

FIRST WAVE HOUSING LIMITED



ANNUAL REPORT  
AND  
FINANCIAL STATEMENTS

Year ended 31 March 2018

Company Registration No. 04533752

## Contents

Company information	3
Strategic report for the year ended 31 March 2018	4
Directors' report for the year ended 31 March 2018	6
Independent auditors' report to the members of First Wave Housing	8
Financial statements	10
Notes to financial statements	14

# FIRST WAVE HOUSING LIMITED (04533752)

## COMPANY INFORMATION

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

### **BOARD MEMBERS (Non-Executive)**

Farida Adjerit		Resigned	27 September 2017
Waqar Ahmed		Resigned	27 September 2017
Timothy Blanc		Resigned	27 September 2017
Samantha Da Lomba		Resigned	27 September 2017
Joanne Drew	Chair	Resigned	27 September 2017
Patricia Harrison		Resigned	27 September 2017
John Healy		Resigned	27 September 2017
Vijay Patel		Resigned	27 September 2017
Geoffrey Pearce		Resigned	27 September 2017
Sheila Perry		Resigned	27 September 2017
Margaret Von Stoll		Resigned	27 September 2017
George Crane		Appointed	28 September 2017
Peter Gadsdon		Appointed	28 September 2017
Philip Porter		Appointed	28 September 2017
		Resigned	25 January 2018
Martin Smith	Chair	Appointed	28 September 2017
Gail Tolley		Appointed	25 January 2018

### **KEY MANAGEMENT PERSONNEL (Executive)**

Rowann Limond	Interim Managing Director	Resigned	2 July 2017
Juliet James-Lionel	Interim Head of Customer	Resigned	30 September 2017
Gary Wilkinson	Interim Director of Property	Resigned	16 June 2017
Hakeem Osinaike	Interim Managing Director	Appointed	3 July 2017
		Resigned	30 September 2017

### **COMPANY SECRETARY**

Ian Rooney		Resigned	27 September 2017
Peter Gadsdon		Appointed	28 September 2017

### **REGISTERED OFFICE**

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

**COMPANY REGISTRATION NO.** 04533752

**HCA REGISTRATION NUMBER** 4569

### **INDEPENDENT AUDITORS**

PricewaterhouseCoopers LLP., 1 Embankment Place, London, WC2N 6RH

### **BANKERS**

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

### **SOLICITORS**

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

# FIRST WAVE HOUSING LIMITED (04533752)

## STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2018

The Directors present their strategic report on the Company for the year ended 31 March 2018. Reference should also be made to the Directors' Report for the year ended 31 March 2018.

### Review of the business

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

The Company's primary activity is to effectively manage its stock of 332 properties as (at 31 March 2018) and contribute to Brent's housing strategy. It is a registered housing provider with the Homes and Community Agency (HCA) and conforms to standards set out in the Regulatory Framework for Social Housing in respect of Registered Providers with properties under one thousand units.

The Board of Directors of the Company (the 'Board') has agreed with LBB to follow best practice and comply with all standards and ensure compliance with HCA regulatory framework. The Company has also adopted the National Housing Federation (NHF) Governance Code 2015 (the 'Code') and prepared its financial statements in accordance with the Statement of Recommended Practice for Registered Social Housing Providers (the 'Housing SORP 2014').

LBB decided to terminate the Management Agreement with BHP, in relation to the council housing stock, with effect from 30th September 2017, but decided that the Company should continue in its own right as First Wave Housing. This means that the pension scheme deficit that previously existed (£18.5m in 2016/17) will no longer fall on the Company, as all staff have transferred back to LBB under Transfer of Undertakings (TUPE).

### Principal risks and uncertainties

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

### Results and performance

The Company was paid a management fee of £3.8m (£7.5m in 2016/17), by LBB to manage its stock, for the 6 months to 30<sup>th</sup> September 2017; including Service Level Agreement (SLA) income of £0.5m (£0.9m in 2016/17). The Company also managed budgets amounting to £13.9m revenue and £65.8m capital in 2017/2018 (£15.2m revenue and £55.2m capital in 2016/17). The Company recorded a surplus of £1.0m in 2017/2018 compared with a surplus of £1.2m in 2016/17.

### Strategy

The company is committed to improving and maintaining its stock through targeted investment, which will be determined by the commissioning of a stock condition survey in

## **FIRST WAVE HOUSING LIMITED (04533752)**

conjunction with LBB. The company will keep under review the potential for it to contribute further to the housing, investment and regeneration objectives of LBB.

### **Governance**

During the year all eleven of the remaining BHP Board Members resigned and were replaced by the FWH Board, which currently comprises of 4 members, made up of one independent (who is Chair of the Board), and three representatives from Brent Council (one councillor and two officers). Recruitment is underway for an additional independent Board member. The Board meets on a monthly basis and takes collective responsibility for the long-term success of the Company.

