



LODDON  
HOMES

LODDON HOMES LIMITED

# ANNUAL REPORT AND FINANCIAL STATEMENTS

For the Period Ended 31<sup>st</sup> March 2018

**LODDON HOMES LIMITED**

**Annual Report and Financial Statements for the Year Ended 31<sup>st</sup> March 2018**

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## Company Information

**Directors:**

| <b>Board Member</b> |                                       | <b>Committee Membership as of 31<sup>st</sup> March 2018</b> |
|---------------------|---------------------------------------|--|
| I                   | <b>Gary Cowan</b> (Chairman)          |  |
| I                   | <b>David Hunter</b> (Vice Chairman)   |  |
| EM                  | <b>Bill Flood</b> (Managing Director) |  |
| I                   | <b>John Kaiser</b>                    |  |
| T                   | <b>Lee Newton</b>                     | Audit & Risk Committee                                       |
| I                   | <b>Lionel Haynes</b>                  | Audit & Risk Committee (Chairman)                            |
| I                   | <b>Rob Webber</b>                     | Audit & Risk Committee                                       |

T = Tenant Member, I = Independent Member, EM = Executive Member of the Board

Robin Fielder resigned as a Board Member with effect from 4<sup>th</sup> May 2017. Alistair Auty resigned as a Board Member with effect from 29<sup>th</sup> June 2017. David Chopping resigned as a Board Member with effect from 30<sup>th</sup> June 2017.

David Hunter and Rob Webber were appointed Board Members with effect from 4<sup>th</sup> May 2017, and John Kaiser was appointed a Board Member from 6<sup>th</sup> July 2017.

**Company Secretary:**

J J McNiece (to 5th May 2017)  
R S Harrison (from 5th May 2017)

**Registered Office:**

Civic Offices, Shute End, Wokingham, Berkshire RG40 1BN

**Registered Number:**

08847846 (England and Wales)

**Senior Statutory Auditor:**

Martin Howard FCA

**Auditors:**

Hazlewoods LLP  
Windsor House  
Bayshill Road  
Cheltenham  
Gloucestershire  
GL50 3AT

## **Chairman's Foreword**

I am very pleased to have the opportunity to write this foreword and as Chair to reflect on how much we have achieved, and are going on to achieve, since creating the company in early 2014, and then achieving For-Profit Registered Provider status with the Regulator of Social Housing in the summer of 2016.

It seems appropriate that the hard journey to get where Loddon Homes now are, has arrived just at the right time as Government are setting ambitious targets for building more homes each year to help meet the challenges of the current Housing Crisis. Wokingham Borough Council (WBC) showed great innovation and support by their willingness to set up Loddon Homes, and now together we are well placed to build even more new homes in the Borough, just as the Government are now looking for local authorities to do just this.

Over the next 12 months we look forward to selling our first shared ownership homes and also becoming profitable, enabling us through the provision of affordable housing to provide an income stream back to our sole shareholder, WBC, to invest in more new housing and other essential public services.

**Gary Cowan**

***Chair of Loddon Homes Limited***

# Report of the Directors

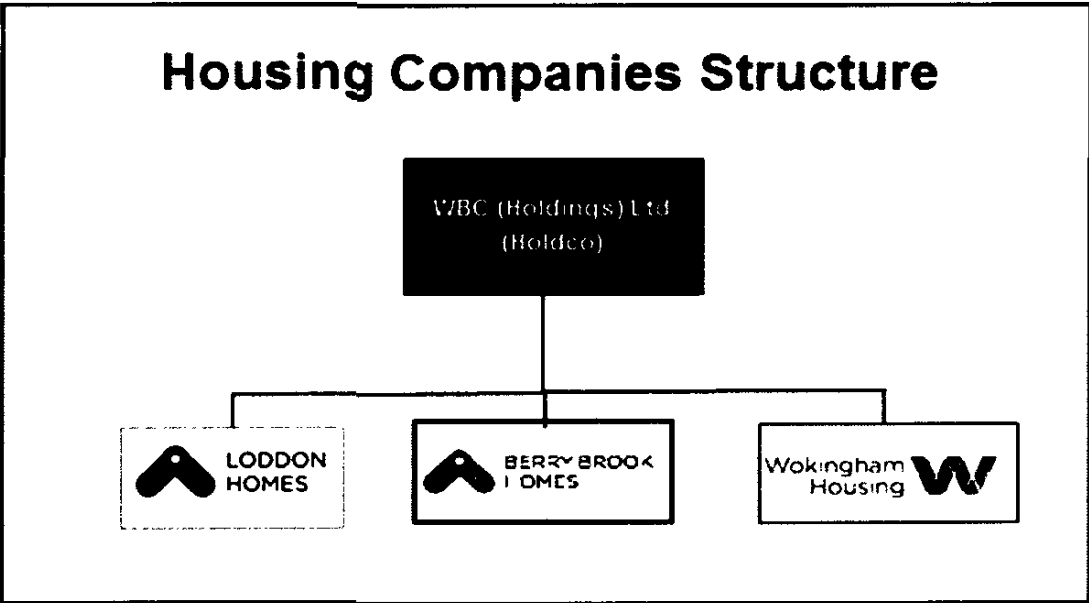
## Housing Companies Context

Loddon Homes Limited (LHL) is a wholly-owned subsidiary of Wokingham Borough Council (Holdings) Limited (Holdco). Holdco as the parent company represents the Council’s interest as sole shareholder and ensures that LHL delivers what it has been set up to do; as described in the annually produced Remit document.

LHL is a For-Profit Registered Provider (FPRP) regulated by the Regulator of Social Housing (the Regulator), which was registered in June 2016, providing both social and affordable rented housing as well as shared ownership housing. As the company was created to operate as a Registered Provider, it had also maintained operations under the rules and regulations set from before this registration date.

LHL sits within a wider group of housing companies (Wokingham Housing Group (WHG) that deliver housing products and services to create an income stream for WBC through developing and managing different types of housing in the Borough as set out below in figure 1.

FIGURE 1 - WBC LOCAL HOUSING COMPANIES STRUCTURE CHART



In 2014 LHL was set up to facilitate the ‘ring-fencing’ and protection of affordable housing assets developed by the Council from any commercial risk. Presently LHL holds all affordable stock that has any Government grants as part its funding mix. In light of the recent Government announcements to go back to a rent regime where housing associations can raise rents by the Consumer Price Index plus 1% from 2020, LHL would be in a position to own affordable homes with and without any Government grant funding.

As well as being in a position to own all future affordable housing stock developed through the Local Housing Companies, LHL wants to keep its options open in ensuring it can achieve its core objectives by not limiting itself to just developing and owning affordable housing.

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The WHG business model is based on a small team and, as far as possible, utilises WBC's services through an umbrella Service Level Agreement (SLA) to facilitate those services not directly supported by WHG.

WHG contracts out, primarily with WBC, services that are required to support day to day elements of our businesses. For LHL the key relationship is with the Council's Housing Service who provides housing management and maintenance services to LHL's residents. Using WBC's services provides significant economies of scale to the WHG companies as each business builds up its capacity and stock of affordable homes, while also giving WBC additional income from outsourcing its own departmental services and therefore supporting overheads. The Council charge WHG companies at cost plus a small margin of between 3-5%.

#### LHL Strategy, Objectives and Values

The main activity of LHL is the provision of affordable and social residential rental accommodation for the people of Wokingham Borough. The company's strategy is to develop high quality housing and maintain that housing for the benefit of lower to middle income people and for those that require additional care needs who would be otherwise unable to access such housing through normal market process.

This strategy is balanced against the Company's status as a FRRP. As a result, the Company's two key objectives are to generate profits and pay dividends/provide savings to/for WBC as well as to purchase, own and manage affordable housing.

The company offered only rented property for social housing in the year ended 31st March 2018, but intends to offer additional housing for affordable and social rental in addition to making available for partial sale, properties under a shared ownership scheme. The company will maintain its estate of properties on an ongoing basis and in line with the contractual arrangements prevailing on properties sold under the shared ownership scheme.

LHL's values are as follows:

- We are **Accessible** to our customers
- We are an organisation with **Integrity** who treats our customers fairly
- We strive to be **Efficient** in our service offering and designs
- We are **Collaborative**, working closely with partners and customers
- We deliver **Quality** services, whilst expecting quality services and products from our contractors

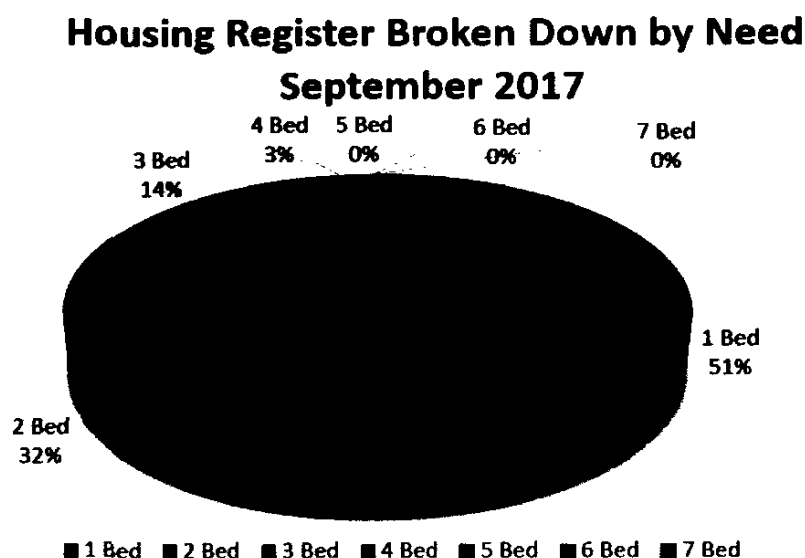
#### Market Outlook

Savills and other market commentators produce regular outlooks of the UK housing market and the key figures and forecasts around house prices and rental forecasts have been considered as part of our assessment of 2017-18 and in looking ahead at where to focus our business in future years.

