depreciation is charged so as to write down the assets to their residual value on a straight line basis over their estimated useful economic life, unless otherwise noted below. Depreciation is calculated as follows:

Furniture, fixtures and fittings	Depreciated at 40% in the first year of the economic life and at 25% per annum for the remainder of the economic life using the reducing balance method
Furniture, fixtures and fittings – short life	Straight line basis over five years

(iv) Subsequent additions and main components
Repairs, maintenance and minor inspection costs are expensed in the statement of comprehensive income as incurred.

(v) Assets in the course of construction
Assets in the course of construction are stated at historical cost. These assets are not depreciated until they are available for use. There were no assets under construction in this financial year.

(vi) Derecognition
Tangible assets are derecognised on disposal or when no future economic benefits are expected. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in the statement of comprehensive income.

(f) **Borrowing costs**
All borrowing costs are recognised in the statement of comprehensive income in the period in which they are incurred.

(g) **Impairment of non-financial assets**
At each balance sheet date non-financial assets not carried at fair value are assessed to determine whether there is an indication that the asset may be impaired. If there is such an indication the recoverable amount of the asset is compared to the carrying amount of the asset.

The recoverable amount of the asset is the higher of the fair value less costs to sell and value in use. Value in use is defined as the present value of the future cash flows before interest and tax obtainable as a result of the asset's continued use. These cash flows are discounted using a pre-tax discount rate that represents the current market risk-free rate and the risks inherent in the asset.

If the recoverable amount of the asset is estimated to be lower than the carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognised in the statement of comprehensive income.

If an impairment loss is subsequently reversed, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised in prior periods. A reversal of an impairment loss is recognised in the statement of comprehensive income.

(h) **Cash and cash equivalents**
Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts, when applicable, are shown within borrowings in current liabilities.

(i) **Provisions and contingencies**
(i) Provisions
Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount of the obligation can be estimated reliably.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations might be small.

In particular:

(a) Restructuring provisions are recognised when the Company has a detailed, formal plan for the restructuring and has raised a valid expectation in those affected by either starting to implement the plan or announcing its main features to those affected and therefore has a legal or constructive obligation to carry out the restructuring, and

(b) Provision is not made for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as a finance cost.

(ii) Contingencies

Contingent liabilities are not recognised, except those acquired in a business combination Contingent liabilities arise as a result of past events when (a) it is not probable that there will be an outflow of resources or that the amount cannot be reliably measured at the reporting date or (b) when the existence will be confirmed by the occurrence or non-occurrence of uncertain future events not wholly within the Company's control. Contingent liabilities are disclosed in tie financial statements unless the probability of an outflow of resources is remote.

Contingent assets are not recognised. Contingent assets are disclosed in the financial statements when an inflow of economic benefits is probable.

(j) **Financial instruments**

The Company has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

(i) Financial assets

Basic financial assets, including trade and other receivables, cash and bank balances, are initially recognised at transaction price, 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. Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period, financial assets measured at amortised cost are assessed for objective evidence of impairment. 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 the statement of comprehensive income.

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 the statement of comprehensive income.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party, or (c) despite having retained some significant risks and rewards of ownership, control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

(ii) Financial liabilities

Basic financial liabilities, including trade and other payables, bank loans, and loans from the Council 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 receipts discounted at a market rate of interest.

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

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary cairn of business from suppliers. Accounts 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.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

(k) **Related party transactions**

The Company discloses transactions with related parties. Where appropriate, transactions of a similar nature are aggregated unless, in the opinion of the directors, separate disclosure is necessary to understand the effect of the transactions on the financial statements.

4. Critical accounting judgements and estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) **Key accounting estimates and assumptions**

(i) Provisions for doubtful debts (note 12)

Provision is made for bad debts on rental income from the Company's owned stock. This provision requires management's best estimate of the likely rent collection rates based upon past experience and trends. In addition, any other provisions require management's best estimate of the costs that will be incurred based on legislative and contractual requirements.

(ii) Valuation of properties (note 11)

All properties have been included at either cost or valuation, The intermediate rented properties have been classified as social housing properties and were valued by JLL as at 31 March 2019 on the basis of existing use value - social housing (EUV-SH) with special assumptions The special assumptions are those applied to the 15 year term that departs from EUV-SH to reflect the nature of the Company's holding for the properties purchased with a grant, assuming market rents with rental growth capped at RPI and allowing for sales.

5. Prior Year Adjustment

In the financial year 2017/18, two errors were made in the accounts.

1) Depreciation was not charged to Income and Expenditure statement. The impact of this was to inflate the operating surplus by £527k.
2) The Revaluation Reserve was not credited with the reversal of depreciation following the revaluation. The impact of this was that Other Comprehensive Income and the Revaluation Reserve were understated by £527k.