### **System of internal control**

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

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

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

No weaknesses were found in internal controls which resulted in material losses, contingencies or uncertainties that require disclosure in the annual report, for the year ended 31<sup>st</sup> March 2018 and up to the date of the approval of the annual report.

### **By order of the board**

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

**Martin Smith – Chair of the Board**

**Date:** 2018

# FIRST WAVE HOUSING LIMITED (04533752)

## DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2018

The Directors present their report and the audited financial statements of First Wave Housing Limited (the 'Company' or 'FWH') for the year ended 31 March 2018. Reference should also be made to the Strategic Report for the year ended 31 March 2018.

### Future developments

The directors will create a vision for the company and a revised 30-year business plan, which will include estimated investment requirements going forward.

### Financial instruments

As at 31 March 2018, FWH had loan facilities with LBB totalling £46.6m secured against the housing stock. All loan facilities are extended with fixed interest rates for the full term of the loan, which mitigates any interest rate risk. This loan facility is made up of £17.8m for the purchase of Granville New Homes (GNH) and £28.8m for the purchase of dwellings in connection with the Settled Homes Initiative (SHI).

### Directors

The directors (in alphabetical order) during any part of the financial year 2017/18 are shown on per page 3 – Board Information. The Company maintains insurance for the benefit of all directors of the Board against liabilities in relation to their services for the Company and also third party indemnity insurance was in place during the financial year ended 31 March 2018 and at the date of approval of the 2017/18 annual report.

Phil Porter was appointed and subsequently resigned as a Director during the year and was replaced by Gail Tolley. There have been no changes in directors since the end of the financial year.

### Employees

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

### Going concern

The Company (a company limited by guarantee) is a wholly owned subsidiary of LBB. On 30<sup>th</sup> September 2017 all the Company's pension liability were transferred to the Council. Furthermore the Council has confirmed, in writing, of its intention for FWH to remain as a going concern for at least twelve months from the date of approval of the annual report and financial statements.

### Statement of Directors' responsibilities (PwC to provide)

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

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

## **FIRST WAVE HOUSING LIMITED (04533752)**

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

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

The directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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

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

### **Independent auditors**

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office.

### **By order of the board**

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

**Martin Smith – Chair of the Board**

**Date:** 2018

**Company registration number:** 04533752

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

# FIRST WAVE HOUSING LIMITED (04533752)

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

### Report on the financial statements

#### Our opinion

In our opinion, First Wave Housing's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 March 2018 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### What we have audited

The financial statements, included within the Financial Statements (the "Annual Report"), comprise:

- the statement of financial position as at 31 March 2018;
- the statement of comprehensive income for the year then ended;
- the statement of cash flows for the year then ended;
- the statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

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

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

#### Opinions on other matters prescribed by the Companies Act 2016

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

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

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

#### Other matters on which we are required to report by exception

##### Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

# FIRST WAVE HOUSING LIMITED (04533752)

## Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

## Responsibilities for the financial statements and the audit

### Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

### What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error.

This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic Report and Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.

Andrew Lowe (Senior Statutory Auditor)  
For and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London

2018

# FIRST WAVE HOUSING LIMITED (04533752)

## FINANCIAL STATEMENTS

### Statement of comprehensive income for the year ended 31 March 2018

	<i>Note</i>	<b>2018</b>	<b>2017</b>
		<b>£'000</b>	<b>£'000</b>
Turnover	5	40,345	65,113
Operating costs	5/7/8	(37,296)	(62,130)
<b>Operating surplus</b>	5	<b>3,049</b>	<b>2,983</b>
Gain on disposal of tangible fixed assets		-	-
Interest payable and similar charges	17	(2,114)	(2,149)
Surplus on revaluation of investment properties	11	200	480
Surplus on revaluation of commercial properties	11	14	24
<b>Surplus on ordinary activities before taxation</b>		<b>1,149</b>	<b>1,338</b>
Tax on surplus on ordinary activities	10	(122)	(151)
<b>Surplus on ordinary activities after taxation</b>		<b>1,027</b>	<b>1,187</b>
<b>Surplus for the financial year</b>		<b>1,027</b>	<b>1,187</b>
Unrealised surplus on revaluation of social housing properties	<i>SOCIE</i>	379	1,730
Actuarial (loss)/gain in respect of pension scheme		(1,224)	(1,919)
<b>Total comprehensive income for the year</b>		<b>182</b>	<b>998</b>

SOCIE = Statement of changes in equity

The notes on pages 14 to 27 form part of these financial statements.