As well as external commentators, WBC produces an excellent quarterly Housing Facts and Figures report which tells us of the need for affordable housing in the Borough. As of September 2017 there were 1,982 people on WBC's Housing Register. This compares to 1,876 recorded in March 2017, an increase of 106 people.

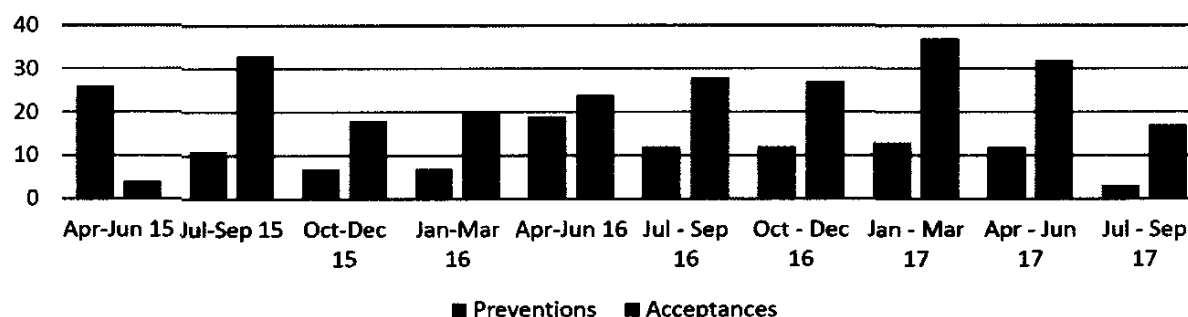
The graph below shows that the majority of applicants on the register are in need of a 1 bed property (51%).

FIGURE 2 - HOUSING REGISTER ACCOMMODATION SIZE



The graph below shows the number of homelessness acceptances and preventions from January 2015 through to September 2017. Despite a reduction in the last two quarters there were 17 homelessness acceptances between July to September 2017 that the Council need to find housing for.

FIGURE 3 - HOMELESSNESS ACCEPTANCES AND PREVENTIONS SINCE APRIL 2015



Recent figures from the Land Registry show that in Wokingham Borough to be able to purchase an average priced property a household would require a **deposit of over £86,584 and an annual income of over £98,953** assuming the purchaser was obtaining an 80% mortgage (putting down a 20% deposit) and that a lender was lending at 3.5 times annual income. A single person purchasing a flat/maisonette in Wokingham Borough would require **an annual income of over £54,769 alongside a deposit of over £47,923**.

The market outlook and Council's own statistics suggests that house prices will continue to grow in the Wokingham Borough as will private sector rents and therefore the need for affordable housing will continue, providing LHL with a strong supplier of customers for our rented and shared ownership homes. The strong housing market locally also provides Loddon with a good market to undertake shared ownership activity, although the ability for shared owners to staircase may become increasingly tough.

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#### **Regulatory Environment**

As an organisation regulated by the Regulator of Social Housing, LHL needs to ensure that it meets the requirements of the seven Regulatory Standards as they apply to organisation under 1,000 units. At present the key area that is impacting on LHL is the Rent Standard and the requirement as a result of the Welfare Reform and Work Act 2016 to reduce social and affordable rents by 1% per annum until 2020.

Recent Government announcements to revert back to rents moving in line with the Consumer Price Index (CPI) plus 1% from 2020 until 2025 is a welcome clarification on future rental income and will help LHL's future profitability and growth aspirations.

#### **LHL'S Current Progress**

As well as managing our small stock of units at Vauxhall Drive and Hillside for supported housing, LHL has been busy preparing to take over a number of new homes being developed by our sister company, Wokingham Housing. The most significant of these is Fosters, an Extra Care scheme of 34 one bed apartments which was handed over in January 2018.

In the final days of FY17/18, LHL received 9 units at Reading Road for young care leavers and 4 shared ownership homes at Elizabeth Road and Barrett Crescent and then expects to complete on 13 more primarily shared ownership homes later in 2018/19 at Norton Road, Finch Road and Middlefields.

While LHL has been waiting for WHL to complete and hand over units part funded with Government grant, the effectiveness of the governance arrangements and Board's input in to the working of the company has strengthened significantly over the last 12 months. The Risk and Audit Committee is now well established and the risk assessment and mitigation plans set out within this Business Plan illustrate the progress made in preparation for managing a significant increase in homes from early 2018 onwards.

#### **Sources of Funding**

LHL is financed from a combination of borrowing from WBC, Commuted Sums from developers distributed by WBC, and Government grants.

At the end of the 2017/18 financial year, LHL borrowing from WBC (Holdings) Limited stands at £5.5m on the back of having acquired the Fosters and debt financed Reading Road, Elizabeth Road and Barrett Crescent until project completion. Section 106 Funding amounts to around £4.5m and Government Grants through Homes England amount to around £1.9m to support the purchase of these assets.

Therefore for these early projects only around one third is funded through loans. With an estimated Gross Development Value (GDV) of £7.62m, the debt to GDV ratio is around 40%. Of course, LHL also have liabilities relating to the £6.4m of Commuted Sums and Government Grant elements of the purchase price for these assets, but as long as the assets continue to provide affordable housing, these liabilities will never be realised.

Moving forward, loans between WBC and LHL have been agreed at a rate of 5.75% until March 2019, and then reduce (including on any existing loans) to a rate of 3.5% from April 2019 (fixed, but with an option to review if Public Works Loan Board rates increase significantly). Some of LHL's pipeline projects like Norton Road and Finch Road have similar loan to Commuted Sum/Homes England grant profiles as the Company's early projects. However, future indicative development projects have been included in the five year



business plan forecasts at around a 45% borrowing rate, as this is the level of Commuted Sums indicated as likely to be available from WBC.

### **Risks**

In managing risk LHL's Audit and Risk Committee (ARC) have been identifying and reviewing the key risks that may impact the business. The ARC have identified a number of risks and mitigation strategies for managing these risks to ensure LHL continues to achieve its objectives of building affordable homes and making profits for its shareholder.

The Risk Register identifies the following key risks set out below:

#### ***Health & Safety***

Fulfilling health and safety requirements is a key responsibility for LHL. The board continues to monitor health and safety via regular updates from the executive team. In addition, LHL performs regular testing for legionella and asbestos and ensures it remains compliant with current legislation and best practice with regards to gas safety at its properties.

#### ***Risks to Rental Income***

Mandated rent controls limit growth until April 2020 limit income growth, and the rollout of Universal Credit is beginning to accelerate. LHL outsources its rent collection to WBC, who have assigned dedicated managers to LHL properties. These managers work with our tenants to ensure rental income is received on time and help any tenants in arrears by developing a payment plan.

### **Governance**

During the year to 31st March 2018, the company was 100% owned by WBC (Holdings) Limited. The ultimate parent of the company is Wokingham Borough Council.

The Directors as listed on page 1 held office for the 12 months to 31st March 2018, unless otherwise noted. The non-executive Directors received a fee for their services to the company. The Managing Director of the company also holds membership of the Board, but no charge was made for these services in the year to 31st March 2018.

The Directors of the company are drawn from a variety of disciplines and provide a balance of skills and specialisations deemed to befit a registered provider of social and affordable housing. The Directors are appointed for a defined term and support the company in terms of directing the delivery of the strategic intent of the business.

The Board of Directors is responsible for the overall strategy and policies of the company, but delegates the operational management to the Managing Director and his team. The Board of Directors has further delegated responsibility for compliance with its statutory duties in compliance with external audit, the risk framework and internal controls regulation to the Audit and Risk Committee. The Audit and Risk Committee will also assume responsibility for internal audit activities as the company continues to grow. As tenant support services are performed by WBC on the company's behalf, this activity is monitored as part of ongoing Board responsibilities.

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#### **Executive Officers**

The Board of Directors has delegated specific responsibilities to the executive officers of the company. The Managing Director is the only such officer to hold both an executive and board position. All other executive officers work directly for either Loddon Homes Limited or its sister company, Wokingham Housing Limited. Remuneration is shared across the WHG companies according to the pro-rata amount of support provided.

#### **Financial Review and Future Plans**

The results provided in these financial statements on pages 26 to 29 have been provided in compliance with the Statement of Recommended Practice for Social Housing 2014 (Housing SORP).

The company's net liability position at 31st March 2018 was £556,272 (2017: £373,724).

The company supplied a 30 year plan as part of the registration process to the Homes and Communities Agency. This plan reflects the growth aspirations of the company and included assumptions to encompass the Welfare Reform and Work Act 2016 adjustments. This plan was subject to a number of wide ranging stress tests in terms of the viability of the company for the medium to long term. The Board of Directors have been able to consider remedial strategies to address the eventuality of any risks identified actually coming to bear.

The 30 year business plan gave rise to a more detailed budget and 5 year plan to address the immediate and short term financial commitments of the company to ensure that the company's performance is monitored on a realistic basis. This plan is used to monitor financial performance and short term forecasting on a monthly basis and forwarded for review by the Board of Directors on a monthly basis.

The further impact of the Welfare Reform and Work Act 2016 during the financial year to 31st March 2017 will give rise to a number of revisions to the 30 year plan now that the Act has confirmed what changes to legislation, pursuant to the company, impact on that 30 year plan.

