Directors' Report & Financial Statements

For the 15 month period ended 31 March 2019

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Brick by Brick Croydon Limited

Registered Number: 09578014

Company Information

Directors	**Colm Lacey (appointed 26 January 2016)** **Martyn Evans (appointed 29 January 2019)** **Shifa Mustafa (appointed 29 January 2019)**
Registered number	**09578014**
Registered office	**62 George Street** **Croydon** **CR0 1PD**

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Directors' Report

For the year ended 31 March 2019

The Directors present their report and the financial statements for the 15 month period ended 31 March 2019.

Results and Dividends

The loss for the period, after taxation, amounted to £774,952.

Directors

The following directors served during 2018/19:

Colm Lacey (appointed 26 January 2016)
Martyn Evans (appointed 29 January 2019)
Shifa Mustafa (appointed 29 January 2019)
Jayne McGivern (appointed 26 January 2016, resigned 29 January 2019)
Lisa Taylor (appointed 26 January 2016, resigned 29 January 2019)
Jeremy Titchen (appointed 26 January 2016, resigned 31 December 2018)

Annual Report

Throughout 2018/19, Brick by Brick Croydon Ltd (BBB) has continued to progress its significant programme of residential development. The company continues to play a key role in increasing the supply of new homes across the wider borough of Croydon, and remains committed to its core principles of combining high quality design with the delivery of high levels of affordable housing (with 47% of units in the existing programme due to be affordable).

In this period, a significant number of schemes which had achieved planning consent by the end of 2017 have started on site and are making strong progress towards completion. The company now has 20 schemes on site, of which 9 are forecast to deliver completed units by the end of 2019. In total, BBB now has 39 schemes with planning consent, delivering c.1,250 units (of which 47% are affordable).

In tandem with this construction progress, BBB was delighted to open its marketing suite at 62 George Street to launch its first units for sale in March 2019. A combination of private and shared ownership units were made available on the Auckland Rise and Ravensdale Gardens developments (comprising apartments and houses). Since then, further shared ownership homes at Flora Court, in Thornton Heath, have also been put on the market. Interest in BBB homes has been encouraging and the company is pleased to report a healthy number of reservations to date.

The company's development model continues to operate on the basis of identifying land with development potential onto which viable schemes can be developed by BBB upon acquisition from LB Croydon. The terms of the purchase of these sites are designed to ensure that the Council secures best consideration in terms of the value of the land, including the capture of land value from favourable future market conditions via overage arrangements that guarantee that the Council gets 100% of any increase.

The Council provides development finance to BBB at market rates on a scheme-by-scheme basis, where BBB can clearly demonstrate financial viability (as would be the norm for any borrowing facility). The company accrues interest on these loans. All of this allows the Council to generate **THREE** income streams from the use of its land: land value (as a capital receipt), alongside interest and profit (as sole shareholder) which can both be used to support the Council's revenue budget, and therefore frontline services. The critical feature of this model is that it allows the Council to generate revenue returns from the development of land where it would otherwise only generate a capital receipt from the sale of the land (which has limited use in terms of what the money could be used to fund).

In the 15 month period ended 31 March 2019 the company recognised a loss of £774,952. This reflects the fact that most of the company's expenditure continues to be invested in the development of housing schemes which have not yet reached completion (and are therefore unable to release their value until sales are completed, many of which are scheduled for completion in 2019/20). It also reflects the fact that BBB became an employing entity in 2018/19 and significantly beefed up its staffing establishment in order to deliver what has grown into a substantial programme of construction activity and also begin to develop a new raft of sites for planning (the BBB pipeline programme).

Programme Update

BBB's programme of development activity continued to move at pace during 2018/19, with a series of very significant milestones being reached by the company in this period.

BBB Smaller Sites

- Construction commenced on site for 18 schemes
- A further 4 schemes with an appointed contractor ready to commence
- Planning permission granted for a further 8 schemes (84 units), in addition to the 26 schemes that had achieved planning consent in 2017 (for 539 units)
- A further 8 schemes submitted for planning (delivering 77 units)

College Green

- Substantial progression of works on the Fairfield Halls refurbishment in preparation for an August 2019 completion
- Demolition of the existing car park in preparation for the Fairfield Homes development
- Preparation of a revised Fairfield Homes planning application seeking increased units
- Successful appointment of a car park operator for the new underground car park on the College Green site

BBB Larger Sites Programme

- Planning permission granted on the Wandle Road Car Park (128 units) and Belgrave & Grosvenor (102 units) to complement the 158 unit Lion Green Road scheme
- Planned delivery of 387 units, of which 50% will be affordable in line with BXB policy
- Works commenced at Wandle Road and contractor appointed for Belgrave & Grosvenor

BBB Sales

In 2018/19, BBB completed the fit-out of a brand new marketing suite at 62 George Street. This will act as the base for the company's sales function which was also mobilised over the course of the last financial period.