# FIRST WAVE HOUSING LIMITED (04533752)

## FINANCIAL STATEMENTS

### Statement of financial position as at 31 March 2018

	<i>Notes</i>	2018 £'000	2017 £'000
<b>Fixed assets</b>			
Housing properties at valuation - investment properties	11	11,090	10,890
Housing properties at valuation - social housing properties	11	48,900	48,520
Social housing properties - furniture, fixtures & fittings	11	90	121
Commercial properties	11	272	258
<b>Total fixed assets</b>		<b>60,352</b>	<b>59,789</b>
<b>Current assets</b>			
Stocks	12	-	7
Debtors	13	1,436	4,897
Cash at bank and in hand	14	3,036	9,116
<b>Total current assets</b>		<b>4,472</b>	<b>14,020</b>
<b>Creditors: amounts falling due within one year</b>	15	<b>(1,664)</b>	<b>(11,321)</b>
<b>Net current assets</b>		<b>2,808</b>	<b>2,699</b>
<b>Total assets less current liabilities</b>		<b>63,160</b>	<b>62,488</b>
Provision for deferred tax	15	(635)	(641)
Creditors: amounts falling due after more than one year	15	(37,726)	(38,459)
<b>Net assets excluding pension liability</b>		<b>24,799</b>	<b>23,388</b>
Net pension liability	18	(2,639)	(18,536)
<b>Net assets including pension liability</b>		<b>22,160</b>	<b>4,852</b>
<b>Capital and reserves</b>			
Revaluation reserve	SOCIE	12,560	11,962
Revenue reserve	SOCIE	9,600	8,787
Pension reserve	SOCIE	-	(15,897)
<b>Total shareholder's surplus</b>		<b>22,160</b>	<b>4,852</b>

SOCIE = Statement of changes in equity

The notes on pages 14 to 27 form part of these financial statements

The financial statements on pages 10 to 27 were approved by the Board of First Wave Housing (Registered number 04533752) and signed on its behalf by:

Martin Smith  
Chair of the Board

Date: 2018

# FIRST WAVE HOUSING LIMITED (04533752)

## FINANCIAL STATEMENTS

### Statement of changes in equity for the year ended 31 March 2018

	Notes	Revaluation reserve commercial properties	Revaluation reserve investment properties	Revaluation reserve social housing properties	Total revaluation reserve	Revenue reserve	Pension reserve	Total shareholders' surplus
		£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 31 March 2017</b>		215	4,242	7,505	11,962	8,787	(15,897)	4,852
Surplus for the financial year		-	-	-	-	1,027	-	1,027
Revaluation of social housing properties	11	-	-	379	379	-	-	379
Transfer of pension reserve deficit to parent organisation	18	-	-	-	-	-	15,897	15,897
Net actuarial loss on pension scheme	18	-	-	-	-	-	-	-
Movement of IP revaluation in reserves	11	12	207	-	219	(214)	-	5
<b>Balance at 31 March 2018</b>		<b>227</b>	<b>4,449</b>	<b>7,884</b>	<b>12,560</b>	<b>9,600</b>	<b>-</b>	<b>22,160</b>

The notes on pages 14 to 27 form part of these financial statements

# FIRST WAVE HOUSING LIMITED (04533752)

## FINANCIAL STATEMENTS

### Statement of cash flows for the year ended 31 March 2018

	<i>Notes</i>	2018 £'000	2017 £'000
<b>Cash flows from operating activities</b>			
Surplus for the financial year		1,027	1,187
<b>Adjustments for:</b>			
Depreciation of tangible fixed assets	11	30	40
Post-employment benefits less payments	18	-	594
Gain on disposal of tangible fixed assets		-	-
Surplus on revaluation	11	(214)	(504)
Interest paid	17	2,114	2,149
Current tax	10	122	151
Decrease/ (increase) in debtors	13	3,461	7,139
Decrease in stocks	12	7	68
Increase/ (decrease) in creditors	15	(9,696)	(906)
<b>Cash from operations</b>		<b>(3,149)</b>	<b>9,918</b>
Interest paid	17	(2,114)	(2,149)
Tax paid	10	(122)	(151)
<b>Net cash generated from/(utilised in) operating activities</b>		<b>(5,385)</b>	<b>7,618</b>
<b>Cash flows from investing activities</b>			
Proceeds from disposals of tangible fixed assets		-	-
<b>Net cash generated from investing activities</b>		<b>-</b>	<b>-</b>
<b>Cash flows from financing activities</b>			
Repayment of loans to the Council		(695)	(650)
<b>Net cash used in financing activities</b>		<b>(695)</b>	<b>(650)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(6,080)</b>	<b>6,968</b>
Cash and cash equivalents at beginning of year		9,116	2,148
<b>Cash and cash equivalents at end of year</b>	14	<b>3,036</b>	<b>9,116</b>

The notes on pages 14 to 27 form part of these financial statements

# FIRST WAVE HOUSING LIMITED (04533752)

## **Notes to the financial statements for the year ended 31 March 2018**

### **1. General Information**

First Wave Housing Limited (the 'Company' or 'FWH') manages and maintains social housing and other investment and commercial properties on behalf of its parent local authority, the London Borough of Brent (the 'Council' or 'LBB'). The Company is a private company limited by guarantee and is incorporated in England (registered number 04533752). The address of its registered office is Brent Civic Centre, Engineers Way, Wembley, Middlesex, HA9 0FJ.