The performance of the company is also monitored on a monthly basis by WBC (Holdings) Limited (the immediate parent of LHL) on both that company's behalf and that of WBC. Financial performance is reviewed in terms of performance against plan and in terms of funding requirements for ongoing and future developments to add to the company's housing portfolio.

#### **Corporate Governance**

The company is committed to high standards in corporate governance and has adopted the National Housing Federation's "Excellence in Governance" Code 2015. The company has also designed policies to support Board activities and responsibilities and has provided a Terms of Reference policy to support this process.

The Board confirms that the company has met the Homes and Communities Agency regulatory expectations in terms of governance and financial viability standard.

#### **Asset and Liabilities Register**

The company established an Asset and Liabilities Register to initially identify the property, plant and equipment owned by the company. This was expanded to include associated assets and liabilities in order to meet the Registration requirements.

### **Financial Planning**

The business plan and supporting financial plan designed for the company was formulated to support the growth of the company in the provision of social and affordable rental homes in the greater Wokingham Borough area. The financial plan has been built in conjunction with the announcement by the Chancellor of the Exchequer on 8th July 2015 that housing association rents are to be subject to a year on year 1% reduction for 4 years from 1st April 2016.

The Directors continue to monitor risks and formulate mitigation plans should these influences materialise. The Board has concluded that the company remains a viable business as a housing association.

### **Resident Involvement**

The Directors are committed to have representation at a board level of membership from the resident population. The Directors are conscious of the need for such membership to be able to influence policy and strategy and has retained a resident with a WBC tenancy as a member of the Board. It is hoped to be able to appoint a LHL resident to the Board within the next financial year and the WBC tenant representative was appointed during the 2017/18 year for just one year when their initial three year term was up for renewal.

### **Internal Controls**

The Directors have overall responsibility for establishing and maintaining the whole system of internal control and the assurance of the effective application of these controls.

The Directors recognise that no system of internal control can provide absolute assurance against material misstatement or loss or eliminate all risk of failure to achieve objectives. The system of internal controls is designed to manage key risks and in so doing, provide reasonable assurance that the planned business objectives and outcomes are achieved. It also exists to give reasonable assurance about the preparation and reliability of financial and operational information and the safeguarding of the company's assets and interests. The Directors also rely on the internal control processes applied by WBC, from whom various administrative and business processes are performed on behalf of the company.

In meeting their responsibilities, the Directors have adopted a risk-based approach to internal controls which are embedded within the normal management and governance process. The approach includes regular evaluation of the nature and extent of risks to which the company is exposed. The process applied by the Directors in reviewing the effectiveness of the system of internal controls includes:

- Policies and procedures to cover operational, financial, social and environmental risks;
- A clear organisational structure including appropriate delegation of authorities;
- The day-to-day responsibility for implementation of control and monitoring ongoing risk lies with the operational team in conjunction with service outsourcing and internal audit functions in WBC;
- The company has a detailed annual budgeting system that is approved by the Board of Directors. Performance is monitored against this budget monthly with expenditure also being regulated against this;
- The Directors have policies in place on anti-bribery, fraud prevention, equality & diversity and complaints;
- The risk map is reviewed by the Audit and Risk Committee for reporting to the Directors on a bi annual basis;

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- The strategy on Value for Money is monitored in line with the HCA's expectations during the year;
- Internal Auditors have not been appointed as the company formulates and refines policies and processes appropriate for the business. The company intends to appoint an internal auditor to ensure compliance with policies and to support and monitor the effectiveness of the internal controls of the company;
- The company's relationship and outsourcing agreement with WBC was reviewed during the year by the Borough's internal audit team. There were no materially significant findings in their assessment at that time. The company intends to appoint internal auditors within the next 12 months;
- The Directors keep under constant review the effectiveness of the system of internal controls. The Directors achieve this review using regular reporting from the operational team, review of reporting by the external auditors and by taking appropriate action and deciding upon strategies to reduce any weaknesses identified;
- The Directors have reviewed the changes to the regulatory requirements in the light of the HCA's Governance and Viability Standard and maintained appropriate policies, procedures and controls to achieve this standard;

It is the Directors' intention to adopt an internal audit process to be monitored by the Audit and Risk committee from the prospective appointment of a suitably qualified internal auditor who can assess not only the internal controls, but their application on a day to day basis. In the meantime the Board assesses and develops the system of internal controls by the introduction and application of new policies and procedures.

#### **Value for Money**

Value for money remains a key feature in the delivery of strategic plans and day to day activity. It is seen as the use of finite resources to maximum effect to get the best outcome for tenants from paying the appropriate price for goods, services, properties and other assets necessary for the operations of the business. The Board requires that financial resources are applied both efficiently and effectively, and that other resources are similarly expended to deliver the strategy of the company to best effect.

The Directors monitor the financial performance of the business on a monthly basis in line with the financial plan and challenge performance on this analysis. All variances are explained and mitigating actions taken where deemed appropriate.

The Directors review all propositions for new developments on the basis of accepting a business case for that development that presents a positive net cash flow and valuation after assessing that development in terms of its social housing valuation. All proposed developments are also assessed in terms of proposed carrying value after accounting for any direct grant aided support that is received. All activities regarding development are closely monitored to ensure financial and operational efficiencies are applied in the rollout of those developments.

Service charges are applied to recover the cost of supporting the relevant properties and that they remain in a habitable condition throughout the residents' tenancies.

Currently, the business has experienced void periods for short periods when a property has vacated and not re-occupied or when experiencing delays in assigning tenants to recently completed properties.

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However, as part of LHL's nomination agreement, the Board will seek remuneration from WBC on voids where appropriate.

LHL has performed an assessment of its Value for Money performance against indicators as provided in the Regulator's recent guidance on appropriate metrics, which can be seen in the following table:

| Value for Money Metric                | 2017/18 | 2016/17 | 2015/16 | 2014/15 |
|---------------------------------------|---------|---------|---------|---------|
| Reinvestment                          | 44%     | 80%     | 57%     | 20%     |
| New Supply Delivered                  | 68%     | 0%      | 0%      | 100%    |
| Gearing                               | 42%     | 93%     | 110%    | 121%    |
| EBITDA MRI Cover                      | -65%    | -8%     | 106%    | 861%    |
| Headline Social Housing Cost per Unit | £2,443  | £6,327  | £4,310  | £1,337  |
| Operating Margin (Social Housing)     | 17%     | -108%   | 49%     | 68%     |
| Operating Margin (Overall)            | -85%    | -64%    | 2%      | -372%   |
| Return on Capital Employed (ROCE)     | N/A     | N/A     | N/A     | N/A     |

#### Statement of the Responsibilities of the Board of Directors

The Board of Directors are responsible for preparing the report and financial statements in accordance with applicable law and regulations.

As a registered provider, the company is obliged to prepare financial statements for each financial period under the Statement of Recommended Practice for Social Housing 2014 (SORP 2014). These financial statements for each financial period should give a true and fair view of the state of affairs of the company and of its income and expenditure in that period. Under the law the Board of Directors have elected to prepare the company's financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Principles (UK GAAP) including FRS 102 the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland.

In preparing the financial statements, the Board of Directors is required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable UK accounting standards and SORP 2014 have been followed, subject to any major departures disclosed and explained in the Financial Statements;
- Prepare the Financial Statements on a going concern basis unless it is inappropriate to presume the company will continue in business.

The Board of Directors are responsible for keeping proper books of account that 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 Co-operative and Community Benefit Societies Act 2014 and Housing and Regeneration Act 2008 and the Registered Social Landlords Determination of Accounting Requirements 2012.

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The Board of Directors has general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities. The Board of Directors is further responsible for the maintenance and integrity of the corporate and financial information including on the company's website.

#### **Statement of Going Concern**

The Board of Directors believe that the company has adequate resources to continue in operation for the foreseeable future. In development of additional properties, the company has secured a credit agreement to fund those developments which will grow the company's income levels to a point where the Net Liabilities position should be significantly reversed. The company therefore continues to adopt the going concern basis to prepare and present the financial statements.

#### **Statement of Disclosure to Auditors**

So far as the Directors are aware, there is no relevant information of which the company's auditors are unaware. Additionally, the Directors have taken all the necessary steps that they ought to have taken in order to make themselves aware of all relevant audit information and to establish that the company's auditors are aware of that information.

#### **Small Company Provisions**

This report has been prepared in accordance with the small companies' regime under the Companies Act 2006.

**By order of the Board:**



G. Cowan – Chairman

Date: 26/9/18.

## Independent Auditor's Report

### **Opinion**

We have audited the financial statements of Loddon Homes Limited for the year ended 31 March 2018 which comprise the Statement of Financial Activities, the Balance Sheet, the Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including 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 Association's affairs as at 31 March 2018 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006, the provisions of Schedule 1 to The Housing and Regeneration Act 2008, and the Accounting Direction for Private Registered Providers of Social Housing 2015.

### **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 Association 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. The Directors are responsible for the other information. 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

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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.

#### **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

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

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

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

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

- 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; or
- the Directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the Directors' report and from the requirement to prepare a strategic report.

#### **Responsibilities of Directors**

As explained more fully in the Directors' Responsibilities statement set out on page 5 the Directors (who are also the Directors of the company for the purposes of company law) 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](http://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 Association'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 Association'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 Association and the Association's members as a body, for our audit work, for this report, or for the opinions we have formed.

  
.....