The marketing suite opened for business in March 2019 and BBB has since launched 3 schemes for sale: Ravensdale Gardens, Auckland Rise and Flora Court, which offer a mix of houses and apartments available for both private and shared ownership sale. The company currently has a total of 111 units on the market, and a further 6 schemes are expected to be launched across the Summer and Autumn, offering a further 100 homes. Local residents are being invited to register their interest in purchasing these units before they launch so that the BBB sales team can prioritise once the developments are made available to the market.

BBB also fitted out the floors above the marketing suite as offices to enable the company to move out of Bernard Weatherill House and free up valuable office space for the Council. This also enables the wider business to maintain a valuable and important link to the sales function as it grows in prominence over the next 12 months.

BBB Staff Growth

At the end of 2017, the company had just 14 staff, most of whom were employed by the Council and re-charged to BBB under the terms of a services agreement. Most of these were concentrated in a single Development function that was helping to drive sites through the planning process. This structure had achieved considerable success in gaining planning consent for 28 schemes at the end of the last BBB financial year, and providing the company with the foundation for hitting its ambitious delivery targets.

However, as the company transitioned into the construction phase for most of these schemes (as well as continuing to gain planning consents across other sites) it was apparent that such a lean establishment would be insufficient to support the on-going growth, and ultimate success, of the business.

In June 2018, the company registered itself as an employing entity and began to recruit directly to grow its capacity. In addition, it also transferred all staff employed by the Council but whom worked exclusively for the company to be employed by BBB under a TUPE process. At 31st March 2019, the company had grown to an establishment of 33 staff. The structure of the company has also matured to reflect the changing aspects of delivery, with the Development function (still bringing new sites forward for development) now supported by a Construction team tasked with delivering schemes with planning. Common Ground Architecture was also expanded to increase the capacity it has to deliver services both internally for BBB (which are better value for money) and also external clients. Finally, a Marketing team was created to support the company's transition from development focus to sales.

Common Ground Architecture

2018/19 was an important year for the company's in-house architecture practice, Common Ground Architecture (www.commongroundarchitecture.com) which started to properly establish itself following its formation as a commercial practice in 2017.

The team has grown to 10 architects, and in this financial year the practice delivered a number of critical schemes for BBB (as an internal client), most notably:

- Station Road (which is now on site and due for completion in October 2019)
- Coombe Road
- Avenue Road
- Fairfield Homes Block E (part of the exciting revised Fairfield Homes scheme)
- Fit-out of BBB offices at 62 George St (completed as the practice's first built project)

Excitingly, the practice also achieved its first external instructions and corresponding fees revenue, delivering 4 commissions for external clients. It also continued to support the development of BBB pipeline schemes and has been instrumental in terms of its input into the Council's Community Led Housing initiative (for which it will provide architectural support for community led groups).

The practice won Best Masterplan at the 2019 Architecture Journal awards, and also had a model of its superb Station Road design exhibited at the "Future Starts Here" exhibition at the V&A (an exhibition which is also now on a global tour).

Recognition

BBB is proud that the progress it has made since it started operating in mid-2016 has been widely recognised in 2018-19 with a series of awards recognising the impact that the company continues to make and the quality of its contribution to delivering homes in London.

Key recognition in the period includes the following:

- Best Masterplan (for Smaller Sites Programme) – Architecture Journal Architecture Awards 2018
- Best Development Team (under 20 people) – Inside Housing Awards 2018
- Project Winner for Smaller Sites Programme – Housing Design Awards 2018
- Gold Award for Fairfield Halls – Considerate Constructors Scheme

Future Outlook

The outlook for the business remains positive, with completion of schemes set to come through from Summer 2019 onwards and rolling completions planned right to the end of 2019/20 (a total of 14 completions are scheduled by the end of the next financial year). Each of these completions will be proceeded by a sales launch, with 6 new developments being launched for sale before Christmas 2019.

