A BETTER CHOICE FOR PROPERTY

Financial Statements for the year ended 31 March 2017

Contents of the Financial Statements for the Year Ending 31 March 2017

Company Information

A Better Choice for Property Ltd. is a private company limited by shares with the sole shareholder and parent being Ashford Borough Council. The particulars of the company as at the 31st March 2017 are set out below:-

Company Name:	**A Better Choice for Property Limited**
Registered office:	**Civic Centre** **Tannery Lane** **Ashford** **Kent** **TN23 1PL**
Company registration number:	**9003139 (England and Wales)**
Directors:	**G Clarkson** **T Kerly** **M Seddon** **P Mckenner**
Company Secretary:	**S Hartles**
Auditor:	**Grant Thornton UK LLP**
Auditor Address:	**30 Finsbury Square** **London** **EC2P 2YU**

Directors Report for the year ended 31 March 2017

The directors present their report with the financial statements of the company for the year 1 April 2016 to 31 March 2017.

Directors

The directors listed below have held office for the year 1 April 2016 to 31 March 2017.

G Clarkson
T Kerly
M Seddon
P Mckenner

There have been no changes to the director appointments post year end to the signing of the Auditor's report.

Principal Activity

The principal activity of the company in the period under review was:
Acquisition and letting of property in the private rented sector.

Dividend

The company is looking to strengthen operations over the initial years of trading; therefore no dividend is to be paid.

Business Review

In the third year of operation the company has increased its property portfolio which included a number of new build properties. The company continues to enjoy high tenancy rates with little change in tenants.

The company is continuing to develop good working relationships with local estate agents and developers and is establishing a reputation in the private rented sector market.

The Company is looking to continue the expansion of its operations and property portfolio substantially over the next few years to realise advantages which arise from economies of scale.

The above report has been prepared in accordance with the provisions in part 15 of the Companies Act 2006 relating to small companies.

This report was approved by the board of directors on xx October 2017 and Signed on Behalf of the Board By:

T Kerly
Director

Directors' Responsibilities Statement

The directors are responsible for preparing 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 period. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 and 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 judgements and accounting estimates that are reasonable and prudent;
- 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. 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.

The directors confirm that:

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

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

Independent auditor's report to the members of A Better Choice for Property Limited

We have audited the financial statements of A Better Choice for Property Limited for the year ended 31 March 2017 which comprise the statement of comprehensive income, the statement of financial position, the statement of cash flows, the statement of changes in equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and

International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 4, 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). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2017 and of its profit for the period then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the report of the directors for the financial year for which the financial statements are prepared is consistent with the financial statements.
In our opinion, based on the work undertaken in the course of the audit:

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

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made;
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report or in preparing the Directors' Report.

Richard Hagley
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
30 Finsbury Square
London
EC2P 2YU

XX October 2017

Statement of comprehensive income for the year ended 31 March 2017			
	Note	**2016/17**	**2015/16**
Continuing operations		**£**	**£**
Revenue	4	**172,522**	60,513
Cost of sales	5	**(31,780)**	(8,809)
Gross profit		**140,742**	**51,704**
Other income	4	**3,514**	0
Administrative expenses	5	**(25,661)**	(21,524)
Gain on property revaluation	8	**251,760**	112,180
Operating Profit		**370,355**	**142,360**
Finance Costs	6	**(122,560)**	(48,598)
Profit Before Tax		**247,795**	**93,762**
Income tax	7	**(39,949)**	(19,002)
Profit for the year and total comprehensive income		**207,846**	**74,760**

Statement of financial position at 31 March 2017			
	Note	31/03/2017	31/03/2016
ASSETS		**£**	**£**
Non-current assets			
Deferred tax asset	9	**551**	551
Investment property	8	**4,046,000**	3,227,251
		4,046,551	**3,227,802**
Current assets			
Trade receivables	10	**23,740**	68,161
Cash	11	**10,864**	36,472
	-	**34,604**	**104,633**
Total Assets	-	**4,081,155**	**3,332,435**
LIABILITIES			
Non-current liabilities			
Deferred tax liability	9	**(58,951)**	(19,002)
Non-current borrowings	13	**0**	0
		(58,951)	**(19,002)**
Current liabilities			
Current portion of long-term borrowings	16	**(3,606,476)**	(3,077,596)
Deferred Income	14	**(7,867)**	(1,535)
Trade payables	14	**(42,765)**	(73,452)
Audit fee	5	**(12,000)**	(15,600)
		(3,669,108)	**(3,168,183)**
Net Assets		**353,096**	**145,250**
Equity			
Share capital	12	**100,001**	100,001
Retained earnings		**253,095**	45,249
Total equity		**353,096**	**145,250**

The financial statements were approved and authorised for issue by the board and were signed on its behalf on XX October 2017.