The below table shows the adjustments required to correct the accounts:

	Income and Expenditure - Operating Surplus	Other Comprehensive Income	Revaluation Reserve
As per 2017-18 Year End	684	379	12,560
Adjustment for Depreciation Charge	(527)	527	527
Adjustment for Revaluation Gain			
Restated 2017/18 Accounts	**157**	**906**	**13,087**

As a result of these changes, surplus on ordinary activities after taxation has decreased by £527k. Net assets remain unchanged as the decrease in general reserve (due to the reduced surplus), has been offset by the increase in the revaluation reserve. The 2017/18 figures have been updated where applicable throughout these accounts.

6. Particulars of turnover, operating costs and operating surplus

Turnover is derived completely from the principal activities of the Company and arises solely within the United Kingdom.

	Note	Turnover 2019	Turnover 2018	*Note*	Operating costs 2019	Operating costs 2018	Operating surplus/ (loss) 2019	Operating surplus 2018
		£'000	£'000		£'000	£'000	£'000	£'000
Social housing lettings	*7*	3,570	3,610		(2,276)	(1,975)	1,294	1,635
Market rent		626	653		-	(20)	626	633
Other*		-	36,082		-	(36,172)	-	(90)
Total		**4,196**	**40,345**	*7&8*	**(2,276)**	**(38,167)**	**1,920**	**2,178**

*Includes management fees paid by the Council in respect of housing management and support services, service level agreements with the Council, recharges of expenditure incurred through maintenance of Council-owned properties, repairs income, and other recharges to the Council for management and other services.

Turnover comprises the following elements

	2018/19 £'000	2017/18 £'000
Management fee paid by the Council in respect of housing management and support services	-	3,302
Service level agreements with the Council	-	463
Recharges of expenditure incurred through maintenance of Council-owned properties*	-	27,401
Repairs income from the Company's empty property repairs section	-	1,519
Rental income from the Company's social housing properties	3,570	3,610
Rental income from the Company's market rented properties	626	653
Other**	-	3,397
Total***	**4,196**	**40,345**

*Recharges of revenue and capital expenditure, from external contractors, incurred by the Company for repair works carried out on the Council's properties.

**Includes charges to the Council for the provision of services such as regeneration and responsive repairs works, asbestos works, management of private lettings, travellers' site and the Brent mental health scheme.

*** Void costs are included in operating expenditure as they are built into in the SLA agreement with the Council. These costs were £185k for the year.

7. Particulars of turnover and operating costs from social housing lettings

	2018/19 £'000	(Restated) 2017/18 £'000
Rent receivable net of service charges	3,570	3,532
Service charges receivable	-	51
Net rental income	**3,570**	**3,583**
Management fees	-	27
Turnover from social housing lettings	**3,570**	**3,610**
Depreciation - social housing fixtures and fittings	(560)	(557)
Other costs	(1,716)	(1,418)
Operating costs on social housing lettings	**(2,276)**	**(1,975)**
Operating surplus on social housing lettings	**1,294**	**1,635**

Housing accommodation:	Commercial properties**	Equity share*	General needs social rent*	Intermediate market rent*	Other Market rent**	Total
Number of units in ownership 2019	2	1	84	200	45	**332**
Number of units in ownership 2018	2	1	84	200	45	**332**

*comprises social housing properties

**comprises investment properties

8. Operating surplus is stated after charging:

	2018/19 £'000	2017/18 £'000
Wages and salaries	-	2,205
Social security costs	-	230
Pension costs	-	664
Total staff costs	**-**	**3,099**
Training and recruitment expenses	-	13
Agency and consultancy costs	-	1,242
Supplies and services	940	5,809
Depreciation of tangible fixed assets (note 12)	560	557
Auditors' remuneration		
- Audit of the financial statements	25	35
- Non audit (tax) services	-	11
Property maintenance costs	751	27,401
Total	**2,276**	**38,132**

9. Operating cost (apportioned by Directorate)

	2018/19 £'000	2017/18 £'000
Managing Directorate	-	420
Property (formerly Development and Growth)	-	8,339
Transformation (formerly Operations)	-	26,351
Finance	-	1,921
Centralised Income & Expenditure	2,276	609
Total	**2,276**	**37,640**

Operating costs include Service Level Agreements ('SLA') from the Council such as legal, IT and accommodation charges.

10. Employees and directors

Employees:	**2018/19 No.**	**2017/18 No.**
The average monthly number of persons employed by the Company during the year was:		
Managing Directorate	-	7
Property (formerly Development and Growth)	-	30
Transformation (formerly Operations)	-	41
Finance	-	29
Board members	-	11
Total	**-**	**118**

The average monthly number of persons employed is calculated using the sum of permanent employees per month, divided by 12 to obtain an average.