Martin Howard FCA (Senior Statutory Auditor)

For and on behalf of Hazlewoods LLP  
Statutory Auditor  
Windsor House  
Bayshill Road  
Cheltenham  
Gloucestershire  
GL50 3AT

Date: 27 September 2018

## Statement of Accounting Policies

The principal accounting policies adopted 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.

### Basis of Preparation

These financial statements have been prepared in accordance with applicable the Financial Reporting Standard under FRS102 and the Statement of Recommended Practice: Accounting by registered social housing providers 2014 (SORP 2014) and with those parts of the Companies Act 2006 applicable to companies reporting under FRS102. The financial statements comply with the Co-Operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015.

The Company is a private limited company incorporated in England and Wales, and is a wholly owned subsidiary of WBC (Holdings) Limited whose ultimate parent, Wokingham Borough Council, is required to prepare accounts in accordance with IFRS adapted for the UK public sector by the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom Guidance Notes for Practitioners 2017/2018 (the Code). Where possible the Company has selected accounting policies consistent with the Code and in support of the Group requirement to supply accounts under International Financial Reporting Standards (IFRS) while disclosing accounts under UK GAAP. Where material differences in accounting exist, these are set out in the notes to these financial statements. However where the Code is not applicable UK GAAP interpretation has been applied to consolidate under IFRS and IFRIC interpretations as adopted by the EU..

A summary of the more important accounting policies is set out below.

### Going Concern

The company's financial statements have been prepared on a going concern basis which assumes an ability to continue operating for the foreseeable future. The company has a development plan of new residential developments that support a profitable business plan.

The UK Government's announcements in July 2015 impacting on the future income of the company have required a re-assessment of the future income and equivalent expenditure plan. No significant concerns have been noted and it is considered appropriate to continue to prepare the financial statements on a going concern basis.

### Judgements and Key Sources of Estimation Uncertainty

The preparation of the financial statements require management to make adjustments, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimates means that actual outcomes could differ from those estimates. The following judgements (apart from those involving estimates) have had an effect on amounts recognised in the financial statements:

- a) **Property, Plant and Equipment:** Tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. In accordance with the guidance under SORP 2014, assets should be disclosed in terms of separable components according to how their life

expectancy is predicted. The accounting for assets has assessed existing assets accordingly and an adjustment has been made to separate existing assets into know and quantifiable components.

The accounting for the actual lives of assets and their residual value is assessed annually and may vary depending on a number of factors. These factors can include technological innovations, product life cycles and maintenance schedules, and these are assessed to determine the consistency of asset life cycles. Residual value assessments consider issues such as future market conditions, remaining useful life and any projected disposal value and associated costs.

- b) **Impairments:** The Company has identified a cash generating unit for impairment purposes at a scheme level assessing each property individually as part of that scheme.

## 1. **Accruals of Income and Expenditure**

Activity is accounted for in the year that it takes place and when a right to consideration exists, not simply when cash payments are made or received. In particular:

### **(a) Income**

- Fees, charges and rents due from customers are accounted for as income at the date the Company provides the relevant goods or services;
- Revenue is measured at the fair value of the consideration received or receivable and recognised when prescribed conditions are met, which depend on the nature of the revenue;
- Where income has been recognised but cash has not been received, a debtor for the relevant amount is recorded in the Statement of Financial Position. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected;
- Where payments are received in advance of a service being provided a receipt in advance is recognised as a creditor in the Statement of Financial Position;
- Income is credited to the relevant revenue account, unless it properly represents capital receipts.

### **(b) Expenditure**

- Supplies and services are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as prepayments in the Statement of Financial Position;
- Works are charged as expenditure when they are completed, before which they are carried as works in progress on the Statement of Financial Position;
- Interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract;
- Where expenditure has been recognised but cash has not been paid, a creditor for the relevant amount is recorded in the Statement of Financial Position;
- Where payments are made in advance of a service being received a payment in advance is recognised as a debtor in the Statement of Financial Position;
- Expenditure is debited to the relevant expense account, unless it properly represents capital expenditure.

**2. Cash and Cash Equivalents**

Cash is represented by cash in hand and deposits with financial institutions.

Cash equivalents are investments that mature in 3 months or less from the date of acquisition and that are readily convertible to known amounts of cash with little risk of change in value.

**3. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors**

Adjustments applicable to prior years arising from changes in accounting policies are accounted for by restating the comparative figures for the preceding period and by adjusting opening balances as if the new policy had always been applied.

Changes in accounting estimates are accounted for in the current and future years affected by the change but do not give rise to a prior year adjustment.

Material errors are corrected retrospectively by restating the comparative figures for the preceding period and by adjusting the opening balances.

**4. Financial Instruments**

**a) Financial Liabilities**

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Finance Costs section of the Comprehensive Income Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the Company has, this means that the amount presented in the Statement of Financial Position is the outstanding principal repayable (plus accrued interest) and interest charged to the Comprehensive Income Statement is the amount payable for the year according to the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Finance Costs section of the Comprehensive Income Statement in the year of repurchase / settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income Statement is spread over the life of the loan by an adjustment to the effective interest rate.

**b) Financial Assets**

Financial assets are classified as loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market.

**i. Loans and Receivables**

Loans and receivables are initially measured at fair value and are subsequently carried at their amortised cost. Annual credits to the Financing and Investment section of the Comprehensive Income Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Company has made, this means that the amount presented in the Statement of Financial Position is the

outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income Statement is the amount receivable for the year in the loan agreement.

Any gains and losses that arise on the de-recognition of the asset are credited / debited to the Financing and Investment section of the Comprehensive Income Statement.

Where the Company may make loans at less than market rates, these are called soft loans. Due to the low value of advances made which may be considered as soft loans, the Company applies de minimis principles to soft loans.

**5. Investment Properties**

Investment properties are those that are used solely for other than social and affordable rentals and / or capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated but are revalued annually, according to market conditions at the year end. Gains and losses on revaluation or disposal are posted to the Financing and Investment section of the Income and Expenditure Statement.

Rentals received in relation to investment properties are credited to the Financing and Investment section of the Income and Expenditure Statement.

**6. Overheads and Support Services**

Costs are purchased as a supply to the Company. The product or service supplied is accounted for on the basis of cost agreed or accrual.

**7. VAT**

The Company supplies only VAT Exempt services and is therefore not registered for VAT. All costs are therefore accounted for inclusive of VAT where charged.

**8. Corporation Tax**

Corporation Tax is accounted for in the Comprehensive Income Statement on an accrued basis using an estimate of corporate tax liability for the year. Any losses are offset against future profits.

**9. Government Grants and Contributions**

WBC prepares its accounts in accordance with IFRS adapted for the UK public sector by the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom Guidance Notes for Practitioners 2017/18 (the Code). Its treatment of Government Grants requires them to be reversed out of the Comprehensive Income Statement so that it does not affect Council Tax calculations. LHL had adopted a treatment different from WBC's as it had followed IAS 20 which allows Government Grants to be deducted in arriving at the carrying amount of an asset. Government grants have now been extracted separately from the assets to which they relate and amortised over the equivalent useful life of the asset to which they relate.

Whatever their basis of payment, government grants and other contributions or donations are accounted for on an accruals basis. Revenue grants are recognised in the Comprehensive Income Statement once the

## **LODDON HOMES LIMITED**

### **Annual Report and Financial Statements for the Year Ended 31<sup>st</sup> March 2018**

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conditions for their receipt have been complied with and there is reasonable assurance that the grant or contribution will be received. Where conditions have not been satisfied, the grant or contribution is carried in the Statement of Financial Position as a creditor.

#### ***Social Housing Grants (SHG)***

Where developments have been financed wholly or partly by social housing or other grants, the amount of the grant received has been included as deferred income and recognised in Turnover over the estimated useful life of the associated asset structure (excluding land), under the accruals model. SHG received for items of non-capital cost are written off in the Statement of Comprehensive Income Account included in Turnover.

SHG must be recycled by the company under certain conditions, if a property is sold or if another relevant event takes place. In these cases, the SHG can be used for projects approved by the original awarding authority and the Homes and Communities Agency. If a grant is not recycled or repaid, any unamortised grant is recognised as Turnover or under certain circumstances, may be repayable to the awarding authority.

#### **10. Charges to the Comprehensive Income Account for Non-Current Assets**

The Comprehensive Income Account is charged with the following amounts to record the cost of holding fixed assets during the year:

- depreciation attributable to the assets used by the company.
- revaluation and impairment losses on assets used where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off
- amortisation of intangible fixed assets

#### **11. Property, Plant and Equipment (PPE)**

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

##### ***i. Recognition***

Items of PPE that qualify for recognition will be measured at cost and capitalised on an accruals basis. Cost is defined as either purchase price, costs attributable to bringing the asset to location and condition necessary for it to be capable of operating in the manner intended by management or the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

##### ***ii. De-Minimis***

Capitalisation of expenditure on PPE is not necessary where the amounts involved are not material to the true and fair presentation of the financial position and transactions of the Company and to an understanding of the Statement of Accounts by a reader. The Company has agreed a de-minimis level of £5,000 for expenditure to be capitalised.

**iii. Measurement**

Assets will be disclosed and valued on the Statement of Financial Position on the following bases:

| <b>Asset Category</b> | <b>Valuation Method</b>   |
|-----------------------|---------------------------|
| Infrastructure Assets | Depreciated Historic Cost |
| Investment Properties | Fair Value                |

**iv. Depreciation**

Depreciation is provided for on all Property, Plant and Equipment with a finite useful life, which is determined at the time of acquisition or revaluation. An exception is made for assets without a determinable useful life (e.g. freehold land and some community assets) and assets not yet available for use (e.g. Assets under Construction). The useful lives of assets are estimated on a realistic basis and are reviewed regularly and, where necessary, revised. Where the useful life of a fixed asset is revised, the carrying amount of the fixed asset is depreciated over the revised remaining useful life.