Directors Signature

T Kerly
Company registration number: 9003139 (England and Wales)

Statement of changes in equity for year ended 31 March 2017			
	Ordinary Shares	**Retained Earnings**	**Total Equity**
	£	**£**	**£**
Balance at 1 April 2016	**100,001**	**45,249**	**145,250**
Changes in equity for 2016/17			
Profit for the year	0	207,846	207,846
Total comprehensive income for the year	**0**	**207,846**	**207,846**
Dividends	**0**	**0**	**0**
Issue of share capital	**0**	**0**	**0**
Balance as at 31 March 2017	**100,001**	**253,095**	**353,096**

Statement of changes in equity for year ended 31 March 2016			
	Ordinary Shares	**Retained Earnings**	**Total Equity**
	£	**£**	**£**
Balance at 1 April 2015	**1**	**(29,511)**	**(29,510)**
Changes in equity for 2015/16			
Profit for the year	0	74,760	74,760
Total comprehensive income for the year	**0**	**74,760**	**74,760**
Dividends	**0**	**0**	**0**
Issue of share capital	**100,000**	**0**	**100,000**
Balance as at 31 March 2016	**100,001**	**45,249**	**145,250**

Statement of cash flows for the year ended 31 March 2017

	Note	2016/17	2015/16
		£	£
Cash flows from operating activities			
Profit before taxation		**247,795**	93,762
Adjustments for:			
Interest Expense		**122,560**	48,598
Fair value adjustment for investment property		**(251,760)**	(112,180)
Rent deposit cash		**4,317**	(1,354)
Decrease (Increase) in trade receivables		**44,421**	(53,495)
(Decrease) Increase in trade and other payables		**(35,673)**	21,167
Interest Paid		**(120,256)**	(42,083)
Net cash from operating activities		**11,404**	(45,585)
Cash flows from investing activities			
Acquisition of Investment Property		**(566,990)**	(1,991,745)
Net cash used in investing activities		**(566,990)**	(1,991,745)
Cash flows from financing activities			
Issue of share capital		**0**	100,000
Proceeds from long term borrowings		**560,000**	1,965,000
Repayment of Loans		**(30,022)**	(17,435)
Net cash generated from financing activities		**529,978**	2,047,565
Net increase/(decrease) in cash and cash equivalents		**(25,608)**	**10,235**
Cash and cash equivalents at beginning of year		**36,472**	26,237
Cash and cash equivalents at end of year	11	**10,864**	**36,472**

Notes to the financial statements

The principal accounting policies applied in the preparation of these financial statements are set out below.

1. General Information

A Better Choice For Property Limited (the Company) is a limited company incorporated in the United Kingdom. The address of its registered office and principal place of business is Civic Centre, Tannery Lane, Ashford, Kent, TN23 1PL. The principal activity of the company is the acquisition and letting of property in the private rented sector.

A Better Choice For Property Limited is a wholly owned subsidiary of Ashford Borough Council (Parent) which is a Local Government organisation.

2. Basis of preparation

These financial statements have been prepared in accordance with the International Financial Reporting Standard (IFRS) and the Companies Act 2006.

The Company has not adopted any standards or interpretations in advance of the required implementation dates. It is not expected that the adoption of any other standards or interpretations which have been issued by International Accounting Standards Board but have not been adopted will have a material impact on the financial statements.

2.1 Events after the reporting period

Since the end of the reporting period the company has drawn down a further £1,445,000 of loans which is the first payment towards the acquisition of newly built apartment block consisting of 28 units, the total build cost of this project is estimated to be £5.7m and will complete in April 2019.

The Company also released the remaining 75,000 allotted shares on 27 July 2017 which were subsequently purchased by the parent company.

2.2 Going Concern

The Directors have considered all available information about the future events when considering going concern, some of which are further expanded on below within this section. The Directors have also reviewed cash flows for the 12 months following the date of approval of these accounts and have concluded that company remains able to meet its obligations as they fall due for the foreseeable future.

Under a loan facilities agreement between the company and parent, the company is required to meet two financial covenants at period end, cash flow to debt service and loan to current value (total borrowings outstanding to value of assets). A number of general covenants are also in place which include notification of any financial default,

filing of tax returns on time and that Audited accounts should be presented to the Parent within 180 days of year end.