### **2. Statement of compliance**

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

### **3. Summary of significant accounting policies**

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

#### **(a) Basis of preparation**

These financial statements are prepared on a going concern basis, under the historical cost convention, as modified by the recognition of certain financial assets and liabilities measured at fair value

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

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

#### **(b) Going concern**

The Company (a company limited by guarantee) is a wholly owned subsidiary of LBB. In addition, the Company is a registered housing provider owning 332 properties at 31 March 2018 with net book value £59.7m the funding for which is fully provided by the Council loan of £39.2m secured against these properties.

The Council has confirmed, in writing, of its intention for FWH to remain as a going concern for at least twelve months from the date of approval of the annual report and financial statements

#### **(c) Turnover**

Turnover represents services supplied in the year, included at values which are exclusive of VAT, as well as rents and service charges. The Company operates both fixed and variable service charges based on the services received by each property. Other turnover derives mainly from management and service level agreements with the Council as well as the Brent Direct Leasing scheme as well as maintenance recharges. All income is recognised on a receivable basis. Repairs income is recognised at the point the job is completed.

The Company monitors activities by both directorates and operational segments. The directorates used by the Company during the year are: Managing Directorate, Property, Transformation, Finance and Centralised I&E.

#### **(d) Employee benefits**

The Company provided a range of benefits to employees, including paid holiday arrangements and a defined benefit pension plan. Staff costs include wages and salaries, PAYE, National Insurance contributions, pension costs and any post-employment benefits.

##### **(i) Short term benefits**

Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

##### **(ii) Defined benefit pension plan**

The fair value of plan assets is measured in accordance with FRS 102 and in accordance with the Company's policy for similarly held assets. This includes the use of appropriate valuation techniques. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income. The cost of the defined benefit plan recognised in the statement of comprehensive income as employee costs, except where included in the cost of an asset, comprises:

- (a) the increase in pension benefit liability arising from employee service during the period; and
- (b) the cost of plan introductions, benefit changes, curtailments and settlements.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is recognised in the statement of comprehensive income as an operating cost.

# FIRST WAVE HOUSING LIMITED (04533752)

## **(e) Taxation**

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

### **(i) Current tax**

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

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

### **(ii) Deferred tax**

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

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

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

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

### **(iii) Value added tax (VAT)**

The Company's VAT affairs are in the name of First Wave Housing Limited. The Company only recovers a proportion of input VAT and therefore expenditure on its own property portfolio is shown inclusive of VAT, to the extent that it is not recoverable, with recoverable input tax recovered being credited against management expenses.

## **(f) Tangible assets**

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

### **(i) Land and buildings**

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

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

#### *Commercial properties*

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

#### *Housing properties held for investment*

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

Jones Lang LaSalle (JLL), independent valuers, formed an opinion on the values, in accordance with the Royal Institution & Chartered Surveyors (RICS) publication 'RICS Valuation Professional Standards' (January 2014 edition) as at 31 March 2018.

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

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

#### *Social housing properties*

This class of asset is made up of social rented properties (general needs), intermediate market rented properties, settled homes initiative properties, new build properties and an equity share property and are subject to depreciation over their estimated useful

# FIRST WAVE HOUSING LIMITED (04533752)

economic life (100 years). These properties were revalued by JLL as at 31 March 2018 on the basis of their existing use value - social housing (EUV-SH). The Company conducts an annual review of the need to adopt component accounting as per the 2014 SORP

## **(ii) Furniture, fixtures and fittings**

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

## **(iii) Depreciation and residual values**

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

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

## **(iv) Subsequent additions and main components**

Repairs, maintenance and minor inspection costs are expensed in the statement of comprehensive income as incurred.

## **(v) Assets in the course of construction**

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

## **(vi) Derecognition**

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

## **(g) Borrowing costs**

All borrowing costs are recognised in the statement of comprehensive income in the period in which they are incurred.

## **(h) Impairment of non-financial assets**

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

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

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

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

## **(i) Stocks**

Inventories are stated at the lower of cost and estimated selling price less costs to sell. Inventories are recognised as an expense in the statement of comprehensive income in the period in which the related revenue is recognised.