Depreciation is calculated on the amount at which the asset is included in the Statement of Financial Position, whether current cost or historical cost. Depreciation has been calculated as follows:

- All assets are depreciated on a straight line basis over the useful life of the asset taking into account land value and residual value with the exception of vehicles which are depreciated on a reducing balance method.
- Investment Properties are not depreciated; instead these are revalued on an annual basis.
- Newly acquired assets are not depreciated in the year of acquisition, while assets under construction are only depreciated once the asset becomes operational.

A change from one method of providing depreciation to another is only made where the new method will give a fairer presentation of the results and of the financial position. Such a change does not, however, constitute a change of accounting policy; the carrying amount of the fixed asset is depreciated using the revised method over the remaining useful life, beginning in the period in which the change is made.

During the financial year to 31<sup>st</sup> March 2018, the company reviewed asset disclosure and divided those assets carried forward into component parts with individually assessable useful lives. The following depreciation is charged on a straight line basis over the expected useful life of that asset:

| <b>Component</b>         | <b>Years</b> |
|--------------------------|--------------|
| Unadopted Infrastructure | 50           |
| Structure                | 100          |
| Roof                     | 55           |
| Windows & Doors          | 35           |
| Kitchen                  | 20           |
| Bathroom                 | 30           |
| Heating Boiler           | 15           |
| Other Heating            | 20           |
| Electrics                | 30           |
| Renewable Energy Assets  | 20           |
| Communal                 | 20           |

**v. *Impairment***

The value at which each category of assets is included in the Statement of Financial Position is reviewed at each year-end. Where there is reason to believe that its value has changed materially in the period, the recoverable amount of the asset is estimated and where this is less than the carrying amount, an impairment loss is recognised for the shortfall. Events and changes in circumstances that indicate a reduction in value may have incurred include:

- a significant decline in an asset's market value during the period
- evidence of obsolescence or physical damage to the asset
- a significant adverse change in the statutory or other regulatory environment in which the Company operates
- a commitment by the Company to undertake a significant reorganisation.

Once the amount of impairment is established, they are accounted for as follows:

- where there is a balance of revaluation gains for asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance up to the amount of the accumulated gains
- if there is insufficient or no balance in the Revaluation Reserve, the carrying amount of the asset is written down and charged to the Comprehensive Income Statement

Where an impairment loss is subsequently reversed, the reversal is credited to the Comprehensive Income Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

**vi. *Shared Ownership Properties***

The costs of low cost home ownership properties are split between current and fixed assets on the basis of the first tranche portion. The first tranche portion is accounted for as a current asset and the sales proceeds shown as Turnover. The remaining element of the shared ownership property is accounted for as a fixed asset and subsequent sales treated as sales of fixed assets.

**vii. *Donated Assets***

Donated assets transferred to the Company for nil consideration are recognised at fair value in the Comprehensive Income Statement once any conditions attaching to them have been met.

**viii. *Capitalisation of interest***

The company borrows funds to contract for the construction of new properties and makes payments on a periodic basis for the ongoing construction. The borrowings to finance this construction incur interest which while that development is being constructed is capitalised as part of the cost of that asset. Interest is only capitalised up to the date at which that development is made available for rental or partial sale thereof.

**ix. *Improvements to properties***

The company capitalises expenditure on housing properties which adds to the value of the property and extends its useful life. Improvements to property that relate to existing assets and that are separately identifiable are also capitalised but under a category separate from the property.



**12. Interests in Companies and Other Entities**

The Company has no interests in a company that has the nature of a subsidiary, associate or jointly controlled entity.

**13. Leases**

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases. Where a lease covers both land and buildings, they are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

**i. The Company as Lessee**

**FINANCE LEASES**

Property, plant and equipment held under finance leases is recognised on the Statement of Financial Position at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor.

Initial direct costs of the Company are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Rentals payable are apportioned between:

- a charge for the acquisition of the interest in the property (recognised as a liability in the Statement of Financial Position at the start of the lease, at the lower of its fair value at inception or the present value of the minimum lease payment, matched by a liability for the obligation to pay the lessor – the liability is written down as the rent becomes payable), and
- a finance charge (debited to the Comprehensive Income Statement as the rent becomes payable).

Assets recognised under finance leases are accounted for using the policies applied generally to Property, Plant and Equipment, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life.

**OPERATING LEASES**

Where assets are acquired by the Company (as a lessee) under operating leases, the leasing rentals payable are charged to the Comprehensive Income Statement as they are made.

Any hire purchase contracts that have similar characteristics to an operating lease are accounted for as an operating lease and disclosed in a note to the Statement of Financial Position.

**LODDON HOMES LIMITED**

**Annual Report and Financial Statements for the Year Ended 31<sup>st</sup> March 2018**

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**14. Employee Benefits**

A liability is recognised to the extent of any employee benefit including unused holiday pay entitlement which has accrued at the balance sheet date and carried forward into future periods. This is measured at the undiscounted cost to the employee of the future holiday entitlement and accrued at the balance sheet date.

The company's policy is that any untaken leave must be used by the first quarter of the following year. No accrual is therefore made.

## Statement of Comprehensive Income

|   | Notes | 12 Months to<br>31 <sup>st</sup> March 2018<br>£ | 12 Months to<br>31 <sup>st</sup> March 2017<br>£ |
|---|-------|--|--|
| Revenue   | 5     | 170,952  | 96,226   |
| Other Expenses  | 5     | (315,645)  | (157,493)  |
| Change in Fair Value through Profit & Loss                              | 9     | -  | -  |
| <b>(Loss) / Profit from Operations</b>                                  |       | <b>(144,693)</b>                                 | <b>(61,267)</b>                                  |
| Finance Costs   | 8     | (37,854)   | -  |
| <b>Loss before Income Taxes from Continuing Operations</b>              |       | <b>(182,547)</b>                                 | <b>(61,267)</b>                                  |
| Taxation  | 27    | -  | -  |
| <b>Loss and Total Comprehensive Income Attributable to Shareholders</b> |       | <b>(182,547)</b>                                 | <b>(61,267)</b>                                  |

The accounting policies on pages 16-254 and the notes on pages 29-41 are an integral part of these financial statements.

## Statement of Financial Position

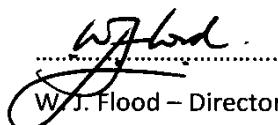
|                                     | Notes | 31 <sup>st</sup> March 2018<br>£ | 31 <sup>st</sup> March 2017<br>£ |
|-------------------------------------|-------|----------------------------------|----------------------------------|
| <b>Assets:</b>                      |       |                                  |                                  |
| <b>Non-Current Assets</b>           |       |                                  |                                  |
| Housing Properties                  | 13    | 11,322,667                       | 13,440,146                       |
| Other Property, Plant and Equipment | 14    | 2,604,584                        | 349,856                          |
| Other Receivables                   |       | -                                | -                                |
|                                     |       | <u>13,927,251</u>                | <u>13,790,002</u>                |
| <b>Current Assets</b>               |       |                                  |                                  |
| Trade and Other Receivables         | 15    | 1,034,141                        | 88,590                           |
| Cash and Cash Equivalents           | 16    | 224,980                          | 34,230                           |
|                                     |       | <u>1,259,121</u>                 | <u>122,820</u>                   |
| <b>TOTAL ASSETS</b>                 |       | <u><b>15,186,372</b></u>         | <u><b>13,912,822</b></u>         |
| <b>Current Liabilities</b>          |       |                                  |                                  |
| Amounts Falling Due Within One Year | 17    | 3,432,294                        | 2,459,635                        |
|                                     |       | <u>3,432,294</u>                 | <u>2,459,635</u>                 |
| <b>Net Current Liabilities</b>      |       | <u>(2,173,173)</u>               | <u>(2,336,815)</u>               |
| <b>Non-Current Liabilities</b>      |       |                                  |                                  |
| Amounts Falling Due After One Year  | 18    | 8,369,715                        | 677,292                          |
| Financial Liabilities - Borrowing   | 19    | 3,940,634                        | 11,149,619                       |
|                                     |       | <u>12,310,349</u>                | <u>11,826,911</u>                |
| <b>TOTAL LIABILITIES</b>            |       | <u><b>14,734,916</b></u>         | <u><b>14,286,546</b></u>         |
| <b>Net Liabilities</b>              |       | <u><b>(556,272)</b></u>          | <u><b>(373,724)</b></u>          |
| <b>Equity:</b>                      |       |                                  |                                  |
| Retained deficit                    |       | (556,273)                        | (373,725)                        |
| Share Capital                       | 23    | 1                                | 1                                |
| <b>Total Equity</b>                 |       | <u><b>(556,272)</b></u>          | <u><b>(373,724)</b></u>          |

The financial statements were approved by the Board of Directors and signed on its behalf by:

## Approved on behalf of the board



G. Cowan – Chairman



W. J. Flood – Director

Date: 26/9/18

Date: 26/9/18

The accounting policies on pages 16-254 and the notes on pages 29-41 are an integral part of these financial statements.