At the period end the company complied with the loan to current value covenant but failed to comply with the cash flow to debt service ratio, this breach in financial covenants is treated as a default of the facilities agreement and gives the parent the right to call the loans outstanding. The company also breached general covenants in relation to the late submission of its tax return and not having signed off accounts within 180 days of year end.

In view of the breaches of covenants above, the company has written to the parent explaining the circumstances for the defaults and the action being taken to prevent future occurrences. The parent is satisfied with the information provided and has provided assurance to the company that the acceleration process will not be commenced and therefore the loans will not be called immediately.

However, in view of this default the borrowings of the company have been reclassified from non-current to current liabilities in the statement of financial position.

3. Accounting Policies

3.1 Trade receivables

Trade receivables are initially measured at fair value and are carried at amortised cost in the accounts. Consideration will be given to balances throughout the period to determine if any amounts are deemed irrecoverable. Where irrecoverable amounts are identified the impairment is recognised immediately through the statement of comprehensive income.

3.2 Cash and cash equivalents

Cash equivalents comprise of short term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. Short term is defined as having a maturity within 3 months. Any bank overdrafts are shown within borrowing in current liabilities.

3.3 Trade and other payables

Trade payables are initially measured at fair value and are carried at amortised cost in the accounts at year end.

3.4 Revenue

Revenue comprises of rental income from tenanted properties. The company's parent manages the billing, collection and recovery of rental income and provides statements to the company on a regular basis.

Rental revenues are recognised on an accruals basis.

3.5 Other income

Other income is the reimbursement of fees which are incurred by the company on behalf of prospective tenants; this includes things such as an accommodation condition survey on commencement and termination of tenancy and financial vetting. Other income also includes money recovered from the tenants rent deposit scheme which is used to offset any rent arrears or rectification works upon vacation of the property.

3.6 Taxation

Income tax for the period is based on the taxable income for the period. Taxable income differs from profit as reported in the statement of comprehensive income for the period as there are some items which may never be taxable or deductible for tax and other items which may be deductible or taxable in other periods. Income tax for the period is calculated using the current ruling tax rate.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. The carrying amount of the deferred tax assets will be reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

3.7 Fair value measurement and valuation process

The company measures investment property at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement is based on the assumption that the transaction to sell the asset or transfer the liability takes place either:
- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The measurement of non-financial assets at fair value takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The company will work with external valuers to determine fair values where appropriate.

Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities are disclosed in section 8 Investment Property and section 16 Financial Instruments and Financial Risk Management.

3.8 Investment properties

Investment property comprises non-owner occupied buildings held to earn rentals and for capital appreciation.

Investment properties are initially recognised at cost, inclusive of transaction costs. Subsequently, investment properties are measured at fair value. Gains and losses arising from changes in the fair value of investment properties are recognised in profit or loss in the period in which they arise.

Investment property is derecognised when disposed of, or when no future economic benefits are expected from the disposal. Any gain or loss arising on de-recognition of the property is recognised in profit or loss in the period in which the property is derecognised.

Properties were valued as at 31 March 2017 by Chartered Surveyors Taylor Riley Sibley Pares and these valuations have been used for the accounts.

3.9 Interest bearing borrowings

Interested bearing borrowings are recognised initially at fair value, net of transaction costs incurred and subsequently measured at amortised cost using the effective interest method.

3.10 Assumptions and Judgements Made

The company places reliance on external valuers as reflected above which could prove to be inaccurate and therefore result in significant changes to the company's accounts. To reduce this risk the company will only engage reputable professionals.

Following year end and the incident with Grenfell Tower, the Company has 3 properties that are in a cladded building, the company has confirmed that the insulation used in external render panels and on the inner is defined as non-combustible and therefore no adjustment to the valuation has been made.

4. Revenue

	2016/17	2015/16
	£	£
Revenue from rental activities	172,522	60,513
Other Income	3,514	0
Total revenue received	**176,036**	**60,513**

Other income is from retained deposits and a council tax rebate on empty properties.

5. Disclosure of expenses

The following items have been recognised as expenses in determining loss before tax:

	2016/17	2015/16
	£	£
Cost of sales	**(31,780)**	(8,809)
Other expenses	**(13,661)**	(9,524)
Audit fee	**(12,000)**	(12,000)
	(57,441)	**(30,333)**

The auditor fee relates exclusively to the appointment of Grant Thornton UK LLP who was appointed as the company's external auditor.

6. Finance Costs

	2016/17	2015/16
	£	£
Interest on borrowings	**(122,560)**	(48,598)

No borrowing costs were capitalised to qualifying assets in 2016/17.