Cost is determined on the first-in first-out (FIFO) method. Cost includes the purchase price, including taxes and duties and transport and handling directly attributable to bringing the inventory to its present location and condition.

At the end of each reporting period inventories are assessed for impairment. If an item of inventory is impaired, the identified inventory is reduced to its selling price less costs to complete and sell and an impairment charge is recognised in the statement of comprehensive income. Where a reversal of the impairment is required the impairment charge is reversed, up to the original impairment loss, and is recognised as a credit in the statement of comprehensive income.

## **(j) Cash and cash equivalents**

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

## **(k) Provisions and contingencies**

### **(i) Provisions**

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

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

# FIRST WAVE HOUSING LIMITED (04533752)

In particular:

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

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

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

(ii) Contingencies

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

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

## **(l) Financial instruments**

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

(i) Financial assets

Basic financial assets, including trade and other receivables, cash and bank balances, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period, financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in the statement of comprehensive income.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in the statement of comprehensive income.

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

(ii) Financial liabilities

Basic financial liabilities, including trade and other payables, bank loans, and loans from the Council classified as debt, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

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

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

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

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

## **(m) Related party transactions**

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

## **4. Critical accounting judgements and estimation uncertainty**

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

# FIRST WAVE HOUSING LIMITED (04533752)

## (a) Key accounting estimates and assumptions

### (i) Provisions for doubtful debts (note 13)

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

### (ii) Defined benefit pension scheme (note 18)

The Company has obligations to pay pension benefits to employees. The cost of these benefits and the present value of the obligation depend on a number of factors, including; life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. The Company's actuaries estimates these factors in determining the net pension obligation in the statement of financial position. The assumptions reflect historical experience and current trends.

### (iii) Valuation of properties (note 11)

All properties have been included at either cost or valuation, The intermediate rented properties have been classified as social housing properties and were valued by JLL as at 31 March 2018 on the basis of existing use value - social housing (EUV-SH) with special assumptions. The special assumptions are those applied to the 15 year term that departs from EUV-SH to reflect the nature of the Company's holding for the properties purchased with a grant, assuming market rents with rental growth capped at RPI and allowing for sales.

## 5. Particulars of turnover, operating costs and operating surplus

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

	Note	Turnover 2018	Turnover 2017	Note	Operating costs 2018	Operating costs 2017	Operating surplus 2018	Operating surplus 2017
		£'000	£'000		£'000	£'000	£'000	£'000
Social housing lettings	6	3,610	3,630		(1,448)	(1,329)	2,162	2,301
Market rent		653	622		(20)	(33)	633	589
Other*		36,082	60,861		(35,828)	(60,768)	254	93
<b>Total</b>		<b>40,345</b>	<b>65,113</b>	7&8	<b>(37,296)</b>	<b>(62,130)</b>	<b>3,049</b>	<b>2,983</b>

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

### Turnover comprises the following elements

	2018 £'000	2017 £'000
Management fee paid by the Council in respect of housing management and support services	3,302	6,574
Service level agreements with the Council	463	884
Recharges of expenditure incurred through maintenance of Council-owned properties*	27,401	47,748
Repairs income from the Company's empty property repairs section	1,519	2,593
Rental income from the Company's social housing properties	3,610	3,630
Rental income from the Company's market rented properties	653	622
Other**	3,397	3,062
<b>Total</b>	<b>40,345</b>	<b>65,113</b>

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

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

# FIRST WAVE HOUSING LIMITED (04533752)

## 6. Particulars of turnover and operating costs from social housing lettings

	2018 £'000	2017 £'000
Rent receivable net of service charges	3,532	3,549
Service charges receivable	51	33
<b>Net rental income</b>	<b>3,583</b>	<b>3,583</b>
Management fees	27	47
<b>Turnover from social housing lettings</b>	<b>3,610</b>	<b>3,630</b>
Depreciation - social housing fixtures and fittings	(30)	(40)
Other costs	(1,418)	(1,289)
<b>Operating costs on social housing lettings</b>	<b>(1,448)</b>	<b>(1,329)</b>
<b>Operating surplus on social housing lettings</b>	<b>2,162</b>	<b>2,301</b>

	Commercial properties#	Equity share*	General needs social rent*	Intermediate market rent*	Other Market rent#	Total
<b>Housing accommodation:</b>						
Units in ownership 2018	2	1	84	200	45	<b>332</b>
Units in ownership 2017	2	1	84	200	45	<b>332</b>

\*comprise social housing properties

#comprise investment properties

## 7. Operating surplus is stated after charging:

	2018 £'000	2017 £'000
Wages and salaries	2,205	4,753
Social security costs	230	482
Pension costs	664	1,154
<b>Total staff costs</b>	<b>3,099</b>	<b>6,389</b>
Training and recruitment expenses	13	101
Agency and consultancy costs	1,242	2,598
Supplies and services	5,465	5,210
Depreciation of tangible fixed assets	30	40
Auditors' remuneration		
- Audit of the financial statements	35	33
- Non audit (tax) services	11	11
Property maintenance costs	27,401	47,748
<b>Total</b>	<b>37,296</b>	<b>62,130</b>