These completions represent a mixture of private and shared ownership homes. Furthermore, BBB is scheduling the completion of 27 affordable rent units on its Flora Court and Longheath Gardens developments before the end of 2019. These units will be transferred to the Council's housing vehicle, Croydon Affordable Homes, who will manage tenancies.

Finally, the commitment from the Council as funder to support the BBB programme remains strong. The company's updated five-year business plan was approved by the London Borough of Croydon's Cabinet in February 2019 and loan agreements are in place across the board for the company's ongoing development activity.

For more information on BBB, see www.bxbdevelopment.com.

Directors' Responsibilities Statement

The directors are responsible for preparing the Strategic report, the Directors' report and the financial statements in accordance with applicable law and regulations.

Company Law requires the directors to prepare financial statements for each financial year. Under that Law, the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial

Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under Company Law, the directors must not approve the financial statements unless satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume Brick by Brick Croydon 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. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to auditors

The Directors who held office at the date of approval of this report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware and that each Director has taken all steps 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 auditor are aware of that information.

Small companies exemption

In preparing this report, the directors have taken advantage of the small companies exemption in part 15 of the Companies Act 2006.

Post balance sheet events

There have been no significant events affecting the Company since the year end. This report was approved by the board on 25th July 2019 and signed on its behalf.

25th July 2019

Colm Lacey

Director

Independent auditor's report to the members of Brick By Brick Croydon Limited

Opinion

We have audited the financial statements of Brick By Brick Croydon Limited (the 'company') for the year ended 31 December 2017 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its loss 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.

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

Who we are reporting to

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

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 directors' report and financial statements, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

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.

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

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

Matters on which we are required to report by exception

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 for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Richard Hagley BSc FCA
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London
25 July 2018

Statement of Comprehensive Income

For the 15 month period ended 31 March 2019

	Notes	Period ended 31 Mar 2019 (15-months)	Year ended 31 Dec 2017
		£	**£**
Turnover		13,750	0
Cost of Sales		(200,507)	(131,347)
Gross Loss		**(186,757)**	**(131,347)**
Administrative Expenses		(434,856)	(101,099)
Operating Loss		**(621,613)**	**(232,447)**
Interest Payable	13	(153,339)	(34,605)
Loss before Tax		**(774,952)**	**(267,052)**
Tax on Loss	14	0	0
Loss and total comprehensive income for the year		**(774,952)**	**(267,052)**

The notes on pages 15 to 23 form part of these financial statements.

Statement of Financial Position

As at 31 March 2019

	Notes	As at 31 Mar 2019	As at 31 Dec 2017
		£	£
Fixed Assets	5	2,519,813	491,807
Current Assets			
Work in Progress	7	110,207,756	32,622,752
Inventories	7	0	0
Debtors	8	1,323,531	409,960
Pre-Payments	8	140,000	0
Cash and Cash Equivalents	9	2,428,483	506,844
		114,099,770	33,539,556
Creditors falling due within one year	10	(14,321,397)	(3,256,886)
Net Current Assets		**99,778,373**	**30,282,670**
Total Assets less Current Liabilities		**102,298,186**	**30,774,477**
Creditors falling due after more than one year	11	(103,585,210)	(31,286,549)
Net (Liabilities)		**(1,287,024)**	**(512,072)**
Capital and Reserves			
Share Capital	12	100	100
Retained Loss		(1,287,124)	(512,172)
Capital and Reserves		**(1,287,024)**	**(512,072)**

In preparing these financial statements, the directors have taken advantage of the small companies exemption in part 15 of the Companies Act 2006.

The financial statements were approved and authorised for issue by the Board and were signed on its behalf on 25th July 2019.

25th July 2019

Colm Lacey
Director

The notes on pages 15 to 23 form part of these financial statements.

Statement of Changes in Equity

For the 15 month period ended 31 March 2019

	Called-up share capital £	Profit and loss account £	Total £
At 31 December 2016	**100**	**(245,120)**	**(245,020)**
Profit (+) / Loss (-) and total comprehensive income for the year	0	(267,052)	(267,052)
At 31 December 2017	**100**	**(512,172)**	**(512,072)**
Profit (+) / Loss (-) and total comprehensive income for the year	0	(774,952)	(774,952)
At 31 March 2019	**100**	**(1,287,124)**	**(1,287,024)**

The notes on pages 15 to 23 form part of these financial statements.