7. Income tax expense

	2016/17	2015/16
	£	£
Current corporation tax due	**0**	**0**
Deferred Tax (see note 9)	**(39,949)**	(19,002)
	(39,949)	**(19,002)**

Reconciliation from accounting profits to taxable profits

	2016/17	2015/16
	£	£
Profit before Tax	**247,795**	93,762
Profits not chargeable for tax in the current period	**(251,760)**	(112,180)
Non-trading losses not utilised	**3,965**	**18,418**
Tax payable at prevailing rate	**0**	**0**

In 2016/17 the company made an accounting profit although a loss for tax purposes and therefore no income tax expense has been incurred. The company will be carrying the deferred tax asset applied from 2014/15, and a deferred tax liability covering multiple periods, these are disclosed within note 9.

8. Investment property

The fair value of the company's portfolio was valued as at 31 March 2017 by Chartered Surveyors Taylor Riley Sibley Pares using a RICS Registered Valuer. This approach is within keeping with international accounting standards.

Valuations will be attained from an appropriately qualified Valuer at 31 March each year.

Amounts recognised in profit or loss	2016/17	2015/16
	£	£
Rental Income	**169,871**	60,513
Direct operating expenses		
On property that generated rental income	**(31,780)**	(8,605)
On property that did not generate rental income	**0**	(204)

Investment properties to the value of £3,606,476 (equivalent to the value of outstanding loans with parent) have been pledged as security for liabilities. The holder (Ashford Borough Council) of the security does not have the right to sell or re-pledge the investment properties in absence of default.

	31/03/2017	31/03/2016
	£	£
Carrying value at the beginning of the year	**3,227,251**	1,095,519
Fair value adjustment	**251,760**	112,180
Additions	**566,989**	2,019,552
Carrying value at the end of the year	**4,046,000**	3,227,251

Fair value hierarchy

	Level 1	Level 2	Level 3	Fair Value
	£	£	£	£
2016/17 Rental property units located in Ashford area	-	4,046,000	-	4,046,000
2015/16 Rental property units located in Ashford area	-	3,227,251	-	3,227,251

The fair valuation of investment property is considered to represent a level 2 valuation based on quoted prices for similar assets in the active Ashford Property Market and the engagement of professional values who have access to local factors. Management does not expect there to be a material sensitivity to the fair values arising from any non-observable inputs used by the surveyor.

The value of the portfolio at cost after applying appropriate depreciation was £3,540,346 as at 31 March 2017 compared with £3,047,341 as at 31 March 2016. Depreciation is applied using the straight-line depreciation method over a useful economic life of 50 years from the date of acquisition, with the assumption of a nil residual value. The useful economic life is consistent with the funding arrangements of the assets.

9. Deferred Tax

Deferred tax recognised in the statement of comprehensive income

	31/03/2017	31/03/2016	31/03/2015
	£	£	£
Deferred tax assets	0	0	551
Deferred tax liabilities	**(39,949)**	(19,002)	0
Net deferred tax liability	**(39,949)**	**(19,002)**	**551**
Deferred tax assets comprise:			
Unused tax losses	0	0	551
Deferred tax liabilities comprise:			
Fair value gains	(42,799)	(19,002)	0
Adjustment to tax charge in respect of previous periods	**2,850**	0	0
	(39,949)	**(19,002)**	**0**

Deferred tax assets as per statement of financial position

	Unused tax losses
	£
Balance at 1 April 2016	551
Recognised directly in the statement of comprehensive income	0
Balance at 31 March 2017	551

Deferred tax liabilities as per statement of financial position

	Unused tax losses
	£
Balance at 1 April 2016	(19,002)
Recognised directly in the statement of comprehensive income	(39,949)
Balance at 31 March 2017	(58,951)

Deferred income tax assets are recognised to the extent that the realisation of the related tax benefit will be through future taxable profits which are probable. This has been determined by the directors of the company having considered future cash flow

projections and a revised business plan which provides assurance that future taxable profit will arise to utilise these losses.

No tax asset arose in 2016/17 as the company had a net profit before finance costs.

The company has recognised a deferred tax liability in relation to the upward valuation of investment properties.

The £58,951 deferred tax liability recorded on the statement of financial position represents a 17% deferred tax liability on the net gains and losses arising from property revaluations which total £(346,770) over the period 2014/15 to date.

The deferred tax liability rate is set at 17% following governments announcement that corporation tax will fall to this level from 2020 and it is unlikely that the company will realise any profits on disposal prior to this period.