## Statement of Changes in Equity

|  | Retained<br>Deficit<br>£ | Share<br>Capital<br>£ | Total<br>£ |
|--|--------------------------|-----------------------|------------|
| <b>Balance at 31<sup>st</sup> March 2016</b> | (312,459)                | 1                     | (312,458)  |
| Comprehensive Income / (Loss)                | (61,267)                 | -                     | (61,267)   |
| <b>Balance at 31<sup>st</sup> March 2017</b> | (373,725)                | 1                     | (373,724)  |
| Comprehensive Income / (Loss)                | (182,547)                | -                     | (182,547)  |
| <b>Balance at 31<sup>st</sup> March 2018</b> | (556,273)                | 1                     | (556,272)  |

The accounting policies on pages 16-254 and the notes on pages 29-41 are an integral part of these financial statements.

## Statement of Cash Flows

|   | Notes     | 12 Months to<br>31 <sup>st</sup> March 2018<br>£ | 12 Months to<br>31 <sup>st</sup> March 2017<br>£ |
|---|-----------|--|--|
| <b>Cash Flows from Operations</b>                                   |           |  |  |
| Operating Loss  |           | (144,693)  | (61,267)   |
| Depreciation and Impairment Charges                                 | 13 & 14   | 89,002   | 38,059   |
| Change in Trade and Other Receivables                               | 15        | (945,551)  | 6,118  |
| Change in Trade and Other Payables                                  | 17        | 972,659  | (2,837)  |
| <b>Cash Generated from Operations</b>                               |           | <b>(28,582)</b>                                  | <b>(19,927)</b>                                  |
| Interest Paid   |           | (37,854)   | -  |
| Income Tax Paid   | 27        | -  | -  |
| <b>Net Cash Flows from Operating Activities</b>                     |           | <b>(66,436)</b>                                  | <b>(19,927)</b>                                  |
| <b>Cash Flows from Investing Activities</b>                         |           |  |  |
| Repayment / (Provision) of Long-term Loan                           |           | -  | 1,987,513  |
| Transfer of Property, Plant and Equipment to Berry Brook Homes Ltd. |           | 9,531,665  | -  |
| Purchase of Property, Plant and Equipment                           |           | (9,757,917)                                      | (11,897,619)                                     |
| <b>Net Cash Flows from Investing Activities</b>                     |           | <b>(226,252)</b>                                 | <b>(9,910,106)</b>                               |
| <b>Cash Flows from Financing Activities</b>                         |           |  |  |
| Proceeds / (Repayment) of Borrowing                                 |           | (7,208,985)                                      | 9,162,106  |
| Receipt of Grant  |           | 7,692,423  | 748,000  |
| Issue of Shares   | 23        | -  | -  |
| <b>Net Cash Flows from Financing Activities</b>                     |           | <b>483,438</b>                                   | <b>9,910,106</b>                                 |
| <b>Net Increase / (Decrease) in Cash and Cash Equivalents</b>       |           | <b>190,750</b>                                   | <b>(19,927)</b>                                  |
| Cash and Cash Equivalents at Beginning of Year                      |           | 34,230   | 54,157   |
| <b>Cash and Cash Equivalents at End of Year</b>                     | <b>16</b> | <b>224,980</b>                                   | <b>34,230</b>                                    |

The accounting policies on pages 16-254 and the notes on pages 29-41 are an integral part of these financial statements.

## Notes to the Financial Statements

### 1. Accounting Policies

The accounting policies used to complete this Statement of Accounts are produced in full in section 4.

### 2. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out earlier, the Company has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

WBC has ultimate control over the operating activities of LHL and as such classifies this company as a subsidiary. These financial statements are therefore shown in the consolidated accounts for WBC.

### 3. Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by Directors about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

There are no items in LHL's Statement of Financial Position at 31<sup>st</sup> March 2018 for which there is a significant risk of material adjustment in the forthcoming financial year.

### 4. Material Items of Income and Expense

There are no Material Items of Income and Expense during year to 31<sup>st</sup> March 2018 which related to LHL's Non-Current Assets.

**LODDON HOMES LIMITED**

**Annual Report and Financial Statements for the Year Ended 31<sup>st</sup> March 2018**

**5. Turnover, Operating Expenditure and Operating Surplus**

|                                    | Turnover              | 2017-18<br>Operating<br>expenditure | Operating<br>Surplus/<br>(Deficit) |
|------------------------------------|-----------------------|-------------------------------------|------------------------------------|
|                                    | £                     | £                                   | £                                  |
| <b>Social Housing Lettings</b>     | <u>147,663</u>        | <u>122,128</u>                      | <u>25,535</u>                      |
| <b>Non Social Housing Lettings</b> |                       |                                     |                                    |
| Non Support                        | 2,273                 | 172,501                             | (170,228)                          |
| Other                              | <u>21,016</u>         | <u>21,016</u>                       | <u>-</u>                           |
| <b>Total</b>                       | <u><b>170,952</b></u> | <u><b>315,645</b></u>               | <u><b>(144,693)</b></u>            |

|                                    | Turnover             | 2016-17<br>Operating<br>expenditure | Operating<br>Deficit   |
|------------------------------------|----------------------|-------------------------------------|------------------------|
|                                    | £                    | £                                   | £                      |
| <b>Social Housing Letting</b>      | <u>93,426</u>        | <u>101,232</u>                      | <u>(7,806)</u>         |
| <b>Non Social Housing Lettings</b> |                      |                                     |                        |
| Non Support                        | -                    | 53,460                              | (53,460)               |
| Other                              | <u>2,800</u>         | <u>2,800</u>                        | <u>-</u>               |
| <b>Total</b>                       | <u><b>96,226</b></u> | <u><b>157,493</b></u>               | <u><b>(61,267)</b></u> |



**LODDON HOMES LIMITED****Annual Report and Financial Statements for the Year Ended 31<sup>st</sup> March 2018****6. Turnover and Operating Expenditure from Social Housing Letting**

|   | <b>2017-18</b> | <b>2016-17</b> |
|---|----------------|----------------|
|   | <b>Total</b>   | <b>Total</b>   |
|   | <b>£</b>       | <b>£</b>       |
| <b>Income</b>   |                |                |
| Rents   | 83,007         | 65,508         |
| Service Charges   | 35,684         | 22,164         |
| Amortisation of Grant   | 28,972         | 5,754          |
| <b>Turnover from Social Housing Lettings</b>                    | <b>147,663</b> | <b>93,426</b>  |
| <b>Expenditure</b>  |                |                |
| Services  | 19,226         | 26,530         |
| Rental payments   | 16,202         | 15,881         |
| Maintenance   | 30,099         | 2,973          |
| Property services   | 22,682         | 26,933         |
| Housing Property Depreciation                                   | 33,920         | 28,915         |
| <b>Operating Expenditure on Social Housing Lettings</b>         | <b>122,128</b> | <b>101,232</b> |
| <b>Operating Surplus / (Deficit) on Social Housing Lettings</b> | <b>25,535</b>  | <b>(7,806)</b> |
| Rental and Service Charge Losses from Voids                     | 36,384         | -              |

As part of an agreement with WBC, 14 units were set aside for a specific segment of the care market. This accounts for £33,324 of rental and service charge losses.

**7. Accommodation Owned, Managed and in Development**

|                             | <b>2018</b> | <b>2017</b> |
|-----------------------------|-------------|-------------|
| <b>Units in Management</b>  |             |             |
| Housing accommodation       | 45          | 11          |
| Leasehold accommodation     | 4           | 4           |
|                             | <b>49</b>   | <b>15</b>   |
| <b>Units in Development</b> |             |             |
| Under Construction          | 13          | 43          |
| <b>TOTAL</b>                | <b>62</b>   | <b>58</b>   |

**LODDON HOMES LIMITED****Annual Report and Financial Statements for the Year Ended 31<sup>st</sup> March 2018****8. Interest Payable and Financing Costs**

|   | 2017-18              | 2016-17         |
|---|----------------------|-----------------|
|   | £                    | £               |
| <b>Interest charged on borrowings and capitalised as asset cost</b> |                      |                 |
| Capital Loans   | <u>229,780</u>       | <u>374,106</u>  |
| <b>Interest Payable</b>   |                      |                 |
| Bank Charges  | 1                    | -               |
| Operational Loans   | 1,893                | -               |
| Completed Development Loans   | 35,960               | -               |
| Short-term Intercompany Loans                                       | -                    | -               |
| <b>TOTAL</b>  | <u><b>37,854</b></u> | <u><b>-</b></u> |

**9. Change in Fair Value through Profit & Loss**

The Company holds properties for the provision of social housing or to otherwise provide social benefit. Housing properties are principally properties available for rent and are stated at cost less accumulated depreciation and impairment losses. Cost includes the cost of acquiring land and buildings, development costs, interest charges incurred during the development period. As a result, the Company records no changes in fair value through profit & loss.

**10. Surplus on Ordinary Activities**

|  | 2018   | 2017   |
|--|--------|--------|
|  | £      | £      |
| <b>The operating surplus is stated after charging / (crediting):</b> |        |        |
| <b>Auditors Remuneration (excluding VAT):</b>                        |        |        |
| In Their Capacity as Auditors  | 4,980  | 3,330  |
| In Respect of Other services   | -      | 240    |
| Depreciation Charge for the Year                                     | 93,131 | 38,059 |
| Operating Rental Payments  | 16,202 | 15,881 |

# LODDON HOMES LIMITED

## Annual Report and Financial Statements for the Year Ended 31<sup>st</sup> March 2018

### 11. Employee Costs

|  | 2018 | 2017 |
|--|------|------|
|  | No.  | No.  |

Number of employees at year end expressed as full time equivalents (calculated based on a standard working week of 37.5 hours per week):

|                 |     |   |
|-----------------|-----|---|
| Number of Staff | 1.5 | - |
|-----------------|-----|---|

|  | 2018 | 2017 |
|--|------|------|
|  | £    | £    |

#### Employee Costs:

|                          |               |   |
|--------------------------|---------------|---|
| Wages and Salaries       | 47,276        | - |
| Social Security Costs    | 9,069         | - |
| Pension and Other Costs  | 13,038        | - |
| <b>Total Staff Costs</b> | <b>69,383</b> |   |

The Company's employees are part of a defined contribution pension plan with Scottish Widows.