Notes to the Financial Statements

For the year ended 31 March 2019

1 General Information

Brick by Brick Croydon Limited ("the Company") is a private limited company. The company was incorporated on 6 May 2015 and began trading in 2016. This is the fourth period in which the financial statements have been prepared, and cover the period from 1 January 2018 to 31 March 2019. The company has opted to move its financial year end to 31st March, meaning that this financial period covers a 15-month period.

The company is incorporated and domiciled in England. The address of the Company's registered office is 62 George Street, Croydon, United Kingdom, CR0 1PD.

The Company is a development company established by the London Borough of Croydon to deliver housing led development across the borough.

The Company's accounts are prepared on a single entity basis.

2 Accounting Policies

2.1 Basis of Preparation of Financial Statements

The financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102, Section 1A Small Entities, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland and the Companies Act 2006. In preparing the financial statements, the directors have taken advantage of the small companies exemption in part 15 of the Companies Act 2006 which allows a cash flow statement to be omitted.

The financial statements are presented in Sterling (£) and are rounded to the nearest pound

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Going Concern

The London Borough of Croydon have provided a letter of support confirming they will continue to provide finance to Brick by Brick Croydon up to June 2022.

After reviewing the company's forecasts and projections, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company therefore continues to adopt the going concern basis in preparing its financial statements.

2.3 Fixed Assets

The company holds a mix of land, building, equipment and leasehold fixed assets. These are classed as Property, Plant and Equipment which are recognised under FRS 102 as assets which:

(a) are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and
(b) are expected to be used during more than one period.

Recognition & Measurement

Expenditure on the acquisition, creation or enhancement of fixed assets is capitalised on an accruals basis provided that it is probable that the future economic benefits or service potential associated with the item will flow to the company and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

Assets are initially measured at cost, comprising the purchase price and any costs attributable to bringing the asset to the location and condition necessary for it to operate.

Depreciation

Depreciation is provided for on all assets by the systematic allocation of depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land) and assets that are not yet available for use (i.e. assets under construction).

Assets are depreciated from the year that they are brought into use and are depreciated on a straight-line basis over their useful economic life as follows for property, plant and equipment:

a) Buildings – 50 years
b) Leasehold Improvements – 10 years
c) ICT Equipment – 5 years
d) Furniture, Fixtures & Fittings – 10 years

Impairment

Assets will be assessed at least every 2 years to assess whether there is any indication that the asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

2.4 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incident to ownership. All other leases are classified as operating leases. Classification is made at the inception of the lease.

2.5 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes.

2.6 Debtors

Debtors are recognised in relation to income due to the business as a consequence of activity in a prior period. This mainly relates to the recovery of VAT from HMRC and is measured based on the balance of the VAT account still to be reclaimed at the end of the company's financial year.

2.7 Pre-payments

Pre-payments cover expenditure incurred in one accounting period for which the underlying asset will not be consumed until a future period.

2.8 Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.9 Financial Instruments

The Company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at the transaction price which is deemed to be the fair value and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration, expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Income statement.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the fair value discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the reporting date.

Financial assets and liabilities are offset and the net amount reported in the Statement of financial position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

2.10 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.11 Finance Costs

Finance costs are capitalised according to Section 25 of FRS 102 to reflect the fact that loans to Brick by Brick are aligned to specific development schemes. Interest is apportioned to individual schemes and then charged to WIP using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Interest incurred on borrowing to fund operating expenditure is also apportioned accordingly and charged to the Statement of Comprehensive Income.

2.12 Taxation

A tax liability will be recognised for the amount of income tax payable in respect of the taxable profit for the current or past reporting periods using the tax rates and laws that that have been enacted or substantively enacted by the reporting date.

Deferred tax is recognised in respect of all timing differences at the reporting date, except as otherwise indicated.

Deferred tax assets are only recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

A deferred tax liability or asset is recognised for the additional tax that will be incurred or deductible in the future based on assets and liabilities that are recognised in a business combination.

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

2.13 Inventories and Work in Progress

Work in progress comprises direct materials, labour costs, site overheads, associated professional charges, loan interest and other attributable overheads. It is held at the historical cost of bringing the buildings to their present location and condition.

Upon the completion of a building, it is transferred from work in progress to inventory. At this point it is valued and then held at the lower of cost and net realisable value. Net realisable value represents the estimated selling price less all estimated costs of completion and overheads.

Regular reviews are carried out to identify any impairment in the value of inventory and work in progress. Where an impairment is identified, it is charged as a finance expense in the Statement of Comprehensive Income in the year.