A deferred tax asset for non-trading losses (arising from financing costs) has not been recognised for £32,519, (£10,136 from 2014/15, £18,418 from 2015/16 and £3,965 from 2016/17) which can be carried forward against future taxable investment income.

10. Trade receivables

All the trade receivables outstanding at 31 March 2017 relate primarily from the parent company. In relation to the rent due from tenants this will initially be paid to the company under the service agreement in place, however should default occur then the company will reimburse the Parent. A review of the arrears due from tenants at year end was conducted and based on evidence reviewed none of the debt would be considered irrecoverable.

	31/03/2017	**31/03/2016**
Trade receivables	**23,740**	68,161
	23,740	**68,161**
Trade receivables analysed as follows:		
Related party receivables	**20,619**	66,464
Rent due from tenants	**3,121**	1,697
	23,740	**68,161**

11. Cash and cash equivalents

Cash and cash equivalents consist of cash in hand and bank balances.

	31/03/2017	**31/03/2016**
	£	**£**

Cash on hand and balances with banks	**10,864**	36,472

12. Ordinary Shares

	31/03/2017	31/03/2016
	£	£
Authorised	**175,001**	175,001
175,001 Ordinary shares of £1 each	**175,001**	175,001
Issued and fully paid for	**100,001**	100,001
100,001 Ordinary share of £1 each	**100,001**	100,001
Reconciliation of number of shares outstanding		
Opening balance	**100,001**	1
Shares issued	**0**	100,000
Closing balance	**100,001**	100,001

All fully paid up shares have a par value of £1 and entitle the holder to one vote and equal rights to dividends declared.

The remaining 75,000 allotted shares were purchased by the parent company on the 27 July 2017.

13. Borrowings

The company has eight loans outstanding with Ashford Borough Council and these are detailed below, these have been shown based on the maturity dates of each individual loan, although due to the covenant breach referred to in note 2.2 all loans have been classified as current :-

Ashford Borough Council	**2016/17**	**2016/17**	**2015/16**	**2015/16**	
	Current Borrowings	**Non-Current Borrowings**	**Current Borrowings**	**Non-Current Borrowings**	**Rate**
	£	**£**	**£**	**£**	
Loan 2	29,534	563,428	30,258	567,378	3.693%
Loan 3	23,928	354,544	25,502	364,646	2.827%
Loan 4	5,329	112,925	5,339	113,829	3.678%
Loan 5	6,354	118,309	6,526	119,060	3.741%
Loan 6	15,820	326,525	15,911	328,939	3.744%
Loan 7	71,535	1,417,737	72,708	1,427,500	3.738%
Loan 8	26,586	533,922	0	0	3.515%

Total borrowings	**179,086**	**3,427,390**	**156,244**	**2,921,352**

Loan 2 has equal quarterly repayments of £6,618
Loan 3 has equal Half-Yearly repayments of £11,265
Loan 4 has equal quarterly repayments of £1,320
Loan 5 has equal quarterly repayments of £1,391
Loan 6 has equal quarterly repayments of £3,840
Loan 7 has equal quarterly repayments of £16,624
Loan 8 has equal quarterly repayments of £5,985

Under the facilities agreement with Ashford Borough Council all of the loans are repayable by the 8 September 2019. All Interest payments have been made during the current period, however some interest payments were made late due to administrative issues which have been subsequently resolved, these instances were reported to and acknowledged by the parent in accordance with the loan facilities agreement.

Ashford Borough Council has a supplemental legal mortgage registered on the title of each property acquired by the company.

The loans are all on a fixed rate basis and therefore do not represent an interest rate risk, however due to the financial covenants in place and the possible consequences of default they do present a cash flow risk.

14. Trade and other payables

Related party payables relate exclusively to Ashford Borough Council.

	31/03/2017	**31/03/2016**
	£	**£**
Trade creditors	(1,436)	(270)
Related party payables – other accruals	(39,209)	(73,182)
Total Trade Payables	**(40,645)**	**(73,452)**
Deferred income	(7,866)	(1,535)
Payment to HMRC	(200)	0
Tax return work	(1,920)	0
Audit Fee	(12,000)	(15,600)
Payment to rent deposit service	0	0
	(62,631)	**(90,587)**

15. Related Parties

A Better Choice for Property Ltd is a wholly owned and controlled subsidiary of Ashford Borough Council which is the ultimate parent of the company.

All Directors of the company are either Officers or Members of Ashford Borough Council and do not receive any remuneration from the Company. The Company also had no employees for the financial period ending 31 March 2017.