Directors:	**2018/19 £'000**	**2017/18 £'000**
Board remuneration (Non-Executive)		
Martin Smith - Chair (highest paid)	**9**	4
Akintoye Durowoju – board member	**6**	22
Total	**15**	**26**

The remaining board members do not receive remuneration.

Key management compensation* (Executive)
Key management includes the directors noted above and members of senior management. The compensation paid or payable to key management for employee services is shown below:

	2018/19 £'000	**2017/18 £'000**
Interim Managing Director *	-	142
Head of Customer Services	-	62
Head of Financial Services	-	54
Director of Property	-	30

*Includes pension contributions

**The Interim Managing Director was an ordinary member of the local government pension scheme (LGPS) on the same basis as is available to all staff. No enhanced terms or special conditions apply. Employees' contribution rate depends on their pay, in the case of the Interim Managing Director the rate was 11.4% per annum, in addition the employer contributed a further 25.8% per annum. The Company has not made any contributions to a personal pension scheme on behalf of any member of staff.

Highest paid director (Executive)
The highest paid director's emoluments were as follows:

	2018/19 £'000	2017/18 £'000
Salaries	-	61
Compensation for loss of office	-	58
Pensions - employers contribution	-	15
Employer's NI contributions	-	8
Total	**-**	**142**

Staff salary banding*

	2018/19 No.	2017/18 No.
£60,000 to £69,999	-	1
£70,000 to £79,999	-	1
£80,000 to £89,999	-	1
£90,000 to £99,999	-	1
£100,000 to £109,999	-	-
£110,000 to £119,999	-	-
£120,000 to £129,999	-	-
£130,000 to £139,999	-	-
£140,000 and £149,999	-	2**
£150,000 and £159,999	-	-
£160,000 and £169,999	-	-
£170,000 and £179,999	-	-
£180,000 and £189,000	-	-
£190,000 and £199,000	-	1**
Total	**-**	**7**

*Excludes Board members

**Includes one-off early retirement pension contribution for 1 Full Time Equivalent (FTE)

11. Tax on surplus on ordinary activities

	2018/19	2017/18
A: Current tax:	**£'000**	**£'000**
UK corporation tax on surplus for the year	101	122
Tax on surplus on ordinary activities	**101**	**122**

Tax on expense/(income)

	2018/19	2017/18
B: Deferred tax:	**£'000**	**£'000**
Origination and reversal of timing differences	167	5
Impact of changes in tax rates	94	-
Total deferred tax expense/(income) included in equity	**261**	**5**

Factors affecting the tax charge

	2018/19 £'000	2017/18 £'000
Surplus on ordinary activities before taxation	**1,361**	**805**
Surplus multiplied by the standard rate of tax in the UK of 19% (2018: 19%)	101	153
Adjustment for rounding	-	(1)
Adjusted surplus multiplied by the standard rate of tax	**101**	**152**
Effects of:		
Surplus outside of scope of corporation tax (see note below)	-	(24)
Capital allowances in excess of depreciation	-	(6)
Total tax charge for the year	**101**	**122**

As the memorandum and articles of association of the Company are in accordance with HM Revenue & Customs (HMRC) BIM58210, transactions between the Company and the Council are not regarded by HMRC as amounting to trading and will therefore not attract corporation tax. In addition, the surplus on revaluation of the commercial and investment properties is not subject to current tax but has generated a deferred tax liability included in equity.

There are £20,071 (2018: £20,071) of losses carried forward at 31 March 2019 which at the tax rate of 19% (2018: 19%) would have a tax value of £3,813 (2018: £3,813). This potential asset has not been recognised in the financial statements in view of the uncertainty of the future use of the tax losses.

12. Tangible fixed assets

	Commercial properties	Housing properties held for investment	Social housing properties	Social housing properties furniture, fixtures and fittings	Total
Number of housing units	2	45	285	-	332
	£'000	£'000	£'000	£'000	£'000
Cost or valuation					
As at 1 April 2018	272	11,090	48,900	403	60,665
Additions during the year			186	-	186
Adjustment on revaluation		979	(476)		503
Rounding Adjustment		1		1	2
As at 31 March 2019	272	12,070	48,610	404	61,356
Accumulated depreciation and impairment					
As at 1 April 2018	-	-	-	(313)	(313)
Charge for the year	-	-	(537)	(23)	(560)
Reversal on revaluation of accumulated depreciation	-	-	537	-	537
As at 31 March 2019	-	-	-	(336)	(336)
Net book value					
As at 31 March 2019	272	12,070	48,610	68	61,020
As at 31 March 2018	272	11,090	48,900	90	60,352

The assets portfolio is made up of 45 market rented properties held for investment, 84 social housing properties, 200 intermediate rented properties, 2 commercial properties and 1 equity share property. All properties are located in North London.

Following the adoption of FRS 102, gains in fair values of the commercial and investment properties are recognised in the statement of comprehensive income and transferred to the revenue reserve. Revaluations which are below carrying value are shown as an impairment and are recognised in the statement of comprehensive income.