Regular reviews of schemes are carried out to ensure they are still active, and that activity will result in an asset. Where a scheme is no longer likely to proceed, costs are charged as a cost of sales in the Statement of Comprehensive Income in the relevant year.

3 Critical accounting judgments and key sources of estimation uncertainty

In applying the Group's accounting policies which are described in note 2, the Directors have made no individual judgements that have a significant impact upon the financial statements, excepting those involving estimation which are dealt with below. Actual results may differ from these estimates.

The key sources of estimation uncertainty at the balance sheet date are:

Deferred tax asset in respect of tax losses

At the balance sheet date, the Directors decided they were unable to completely demonstrate there would be sufficient future taxable profits against which current taxable losses could be set against. As a result, it was decided not to recognise a deferred tax asset in respect of tax losses.

4 Events after the reporting period

There were no events after the reporting period that would cause these statements to be adjusted. Development activity has continued into 2019, with significant activity in the first quarter being comprised of:

	£
Acquisition of property	1,459,595
Drawdown of development funding	18,760,560
Development expenditure	17,585,246

5 Fixed Assets

In 2018/19 the company purchased a further 3 properties in support of the delivery of its developments. It also took out a 10 year lease on retail/office premises (where the company is now based) and purchased furniture and equipment required to bring these premises into use.

	Land	Buildings	Leasehold Improvements	ICT Equipment	Furniture, Fixture & Fittings	TOTAL
	£	£	£	£	£	£
Cost						
At 1st January 2018	166,976	331,460	0	0	0	498,436
Additions	480,058	955,382	515,234	166,573	23,705	1,435,440
At 31st March 2019	647,034	1,286,842	515,234	166,573	23,705	2,100,449
Depreciation						
At 1st January 2018	0	(6,629)	0	0	0	(6,629)
Provided in period	0	(25,737)	(51,523)	(33,315)	(2,371)	(112,945)
At 31st March 2019	0	(32,336)	(51,523)	(33,315)	(2,371)	(119,574)
NBV @ 31st Mar 2019	647,034	1,254,476	463,710	133,258	21,335	2,519,813
NBV @ 31st Dec 2017	166,976	324,831	0	0	0	491,807

6 Leases

In 2018/19 the company entered into an operating lease for the building that it now uses as its main office premises and marketing suite. The lease has a break clause at 5 years. The total value of future lease payments are summarised below.

	2019/20	5 years	10 years
	£	£	£
62 George Street	41,250	202,500	427,500

7 Inventories and Work in Progress

	2018/19	2017
	£	£
Completed Inventories	0	0
Work in Progress	110,207,756	32,622,752
	110,207,756	32,622,752

The Directors consider all inventories to be essentially current in nature although the Group's operational cycle is such that a proportion of inventories will not be realised within 12 months. It is not possible to determine with accuracy when specific inventory will be realised as this is subject to a number of issues, including consumer demand and planning permission delays.

8 Short-Term Debtors

	2018/19	2017
	£	£
Other Receivables	1,323,531	409,960
Pre-Payments	140,000	0

Other receivables includes £1,323,531 in relation to VAT recoverable from HMRC (for March 2019 expenditure) and £100 in relation to called-up share capital. The pre-payment relates to the purchase of site adjacent to an existing scheme for which a £140,000 deposit was paid pending completion in early 2019/20.

9 Cash and Cash Equivalents

	2018/19	2017
	£	£
Cash at Bank	2,427,983	506,844
Soldo (P-Card)	500	0
	2,428,483	506,844

Brick by Brick Croydon had a bank balance of £2,427,983 at the 31 March 2019. It also held a balance of £500 on its Soldo account, which provide the company's purchasing cards.

10 Creditors falling due within one year

	2018/19	2017
	£	£
Payable to LB Croydon	3,764,367	916,529
Trade Creditors	10,557,030	2,340,357
	14,321,397	3,256,886

Brick by Brick Croydon owes £3,764,367 to the London Borough of Croydon in relation to reclaimed VAT that was paid by the Council on its behalf. The remaining creditors relate to on-going development and operating activity.

11 Financial Instruments

The maturity profile of the total contracted payments in respect of financial liabilities is as follows:

	Balance at 31 Mar 2019	Less than 1 year	1-2 years	2-5 years	Over 5 years
	£	£	£	£	£
Loans from LB Croydon	107,349,576	3,764,367	0	103,585,210	0

Loan terms and risks

In 2016 Brick by Brick Croydon arranged an unsecured loan facility with the London Borough of Croydon, which could be drawn against for five years, until 2021, up to a total loan value of £10,061,091, of which a total of £9,104,466 was drawn down in 2016. The remainder of this loan was drawn down in 2017.