The following table reflects transactions made between A Better Choice Property Ltd and Ashford Borough Council; there are no known transactions which would be considered as related party interests of the Directors.

Relationship	Amount owed to related party		Amount owed by related party	
	31/03/2017	**31/03/2016**	**31/03/2017**	**31/03/2016**
	£	**£**	**£**	**£**
Parent - Trade payables	(39,209)	(73,182)	-	-
Parent - Trade receivables			19,363	66,464

Amounts owed to and by the parent are unsecured, interest free and have fixed repayment terms. The balances will be settled in cash.

All of the company's borrowings are with the parent company and therefore should be recognised as related party transactions. These are not reflected in the table above although details of the borrowings are shown in note 13; equally all finance costs are with the parent as disclosed in note 6.

16. Financial Instruments and Financial Risk Management

16.1 Categories of Financial Instruments

Assets as per Statement of Financial Position	**31/03/2017**	**31/03/2016**
	£	**£**
	Receivables	**Receivables**
Trade receivables	23,740	68,161
Cash and cash equivalents	10,864	36,472
Total	**34,604**	**104,633**

Liabilities as per Statement of Financial Position	**31/03/2017**	**31/03/2016**
	£	**£**
	Trade and Other Payables	
Non-current borrowings	0	0
Accrued interest	(13,437)	(11,121)
Current borrowings	(3,593,039)	(3,066,475)

Trade and other payables	(40,645)	(73,452)
Total	**(3,647,121)**	**(3,151,048)**

16.2 Classes and Fair Value of Financial Instruments

Below is a comparison of the carrying value and the fair value of the company's financial instruments.

It is the Directors' opinion that the carrying value of financial assets and liabilities approximate to their fair value where they have short/medium-term maturities. The fair value of the company's loans has been calculated at £3,489,927, this is based on the swap rate available for loans of equivalent duration and credit risk that were available at the end of the year, on the assumption that the loans will reach maturity.

Financial Assets	**31/03/2017**		**31/03/2016**	
	£	**£**	**£**	**£**
	Carrying Value	**Fair Value**	**Carrying Value**	**Fair Value**
Trade receivables	23,740	23,740	68,161	68,161
Cash and cash equivalents	10,864	10,864	36,472	36,472
Total	**34,604**	**34,603**	**104,633**	**104,633**

Financial Liabilities	**31/03/2017**		**31/03/2016**	
	£	**£**	**£**	**£**
	Carrying Value	**Fair Value**	**Carrying Value**	**Fair Value**
Non-current borrowings	0	0	0	0
Accrued Interest	(13,437)	(13,437)	(11,121)	(11,121)
Current borrowings	(3,593,039)	(3,489,927)	(3,066,475)	(2,832,784)
Trade and other payables	(40,645)	(40,645)	(73,452)	(73,452)
Total	**(3,647,121)**	**(3,544,009)**	**(3,151,048)**	**(2,917,357)**

16.3 Financial Instruments Risk Management

The company's operations expose it to a number of financial risks. The company is mindful of possible risks and therefore considered on an ongoing basis for relevance and materially. Where risks are relevant then the company shall ensure it has full understanding of the risks and manage it accordingly within the risk appetite of the company.

Market Risk

Market risk is the risk that the fair value of future cash flows of our financial instruments will fluctuate because of changes in market prices.

The company could be exposed to fluctuations arising from movements in average rents chargeable for rented property. However, with the current shortage of accommodation the company does not anticipate any reduction in the rental incomes.

Interest Rate Risk

The Company's borrowing is at a fixed rate of interest and therefore not subject to interest rate risk. However, the financing arrangements with the parent company require all loans to be settled on the 8th September 2019.

Due to this requirement the company could suffer increase financing costs upon refinancing. In relation to refinancing the Parent will make best endeavours to provide a refinancing option available upon settlement of the existing loans.

Credit Risk

Credit risk is the risk of default by one of the company's counterparties. For the company this is limited to it trade receivables (predominately rent due from tenants) and cash equivalents. The amounts exposed to credit risk are shown as financial assets under the classes of financial instruments.

As at the 31 March 2017 the company had tenant arrears of £3,121 one debt totalled £2,651 and was settled post year end, the company expects to collect the remaining balances. If a tenant in arrears ends their tenancy the company can mitigate some of its exposure by drawing down on the tenants rent deposit which is independently held with a Deposit Protection Scheme provider.

All other receivables were with the company's parent at period end.