### 12. Directors' Remuneration

The Company paid the following amounts to Directors of the Company during the year:

|             | 2018          | 2017          |
|-------------|---------------|---------------|
|             | £             | £             |
| G Cowan     | 6,436         | 5,039         |
| R E Fielder | 250           | 3,129         |
| A Auty      | 1,623         | -             |
| L Newton    | 2,250         | 5,009         |
| L J Haynes  | 3,000         | 3,600         |
| D Hunter    | 2,760         | -             |
| R Webber    | 2,760         | -             |
| J Kaiser    | 2,798         | -             |
|             | <u>21,876</u> | <u>16,777</u> |

Mr Cowan, Mr Kaiser and Mr Auty (resigned as a Board Member with effect from 29<sup>th</sup> June 2017) are elected Members of Wokingham Borough Council who have been appointed to the board of the company. They are paid Members Allowances by WBC for sitting on the board of the company, but are not employees of the company. The directors are considered to be the key management personnel of the company.

**LODDON HOMES LIMITED****Annual Report and Financial Statements for the Year Ended 31<sup>st</sup> March 2018****13. Housing Properties**

|   | <b>Housing<br/>Properties</b> | <b>Housing<br/>Properties<br/>Under<br/>Construction</b> | <b>Total<br/>Housing<br/>Assets</b> |
|---|-------------------------------|--|-------------------------------------|
|   | <b>£</b>                      | <b>£</b>   | <b>£</b>                            |
| <b>Cost</b>   |                               |  |                                     |
| At Start of the Year                                | 1,635,919                     | 11,897,619   | 13,533,538                          |
| Additions to Properties                             | 7,166,412                     | 7,482,021  | 14,648,433                          |
| (Transfer) to Housing Properties                    | -                             | (7,166,412)  | (7,166,412)                         |
| (Transfer) to Berry Brook Homes Ltd.                | -                             | (9,531,665)  | (9,531,665)                         |
| At End of the Year                                  | <u>8,802,331</u>              | <u>2,681,563</u>   | <u>11,483,894</u>                   |
| <b>Depreciation</b>                                 |                               |  |                                     |
| At Start of the Year                                | 93,392                        | -  | 93,392                              |
| Charge for the Year                                 | 67,835                        | -  | 67,835                              |
| At End of the Year                                  | <u>161,227</u>                | <u>-</u>   | <u>161,227</u>                      |
| <b>Net Book Value at 31<sup>st</sup> March 2018</b> | <b><u>8,604,104</u></b>       | <b><u>2,681,563</u></b>                                  | <b><u>11,322,667</u></b>            |
| <b>Net Book Value at 1<sup>st</sup> April 2017</b>  | <b><u>1,542,527</u></b>       | <b><u>11,897,619</u></b>                                 | <b><u>13,440,146</u></b>            |

All housing properties owned by the company are constructed on land that has been leased to the company under a long term 125 year lease

The existing scheme and properties rented by the company have been occupied for 4 years or less and no improvement works have been required during the year to 31<sup>st</sup> March 2018.

At 1<sup>st</sup> April 2017, assets under construction for the Phoenix, Anson and Grovelands developments were transferred to LHL's sister company, Berry Brook Homes Limited (BBHL), for the amount of £9,531,665, as disclosed in FY16/17. This was transacted at cost. There have been no other disposals of assets or any asset identified as requiring impairment to its carrying value.

**LODDON HOMES LIMITED**

**Annual Report and Financial Statements for the Year Ended 31<sup>st</sup> March 2018**

**14. Other fixed assets**

|   | Land<br>£               | Fixtures &<br>Fittings<br>£ | Total<br>£              |
|---|-------------------------|-----------------------------|-------------------------|
| <b>Cost</b>   |                         |                             |                         |
| At Start of the Year                                | 350,000                 | 20,542                      | 370,542                 |
| Additions   | 2,277,000               | 3,024                       | 2,280,024               |
| At End of the Year                                  | <u>2,627,000</u>        | <u>23,566</u>               | <u>2,650,566</u>        |
| <b>Depreciation and impairment</b>                  |                         |                             |                         |
| At Start of the Year                                | 8,400                   | 12,286                      | 20,686                  |
| Charge for the Year                                 | 21,016                  | 4,280                       | 25,296                  |
| At End of the Year                                  | <u>29,416</u>           | <u>16,566</u>               | <u>45,982</u>           |
| <b>Net Book Value at 31<sup>st</sup> March 2018</b> | <u><b>2,597,584</b></u> | <u><b>7,000</b></u>         | <u><b>2,604,584</b></u> |
| <b>Net Book Value at 1<sup>st</sup> April 2017</b>  | <u><b>341,600</b></u>   | <u><b>8,256</b></u>         | <u><b>349,856</b></u>   |

**15. Trade and other receivables**

These are amounts that were due to LHL in full at the end of the accounting year and are net of doubtful debt provisions. They can be analysed as follows:

|   | 12 Months to<br>31 <sup>st</sup> March 2018<br>£ | 12 Months to<br>31 <sup>st</sup> March 2017<br>£ |
|---|--|--|
| Net Intra-Group Debtors                     | 52,506   | 34,874   |
| Amount Owed by WBC / WBC (Holdings) Limited | 52,164   | 48,465   |
| Prepayments                                 | 929,471  | 5,250  |
| <b>Total</b>                                | <u><b>1,034,141</b></u>                          | <u><b>88,590</b></u>                             |

The decision to impair the relevant receivables is based on an independent review of each case on its own merits rather than its ageing profile. The ageing profile of the provision is, however, shown below:

|                     | 31 <sup>st</sup> March 2018<br>£ | 31 <sup>st</sup> March 2017<br>£ |
|---------------------|----------------------------------|----------------------------------|
| Less than One Month | 48,571                           | 27,283                           |
| More than One Month | <u>3,935</u>                     | <u>7,591</u>                     |
|                     | <u><b>52,506</b></u>             | <u><b>34,874</b></u>             |

The prepayments and amounts owed by WBC and the parent undertaking do not contain impaired assets.

**LODDON HOMES LIMITED****Annual Report and Financial Statements for the Year Ended 31<sup>st</sup> March 2018.****16. Cash and cash equivalents**

The following elements comprise Cash and Cash Equivalents:

|  | <b>12 Months to<br/>31<sup>st</sup> March 2018<br/>£</b> | <b>12 Months to<br/>31<sup>st</sup> March 2017<br/>£</b> |
|--|--|--|
| Cash at Bank and In Hand               | <u>224,980</u>   | <u>34,230</u>  |
| <b>Total Cash and Cash Equivalents</b> | <b><u>224,980</u></b>                                    | <b><u>34,230</u></b>                                     |

**17. Creditors: amounts falling due within one year**

|   | <b>31<sup>st</sup> March 2018<br/>£</b> | <b>31<sup>st</sup> March 2017<br/>£</b> |
|---|---|---|
| Trade Payables                                | 144,709                                 | 5,187                                   |
| Amounts Owed to WBC                           | 104,472                                 | 58,560                                  |
| Amount Owed to WHL                            | 2,630,682                               | 1,620,000                               |
| Government Grant on Assets Under Construction | 464,478                                 | 748,000                                 |
| Deferred Capital Grants                       | 64,142                                  | 8,554                                   |
| Accruals                                      | <u>23,811</u>                           | <u>19,334</u>                           |
| <b>Total</b>                                  | <b><u>3,432,294</u></b>                 | <b><u>2,459,635</u></b>                 |

**18. Creditors: amounts falling due after more than one year**

|                         | <b>31<sup>st</sup> March 2018<br/>£</b> | <b>31<sup>st</sup> March 2017<br/>£</b> |
|-------------------------|---|---|
| Bank Loans              | 3,940,634                               | 11,149,619                              |
| Deferred Capital Grants | <u>8,433,858</u>                        | <u>677,292</u>                          |
| <b>Total</b>            | <b><u>12,310,349</u></b>                | <b><u>11,826,911</u></b>                |

**19. Debt Analysis**

|                                       | <b>31<sup>st</sup> March 2018<br/>£</b> | <b>31<sup>st</sup> March 2017<br/>£</b> |
|---------------------------------------|---|---|
| Intra-group Loans Repayable on Demand | 50,000                                  | 50,000                                  |
| Repayable in Less than One Year       | -                                       | -                                       |
| Repayable Between Year Two and Five   | -                                       | -                                       |
| Repayable in Over 5 years             | <u>3,940,634</u>                        | <u>11,149,619</u>                       |
| <b>Total</b>                          | <b><u>3,990,634</u></b>                 | <b><u>11,199,619</u></b>                |

The intra-group loan is payable on demand and is an extended facility from Wokingham Housing Limited.

## LODDON HOMES LIMITED

### Annual Report and Financial Statements for the Year Ended 31<sup>st</sup> March 2018

The intra-group loan from WBC (Holdings) Limited funds the development of new residential accommodation for LHL and is secured against specific land and properties of the company.

Interest on the intra-group loan from WBC (Holdings) Limited has a fixed term of 3 years at 5.75% from 1<sup>st</sup> April 2017 and a rate of 3.5% thereafter.