Repayment of the principal is required no later than five years after each loan has been drawn down, or the agreement's termination date of 2021. The interest rate charged for the loan is 5%. Interest is payable in full upon completion of the loan.

Individual loan agreements have been signed for the purchase of the company’s land and building fixed assets. In 2017 this covered the purchase of 2 Cargreen Road (up to a maximum of £498,611) for which the loan must be re-paid within 5 years with interest of 5% payable. In 2018/19 this included the purchase of a further 3 properties totalling £1,433,370. These loans must be re-paid within 5 years with interest of 6.25% payable.

Since 2017, loan agreements have also been agreed on a scheme-by-scheme basis for each development that Brick by Brick is progressing. A total of 30 loan agreements have been agreed with the maximum borrowing facility capped at the estimated gross development cost included in the company’s financial appraisal (and approved by its board). These loans must be re-paid by the long-stop estimate for each development (usually 12 months after planned practical completion) and an interest rate of 6.25% is applied to each loan.

The “less than 1 year” balance of £3,764,367 represents VAT incurred on expenditure funded by loans from LB Croydon, and does not form part of any loan facility. This amount is matched by a short term debtor from HMRC and amounts already reclaimed from HMRC in the company’s bank account which will be repaid to the Council.

12 Share Capital

The Company has one class of ordinary shares (nominal value 100p). The shareholders are entitled to one vote per share at meetings of the Company.

	2018/19 (15-months)	2017
	£	£
100 Ordinary Shares (100p each)	100	100

13 Interest Payable

Loans made to the company have been apportioned between those that directly support specific schemes (which are capitalised as WIP) and those that fund operating expenditure (which are charged to the income statement). For loan drawdowns to 31st March 2017 an interest rate of 5% is applied. All subsequent loans accrue interest at a rate of 6.25%.

	2018/19 (15-months)	2017
	£	£
Interest capitalised as WIP	3,662,870	889,570
Interest charged to Statement of Comprehensive Income	153,339	34,605
Total Interest payable on loans from LB Croydon	3,816,209	924,175

14 Taxation

The Company has made the following tax losses:

	2018/19 (15-months)	2017	2016	Accumulated Loss
	£	£	£	£
Tax Losses	(4,324,877)	(1,149,992)	(499,211)	**(5,974,081)**

A deferred tax asset has not been recognised in respect of accumulated tax losses. At the balance sheet date, the Directors decided they were unable to completely demonstrate there would be sufficient future taxable profits against which current taxable losses could be set against. As a result, it was decided not to recognise a deferred tax asset in respect of tax losses.

15 Auditors' Remuneration

	2018/19 (15-month)	2017
	£	£
Grant Thornton UK LLP Audit Fee	28,000	24,000

16 Employees

In 2018/19, Brick by Brick Croydon Ltd became an employing entity for the first time. It employed a total of 25 staff onto BBB contracts in 2018/19, and also TUPE'd 9 staff from the London Borough of Croydon (who worked directly for the company) in October 2018.

The company employed an average of 11 staff over the 15 month period, with a total cost as follows:

	2018/19 (15-months) £	2017 £
Wages & Salaries	729,584	0
National Insurance	82,096	0
Pension Contributions	65,734	0
	877,414	0

Two of the directors that served on the Board in 2018/19 were employees of the London Borough of Croydon and one was an employee of the Council for part of the year. A total of four directors serving on the Board in 2018/19 were externally appointed in 2018/19.

The directors of Brick by Brick Croydon received the following remuneration directly from Brick by Brick Croydon in 2018/19.

	2018/19 (15-months) £	2017 £
Wages & Salaries	122,166	36,000
National Insurance	9,998	0
Pension Contributions	15,592	0
	147,756	36,000

17 Ultimate Controlling Party

Brick by Brick Croydon Limited is 100% owned by the London Borough of Croydon, which is the immediate and ultimate controlling party.

18 Related Party Transactions

The company has taken advantage of the exemption conferred by FRS 102 not to disclose transactions with group undertakings which are part of the 100% owned group.

The company has determined that key management includes all directors:

	2018/19 (15-months) £	2017 £
Remuneration paid to key management	122,398	0
	122,398	0