# FIRST WAVE HOUSING LIMITED (04533752)

## 8. Operating cost (apportioned by Directorate)

	2018 £'000	2017 £'000
Managing Directorate	420	689
Property (formerly Development and Growth)	8,339	13,128
Transformation (formerly Operations)	26,351	43,373
Finance	1,921	3,832
Centralised Income & Expenditure	265	1,108
<b>Total</b>	<b>37,296</b>	<b>62,130</b>

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

## 9. Employees and directors

	2018 No.	2017 No.
<b>Employees:</b>		
The average monthly number of persons employed by the Company during the year was:		
Managing Directorate	7	1
Property (formerly Development and Growth)	30	18
Transformation (formerly Operations)	41	67
Finance	29	40
Board members	11	11
<b>Total</b>	<b>118</b>	<b>137</b>

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

	2018 £'000	2017 £'000
<b>Directors:</b>		
<b>Board remuneration (Non-Executive)</b>		
Chair (highest paid)	4	8
Board members	22	51
<b>Total</b>	<b>26</b>	<b>59</b>

## **Key management compensation\*\*\* (Executive)**

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

	2018 £'000	2017 £'000
Interim Managing Director **	142	155
Head of Customer Services	62	32
Head of Financial Services	54	109
Director of Property	30	137

\*\*The Interim Managing Director is an ordinary member of the local government pension scheme (LGPS) on the same basis as is available to all staff. No enhanced terms or special conditions apply. Employees' contribution rate depends on their pay, in the case of the Interim Managing Director the rate was 11.4% per annum, in addition the employer contributed a further 25.8% per annum. The Company has not made any contributions to a personal pension scheme on behalf of any member of staff. The Managing Director's contract can be terminated by giving 3 months' notice.

\*\*\*Includes pension contributions

# FIRST WAVE HOUSING LIMITED (04533752)

## Highest paid director (Executive)

The highest paid director's emoluments were as follows:

	2018 £'000	2017 £'000
Salaries	61	112
Compensation for loss of office	58	-
Pensions - employers contribution	15	29
Employer's NI contributions	8	14
<b>Total</b>	<b>142</b>	<b>155</b>

## Staff salary banding\*

	2018 No	2017 No
£60,000 to £69,999	1	6
£70,000 to £79,999	1	5
£80,000 to £89,999	1	3
£90,000 to £99,999	1	1
£100,000 to £109,999	-	2
£110,000 to £119,999	-	-
£120,000 to £129,999	-	-
£130,000 to £139,999	-	-
£140,000 and £149,999	2	-
£150,000 and £159,999	-	1
£160,000 and £169,999	-	-
£170,000 and £179,999	-	-
£180,000 and £189,000	-	-
£190,000 and £199,000	1	-
<b>Total</b>	<b>7</b>	<b>18</b>

\*Excludes Board members

## 10. Tax on surplus on ordinary activities

	2018 £'000	2017 £'000
<b>A: Current tax:</b>		
UK corporation tax on surplus for the year	122	151
<b>Tax on surplus on ordinary activities</b>	<b>122</b>	<b>151</b>

## Tax on (income)/ expense included in equity

	2018 £'000	2017 £'000
<b>B: Deferred tax:</b>		
Origination and reversal of timing differences	5	53
Impact of changes in tax rates	0	(75)
<b>Total deferred tax (income) expense included in equity</b>	<b>5</b>	<b>(22)</b>

# FIRST WAVE HOUSING LIMITED (04533752)

**Factors affecting the tax charge**

	2018	2017
	£'000	£'000
Surplus on ordinary activities before taxation	1,149	1,338
Surplus multiplied by the standard rate of tax in the UK of 19% (2017: 20%)	218	268
Effects of:		
Surplus outside of scope of corporation tax (see note below)	(63)	(111)
Capital allowances in excess of depreciation	(33)	(6)
<b>Total tax charge for the year</b>	<b>122</b>	<b>151</b>

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

There are £20,071 (2017: £20,071) of losses carried forward at 31 March 2018 which at the tax rate of 19% (2017: 20%) would have a tax value of £3,813 (2017: £4,014). This potential asset has not been recognised in the financial statements in view of the uncertainty of the future use of the tax losses.