All properties have been included at either cost or valuation. The intermediate rented properties have been classified as social housing properties and were valued by JLL as at 31 March 2019 on the basis of existing use value - social housing (EUV-SH) with special assumptions. The special assumptions are those applied to the 15 year term that departs from EUV-SH to reflect the nature of the Company's holding for the properties purchased with a grant, assuming market rents with rental growth capped at RPI and allowing for sales. The agreement permits a revaluation of investment properties at market value a different structure for the first 15 years to that permitted thereafter.

The carrying value of the housing properties that would have been carried forward at historical costs less social housing grant, depreciation and impairment is as follows.

	2018/19 £'000	2017/18 £'000
Historical cost	56,211	56,211
Social housing grant	(6,561)	(6,561)
Depreciation and impairment	(5,690)	(5,153)
	43,960	**44,497**

The ownership status of properties is as follows:

	2018/19 No.	2017/18 No.
Equity share	1	1
Long leasehold	145	145
Freehold	179	179
Shared freehold	5	5
Commercial	2	2
	332	**332**

13. Debtors

Amounts falling due within one year	2018/19 £'000	2017/18 £'000
Rental debtors	692	798
Provision for doubtful debts*	(420)	(380)
Net rental debtors	**272**	**418**
Other trade debtors	-	2
Amounts owed by the Council**	2,141	1,016
Total debtors falling due within one year	**2,413**	**1,436**

**Amounts owed by the Council are interest free, unsecured and payable on demand.

***Movement in provision for doubtful debts**

	2018/19 £'000	2017/18 £'000
Opening balance	**(380)**	**(200)**
Provision utilised	144	44
New provision made	(184)	(224)
Closing balance	**(420)**	**(380)**

14. Cash at bank and in hand

	2018/19 £'000	2017/18 £'000
Bank current account	2,261	3,036
Total cash at bank and in hand	**2,261**	**3,036**

15. Creditors

Creditors: amounts falling due within one year

	2018/19 £'000	2017/18 £'000
Amounts owed to the Council*	1,345	32
Loans owed to the Council**	877	733
Other creditors	129	298
Taxation and social security	101	219
Accruals and deferred income	-	200
Rental prepayments	184	190
Total creditors falling due within one year	**2,636**	**1,672**

Provision and Creditors: amounts falling due after more than one year

	2018/19 £'000	2017/18 £'000
Provision for deferred tax	896	636
Loans owed to the Council**	36,849	37,726
Total provisions and creditors falling due after more than one year	**37,745**	**38,362**
Total	**40,381**	**40,034**

*Amounts owed to the Council are interest free, unsecured and payable on demand.

**Loans owed to the Council are secured against all properties, the purchase of which was financed with the respective loans. Details of properties owned are provided in Notes 6 and 11.

The movement in the year in the deferred tax balance is due to the reversal of timing differences (see note 10).

Loan repayments are analysed as follows:	2018/19 £'000	2017/18 £'000
Within one year	877	733
Between two to five years	3,875	3,595
More than five years	32,973	34,131
Total	**37,725**	**38,459**

16. Loans and other borrowings

As at 31 March 2019, loans with the Council for the acquisition of properties totalled £37.7m, was for the purchase of Granville New Homes (GNH) and for dwellings in connection with the Settled Homes Initiative (SHI). All loan facilities are extended with fixed interest rates for the full term of the loan. All of the loans are secured against housing properties. The loan facilities are payable in 30 annual fixed instalments. The interest rate for the Granville new homes and settled homes initiative – tranche 1 loans is 5% per annum (pro rata on a daily rate) while the settled homes initiative - tranche 2 loans interest rate is 6% per annum.

17. Interest payable and similar charges

	2018/19 £'000	2017/18 £'000
Interest payable on loans from the Council	2,076	2,114
Total interest payable	**2,076**	**2,114**

18. Related party transactions

During 2018/19 the Company had related party transactions with the Council.

(a) **Transactions**

No income was received from the Council in 2018/19 (2017/18: £36.19m). Amounts paid to the Council in 2018/19 was £1.63m (2017/18: £3.28m) inclusive of loan interest payment of £2.08m (2017/18: £2.11m).

(b) **Amount of outstanding balances**

There were no trade receivables with the Council for 2018/19 (2017/18: £1.02m) and trade payables were £0.02m (2017/18: £0.03m). Loans due to the Council are £37.73m (2017/18: £38.46m) secured on housing properties.

19. Controlling party

The immediate and ultimate parent undertaking and controlling party is the London Borough of Brent, whose financial statements can be obtained from The Chief Financial Officer, London Borough of Brent, Brent Civic Centre, Engineers Way, Wembley, Middlesex, HA9 0FJ.