As at the 31st March 2017 the Company had £17,931 of rent deposits lodged with a Deposit Protection Scheme. Individually rent deposits are equivalent to 1 months rent.

Cash equivalents relate to the Company's bank balance and these are held by a high quality bank to minimise counter party risk.

Liquidity Risk

Liquidity risk arises where the Company does not have sufficient cash reserves to meet future working capital requirements and take advantage of business opportunities.

Liquidity is not a current risk for the Company as cash equivalents are solely deposits placed in a bank deposit accounts which provide instant access. If the Company starts to make termed investments or use other financial instruments then liquidity risk will be considered through cash flow forecasting.

The company allotted 100,000 shares to the parent company with a nominal value of £1 per share in August 2015 to help with liquidity. Additionally the company has a further 75,000 shares un-allocated which can be allotted accordingly for working capital requirements at a nominal value of £1 per share. These shares were purchased by the parent on the 27 July 2017.

The following tables show the contractual maturity analysis for financial liabilities for 2016/17 and 2015/16:-

2016/17	**Due in less than 1 month**	**Due between 1 to 3 months**	**Due between 3 months to 1 year**	**Due between 1 to 5 years**	**Total**
	£	**£**	**£**	**£**	**£**
Trade and Other Payables	(40,645)				(40,645)
Non-current borrowings	-	-	-	(3,427,390)	(3,427,390)
Current portion of non-current borrowings	(14,828)	(28,404)	(135,855)	-	(179,087)
Totals	(55,473)	(28,404)	(135,855)	(3,427,390)	(3,647,122)

2015/16	**Due in less than 1 month**	**Due between 1 to 3 months**	**Due between 3 months to 1 year**	**Due between 1 to 5 years**	**Total**
	£	**£**	**£**	**£**	**£**
Trade and Other Payables	(73,452)				(73,452)
Non-current borrowings	-	-	-	(2,921,353)	(2,921,353)
Current portion of non-current borrowings	(15,925)	(28,404)	(111,914)	-	(156,243)
Totals	(89,377)	(28,404)	(111,914)	(2,921,353)	(3,151,048)

It should be noted that the profiling of borrowings has been prepared based on the basis that the loans will be settled on maturity.

17. Capital Management

The Company's objectives to managing capital are:

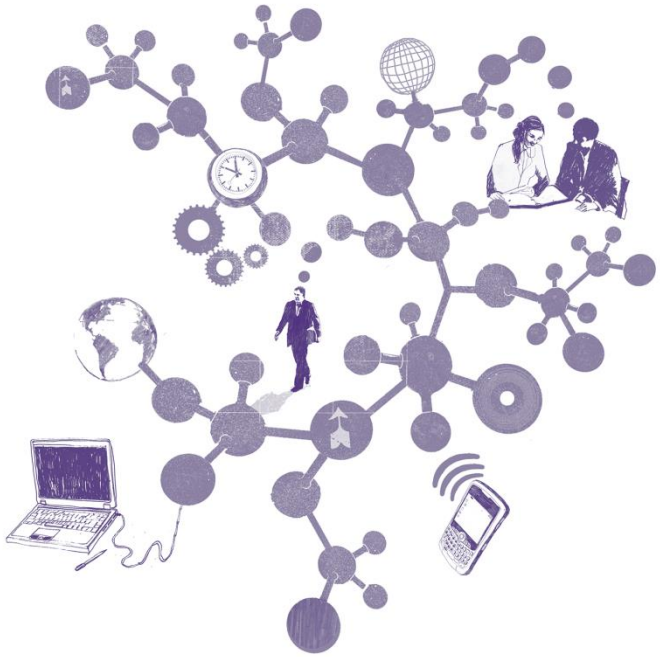
- to safeguard the company's ability to continue as a going concern, so that it can provide a return for the shareholder, and
- to provide an adequate return to shareholders commensurate with the level of risk.

The company is currently still in its infancy and building it capital balances before any dividends can be paid. Going forward, and before any returns are provided to stakeholders, an effective level of working capital will be determined to ensure that the company can manage and respond to changing market conditions.

The Audit Findings Report for A Better Choice for Property Limited

Year ended 31 March 2017

18 October 2017



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Grant Thornton at a glance

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18 October 2017

Dear Sirs

Audit Findings for A Better Choice for Property Limited for the year ended 31 March 2017

This Audit Findings report highlights the significant findings arising from the audit for the benefit of those charged with governance, as required by International Standards on Auditing (UK & Ireland) 260. Its contents have been discussed with management.