# FIRST WAVE HOUSING LIMITED (04533752)

## 11. Tangible fixed assets

	Commercial properties	Housing properties held for investment	Social housing properties	Social housing properties furniture, fixtures and fittings	Total
	£'000	£'000	£'000	£'000	£'000
<b>Number of housing units</b>	2	45	285	-	332
<b>Cost or valuation</b>					
As at 1 April 2017	258	10,890	48,520	404	60,072
Adjustment on revaluation	14	200	380	-	594
<b>As at 31 March 2018</b>	<b>272</b>	<b>11,090</b>	<b>48,900</b>	<b>404</b>	<b>60,666</b>
<b>Accumulated depreciation and impairment</b>					
As at 1 April 2017	-	-	-	(283)	(283)
Charge for the year	-	-	(527)	(30)	(557)
Reversal on revaluation of accumulated depreciation	-	-	527	-	527
<b>As at 31 March 2018</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(313)</b>	<b>(313)</b>
<b>Net book value</b>					
<b>As at 31 March 2018</b>	<b>272</b>	<b>11,090</b>	<b>48,900</b>	<b>90</b>	<b>60,353</b>
<b>As at 31 March 2017</b>	<b>258</b>	<b>10,890</b>	<b>48,520</b>	<b>121</b>	<b>59,789</b>

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

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

All properties have been included at either cost or valuation. The intermediate rented properties have been classified as social housing properties and were valued by JLL as at 31 March 2018 on the basis of existing use value - social housing (EUV-SH) with special assumptions. The special assumptions are those applied to the 15 year term that departs from EUV-SH to reflect the nature of the Company's holding for the properties purchased with a grant, assuming market rents with rental growth capped at RPI and allowing for sales. The agreement permits a different structure for the first 15 years to that permitted thereafter.

In valuing the properties, discounted cash flow methodology was adopted and key assumptions included:

	Social housing properties	Housing properties held for investment
Rental growth p.a. (Year 1) (Real)	-1.0%	10.7%
Voids and bad debts (Year 1)	2.5%	4.0%
Cost of growth p.a. (Real)	1.0%	1.0%
Discount rate (Income)	5.75%	6.75%
Discount rate (Sales)	n/a	9.25%

# FIRST WAVE HOUSING LIMITED (04533752)

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

	2018 £'000	2017 £'000
Historical cost	56,211	56,211
Social housing grant	(6,561)	(6,561)
Depreciation and impairment	(5,153)	(4,626)
	<b>44,497</b>	<b>45,024</b>

The ownership status of properties is as follows:

	2018 No.	2017 No.
Equity share	1	1
Long leasehold	145	145
Freehold	179	179
Shared freehold	5	5
Commercial	2	2
	<b>332</b>	<b>332</b>

## 12. Stocks

	2018 £'000	2017 £'000
Raw materials and consumables	-	-
Work in progress	-	7
<b>Total stocks</b>	<b>-</b>	<b>7</b>

Management took the decision to write off raw materials and consumables that had become obsolete following the closure of the in-house Direct Labour Organisation. Work in progress are third party costs and relate to unfinished jobs which have not yet been completed and invoiced at year end.

## 13. Debtors

	2018 £'000	2017 £'000
<i>Amounts falling due within one year</i>		
Rental debtors	798	726
Provision for doubtful debts*	(380)	(200)
<b>Net rental debtors</b>	<b>418</b>	<b>526</b>
Other trade debtors	2	2
Other debtors	-	243
Amounts owed by the Council	1,016	4,122
Loans to employees	-	4
<b>Total debtors falling due within one year</b>	<b>1,436</b>	<b>4,897</b>

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

### **\*Movement in provision for doubtful debts**

	2018 £'000	2017 £'000
<b>Opening balance</b>	<b>(200)</b>	<b>(147)</b>
Provision utilised	44	-
New provisions made	(223)	(53)
<b>Closing balance</b>	<b>(380)</b>	<b>(200)</b>

# FIRST WAVE HOUSING LIMITED (04533752)

## 14. Cash at bank and in hand

	2018 £'000	2017 £'000
Bank current account	3,036	9,116
<b>Total cash at bank and in hand</b>	<b>3,036</b>	<b>9,116</b>

## 15. Creditors

### Creditors: amounts falling due within one year

	2018 £'000	2017 £'000
Amounts owed to the Council*	32	1,107
Loans owed to the Council**	733	695
Other creditors	299	5,240
Taxation and social security	210	2,353
Accruals and deferred income	200	1,774
Rental prepayments	190	151
<b>Total creditors falling due within one year</b>	<b>1,664</b>	<b>11,321</b>

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

	2018 £'000	2017 £'000
Provision for deferred tax	635	641
Loans owed to the Council**	37,726	38,459
<b>Total provisions and creditors falling due after more than one year</b>	<b>38,361</b>	<b>39,100</b>

<b>Total</b>	<b>40,024</b>	<b>50,421</b>
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\*Amounts owed to the Council are interest free, unsecured and payable on demand.