#### 20. Leases

LHL does not hold any finance leases, whether in or out. The onward provision of accommodation to vulnerable adults is provided on a Tenancy Agreement basis and these are not treated as leases.

The Company has premises which it leased in from WBC on an operating lease basis for the provision of residential accommodation to vulnerable adults. The terms of the leases vary between 21 years and 125 years.

The future minimum lease payments payable under non-cancellable leases in future years are:

|                           | 31 <sup>st</sup> March 2018<br>£ | 31 <sup>st</sup> March 2017<br>£ |
|---------------------------|----------------------------------|----------------------------------|
| Within the Next Year      | 16,202                           | 16,295                           |
| Within the Next 2-5 Years | 65,295                           | 65,182                           |
| Beyond 5 Years            | 193,083                          | 192,286                          |
|                           | <b>274,580</b>                   | <b>273,763</b>                   |

The minimum lease payments payable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews.

#### 21. Deferred Grant Income

|  | 31 <sup>st</sup> March 2018<br>£ | 31 <sup>st</sup> March 2017<br>£ |
|--|----------------------------------|----------------------------------|
| Gross Total of Grants Received and Accounted for in the Financial Statements | 8,962,478                        | 1,448,000                        |
| Balance at the Start of the Year   | 1,422,338                        | 682,892                          |
| Grant Received in the Year   | 7,514,478                        | 748,000                          |
| Released to Income   | (49,988)                         | (8,554)                          |
| <b>Balance at the End of the Year</b>  | <b>8,886,827</b>                 | <b>1,422,338</b>                 |
| Amounts to be Released in One Year   | 49,988                           | 8,554                            |
| Amounts to be Released in More Than One Year                                 | 8,836,839                        | 1,413,784                        |
|  | <b>8,886,827</b>                 | <b>1,422,338</b>                 |

**LODDON HOMES LIMITED****Annual Report and Financial Statements for the Year Ended 31<sup>st</sup> March 2018****22. Capital Commitments**

|  | 31 <sup>st</sup> March 2018<br>£ | 31 <sup>st</sup> March 2017<br>£ |
|--|----------------------------------|----------------------------------|
| Capital Expenditure that has been contracted for but has not been provided for in the financial statements | 3,282,861                        | 5,362,108                        |
| Capital Expenditure that has been authorised by the Board of Directors but has not yet been contracted for | -                                | -                                |
| <b>Total</b>   | <b>3,282,861</b>                 | <b>5,362,108</b>                 |

The above commitments will be initially financed with borrowings from loan facility agreements provided by WBC (Holdings) Limited to fund the construction of these developments. Upon completion, £3,015,559 of Government Grant and S106 Funding will be used to pay down a portion of debt, leaving £267,302 to be funded with debt or shared ownership sales.

**23. Called Up Share Capital**

At 31<sup>st</sup> March 2018, one authorised and fully paid Ordinary £1.00 share was held by WHL, which was transferred to WBC (Holdings) Limited on 1<sup>st</sup> April 2017. During 2017/18, no further share issues were authorised. Therefore at 31<sup>st</sup> March 2018, one authorised and fully paid Ordinary £1.00 share was held by WBC (Holdings) Limited.

Issued, called up and fully paid shares are as follows:

|                         | 31 <sup>st</sup> March 2018<br>£ | 31 <sup>st</sup> March 2017<br>£ |
|-------------------------|----------------------------------|----------------------------------|
| Called Up Share Capital | 1                                | 1                                |
| Total Share Capital     | 1                                | 1                                |



**24. Financial instruments**

The following categories of financial instrument are carried in the Statement of Financial Position:

|                             | 31 <sup>st</sup> March 2018 | 31 <sup>st</sup> March 2017 |
|-----------------------------|-----------------------------|-----------------------------|
|                             | £                           | £                           |
| Trade and Other Payables    | (2,879,863)                 | (1,683,747)                 |
| Trade and Other Receivables | 1,034,141                   | 88,590                      |
| Cash at Bank and in Hand    | 224,980                     | 34,230                      |

Non-current Financial Liabilities - Borrowings represent long-term loans from WBC (Holdings) Ltd of £3,940,634 (£11,195,908 in 2017). Other Receivables represent the same amount then loaned to Wokingham Housing Limited for capital purposes.

Short term assets and liabilities are carried at cost as this is a fair approximation of their value.

The Company's activities expose it to a variety of financial risks:

- credit risk – the possibility that other parties might fail to pay amounts due to the Company
- liquidity risk – the possibility that the Company might not have funds available to meet its commitments to make payments
- re-financing risk – the possibility that the Company might be requiring to renew a financial instrument on maturity at disadvantageous interest rates or terms

***Credit Risk***

Credit risks arise from deposits with banks and financial institutions, as well as credit exposures to the Company's customers.

The Company's main exposure to a credit risk at 31<sup>st</sup> March 2018 arose from loans to Wokingham Housing Limited. The loans are long term and interest is charged at a fixed rate 5.75% for three years from 1<sup>st</sup> April 2016 and at a rate of 3.5% thereafter.

***Liquidity Risk***

Wokingham Borough Council as the parent company has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, WBC has ready access to borrowings from the Money Markets and the Public Works Loans Board. There is therefore no significant risk that LHL will be unable to raise finance to meet its commitments under financial instruments.

The Company's exposure to a liquidity risk at 31<sup>st</sup> March 2018 arose from loans from WBC (Holdings) Limited. The loans from WBC (Holdings) Limited are long term and are charged interest at a fixed rate of 5.75% for three years from 1<sup>st</sup> April 2016 and at a rate of 3.5% thereafter.

**25. Related parties**

The Company has applied the exemption available in paragraphs 25 of IAS 24, and has therefore not provided detailed disclosure of its transactions with WBC and other companies under the control of WBC.

A summary of the Company's transactions with WBC and other companies controlled by WBC is shown below:

- WBC provides various support services to the Company, which are included in 'other expenses'. Amounts owed to WBC in respect of these services are included in 'trade and other payables';
- The Company provides services to WBC. Amounts owed by WBC are included in 'trade and other receivables';
- WBC (Holdings) Ltd has provided loans to the Company, as described in note 19.
- The Company subcontracts its staff to its sister companies, Wokingham Housing Limited (WHL) and Berry Brook Homes Limited (BBHL). These amounts are netted off in the wages and salaries category with a small margin of 2-3% included in chargeable services in the income category.

**26. Ultimate parent**

The Directors of the company regard WBC (Holdings) Limited as the immediate parent of the Company.

The Directors of the Company regard WBC, a local authority in England and Wales, as the ultimate parent of the Company. The Company's results are included in the consolidated financial statements of WBC. Copies of the Consolidated Group Accounts are available from Wokingham Borough Council, Civic Offices, Shute End, Wokingham, RG40 1BN.

**27. Corporation tax**

As a result of the current year trade loss of £182,547, the company is not expected to incur a corporation tax liability on its results for the period ended 31<sup>st</sup> March 2018 and all losses will be carried forward to future periods. The company has not recognised a deferred tax asset in respect of its losses.

## 28. Contingent Liability

LHL funds the majority of its developments with Government Grant, which is awarded for the construction of such developments. Certain conditions relate to the use of the grant money which must be maintained over the period of the grant. Should any conditions not be met, LHL would be liable to repay the grant in its entirety back to the government.

Below is a listing of the amount of Government Grant that LHL has received to date:

- **Hillside Park:** WBC, as agent, successfully applied for Government Grant of £350,000 towards the costs of building at Hillside Park. This money was awarded to WHL by WBC towards the cost of construction. Upon the sale of the Hillside Park properties to LHL Limited, this grant was novated to LHL and is recognised in the valuation of this property.
- **Fosters:** WBC, as agent, successfully applied for Government Grant of £1,496,000 towards the construction of a development at Fosters Lane, Wokingham for assisted living apartments. This grant has been fully received from WBC and is being amortised from the project's completion date in February.
- **Reading Road:** WBC, as agent, successfully applied for Government Grant of £304,000 for the construction of units for vulnerable young adults at Reading Road. As of 31<sup>st</sup> March, 75% of this grant had been received with the remainder being received in April. This grant will be amortised from 2<sup>nd</sup> April 2018, which is the date when the units were available to be let.
- **Elizabeth Road:** LHL successfully applied for Government Grant of £49,784 for the construction of 2 shared ownership units at Elizabeth Road. As of 31<sup>st</sup> March, 75% of this grant had been received with the remainder being received in April. This grant will not be amortised until after the units are sold.
- **Barrett Crescent:** LHL successfully applied for Government Grant of £36,686 for the construction of 2 shared ownership units at Barrett Crescent. As of 31<sup>st</sup> March, 75% of this grant had been received with the remainder being received in April. This grant will not be amortised until after the units are sold.
- **Norton Road:** LHL successfully applied for Government Grant of £228,833 for the construction of 4 shared ownership units at Norton Road. As of 31<sup>st</sup> March, 75% of this grant had been received with the remainder being received in April. This grant will not be amortised until after project completion and sale of the units.

## 29. Post Balance Sheet Events

Since 31<sup>st</sup> March 2018, the following events took place which impacted Loddon Homes Limited:

- A development at Reading Road in Wokingham achieved practical completion on 29<sup>th</sup> March 2018. However, since the units were not revenue generating until after the end of the fiscal year, this development is not included in LHL's Statement of Financial Position and will be recorded in the FY2018/19 accounts.
- A total of 4 shared ownership units at Elizabeth Road and Barrett Crescent achieved practical completion on 28<sup>th</sup> March 2018. However, LHL settled its final account with WHL for these units after the fiscal year end. As a result, these developments will be included in the FY2018/19 accounts.