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

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

### **Loan repayments are analysed as follows:**

	2018 £'000	2017 £'000
Within one year	733	695
Between two to five years	3,595	3,435
More than five years	34,131	35,024
<b>Total</b>	<b>38,459</b>	<b>39,154</b>

## 16. Loans and other borrowings

As at 31 March 2018, loan facilities with the Council for the acquisition of properties totalled £71.8m. £17.8m has been drawn down fully for the purchase of Granville New Homes (GNH). £54.0m was for the purchase of dwellings in connection with the Settled Homes Initiative (SHI), of which £28.8m has been drawn down. All loan facilities are extended with fixed interest rates for the full term of the loan. All of the loans are secured against housing properties. The loan facilities are payable in 30 annual fixed instalments. The interest rate for the Granville new homes and settled homes initiative – tranche 1 loans is 5% per annum (pro rata on a daily rate) while the settled homes initiative - tranche 2 loans interest rate is 6% per annum.

## 17. Interest payable and similar charges

	2018 £'000	2017 £'000
Interest payable on loans from the Council	2,114	2,149
<b>Total interest payable</b>	<b>2,114</b>	<b>2,149</b>

# FIRST WAVE HOUSING LIMITED (04533752)

## 18. Post-employment benefits

	As at 30 Sept 2017 £'000	2017 £'000
Fair value of assets	29,269	28,180
Present value of funded liabilities	(46,856)	(46,716)
<b>Net liability</b>	<b>(17,587)</b>	<b>(18,536)</b>

The amounts recognised in the income and expenditure account are as follows:

	As at 30 Sept 2017 £'000	2017 £'000
Current service cost	774	1,117
Interest cost on pension liability	605	1,407
Expected return on plan assets	(366)	(846)
<b>Expense recognised</b>	<b>1,013</b>	<b>1,678</b>

Changes to the present value of defined benefit obligation are as follows:

	As at 30 Sept 2017 £'000	2017 £'000
Opening defined benefit obligation	(46,716)	(39,905)
Current service cost (includes curtailment losses)	(716)	(1,117)
Interest cost on pension liability	(605)	(1,407)
Contributions by participants	(132)	(311)
Actuarial (loss)/gain on pension liabilities including other experience	(965)	(4,766)
Net benefits paid out	406	790
<b>Closing defined benefit obligation</b>	<b>(48,728)</b>	<b>(46,716)</b>

Changes to the fair value of plan assets are as follows:

	As at 30 Sept 2017 £'000	2017 £'000
Opening fair value of assets	28,180	23,882
Expected return on assets	366	846
Actuarial gain/(loss) on assets	259	2,847
Contributions by employer	738	1,084
Contributions by participants	132	311
Net benefits paid out	(406)	(790)
<b>Closing fair value of assets</b>	<b>29,269</b>	<b>28,180</b>

The amounts recognised in the notes to the cash flow statement are as follows:

	As at 30 Sept 2017 £'000	2017 £'000
Current service costs:		
Settlement cost	774	1,117
Less employer's contribution	(738)	(1,084)
Interest cost on pension liability	605	1,407
Expected return on plan assets	(366)	(846)
<b>Pension cash flow recognised</b>	<b>275</b>	<b>594</b>

# FIRST WAVE HOUSING LIMITED (04533752)

Amounts for the current and previous four years are as follows:

	As at 30 Sept 2017 £'000	2017 £'000	2016 £'000	2015 £'000	2014 £'000
Fair value of assets	29,269	28,180	23,882	23,615	20,781
Present value of defined benefit obligation	(46,856)	(46,716)	(39,905)	(42,428)	(34,076)
Deficit	(17,587)	(18,536)	(16,023)	(18,813)	(13,295)
Expected gains/(losses) on assets	259	2,847	(1,223)	1,540	(1,071)
Expected (losses)/gains on liabilities	965	(4,766)	4,869	(6,213)	7,295

## **19. Related party transactions**

During 2017/18 the Company had related party transactions with the Council.

### **(a) Transactions**

Income received from the Council in 2017/18 was £36.19m (2016/17: £60.76m). Amounts paid to the Council in 2017/18 was £3.28m (2016/17: £3.77m) inclusive of loan interest payment of £2.11m (2016/17: £2.15m).

### **(b) Amount of outstanding balances**

Trade receivables with the Council for 2017/18 were £1.02m (2016/17: £4.12m) and trade payables were £0.03m (2016/17: £1.10m). Loans due to the Council are £38.46m (2016/17: £39.16m) secured on housing properties.

## **20. Subsidiaries and related undertakings**

The Company had one incorporated subsidiary, Skip view Limited (Registration number 06266363), which was dissolved on 28 November 2017.

## **21. Controlling party**

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