As auditors we are responsible for performing the audit, in accordance with International Standards on Auditing (UK & Ireland), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

We would like to take this opportunity to record our appreciation for the kind assistance provided by the finance team and other staff during our audit.

Yours faithfully

Richard Hagley

Contents

Section 1: Executive summary

Purpose of this report

This report highlights the key issues affecting the results of A Better Choice for Property Limited ('the Company') and the preparation of their financial statements for the year ended 31 March 2017. It is also used to report our audit findings to management and those charged with governance in accordance with the requirements of International Standard on Auditing (UK & Ireland) 260.

Introduction

In the conduct of our audit we have not had to alter or change our audit approach, which we communicated to you in our Audit Plan dated 26th September 2017.

Our audit is substantially complete. At the date of writing this report we are finalising our procedures in the following areas:

- obtaining and reviewing the waiver from Ashford Borough Council of the loan covenant requirement for the company in respect of the requirement to present audited accounts to the lender within 180 days of the year end;
- obtaining and reviewing the updated final financial statements;
- obtaining and reviewing the management letter of representation; and
- updating our post balance sheet events review, to the date of signing the opinion.

We received draft financial statements and accompanying working papers at the commencement of our work, in accordance with the agreed timetable.

Key audit and financial reporting issues

Financial statements opinion

We have identified one adjustment affecting your reported financial position being a £10,403 decrease in the movement in deferred tax for the year as a result of adjustment to the tax rate used in the calculation of the deferred tax liability.

Controls

Roles and responsibilities

The management of the company is responsible for the identification, assessment, management and monitoring of risk, and for developing, operating and monitoring the system of internal control.

Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we report these to the Directors.

Findings

We have noted no internal control findings during the course of our audit.

Acknowledgement

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff during our audit.

Grant Thornton UK LLP
October 2017

Section 2: Audit findings

Audit findings against significant risks

"Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, either due to size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty" (ISA (UK&I) 315).

In this section we detail our response to the significant risks of material misstatement which we identified in the Audit Plan. As we noted in our plan, there are two presumed significant risks which are applicable to all audits under auditing standards.

	Risks identified in our audit plan	Work completed	Assurance gained and issues arising
1.	**The revenue cycle includes fraudulent transactions** Under ISA (UK&I) 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.	We have undertaken the following work in response to this risk: • Documented our understanding of management's controls over revenue recognition. • Review of lease agreements and substantive analytical review of rental income for the period.	Our audit work has not identified any issues in respect of revenue recognition.
2.	**Management over-ride of controls** Under ISA (UK&I) 240 it is presumed that the risk of management over-ride of controls is present in all entities.	We have undertaken the following work in response to this risk: • Review of accounting estimates, judgments and decisions made by management • Testing of journal entries • Review of unusual significant transactions.	Our audit work has not identified any evidence of management over-ride of controls. We set out later in this section of the report our work and findings on key accounting estimates and judgements.

"Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, due to either size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty." (ISA (UK&I) 315) . In making the review of unusual significant transactions "the auditor shall treat identified significant related party transactions outside the entity's normal course of business as giving rise to significant risks." (ISA (UK&I) 550)

Audit findings against other risks

In this section we detail our response to the other risks of material misstatement which we identified in the Audit Plan.

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Revenues	Revenue recognition criteria not properly applied (Existence / Occurrence)	• Walkthrough arrangements for accounting for revenue • Review and testing of revenue recognition policies • Review of tenant account balances to ensure that rent paid in advance and rent arrears are accounted for correctly at year end	Our audit work has not identified any issues in relation to this risk.
Revenues	Revenue transactions not recorded (Completeness)	• Walkthrough of arrangements for ensuring completeness of revenue • Testing of completeness of rent receipts	Our audit work has not identified any issues in relation to this risk.
Investment Property	Revaluation measurements not correct (Valuation Gross)	• Walkthrough arrangements for valuing investment properties • Agreement of revaluation adjustments to the report of the external valuer • Review of the appropriateness of the methodology and assumptions applied in performance of revaluations	Our audit work has not identified any issues in relation to this risk.
Operating Expenses	Creditors related to core activities (e.g. supplies) understated or not recorded in correct period (Completeness)	• Walkthrough controls in place in relation to operating expenditure • Cut off testing to assess whether transactions occurring close to the year end have been recorded in the correct accounting period • Substantive testing of expenditure and of the year end payables balance • Review of the appropriateness of the approach adopted by management for estimating year end expenditure accruals	We noted a £1,256 understatement of payables with Ashford Borough Council as a result of a receivable balance having been netted off against payables rather than being presented within trade and other receivables. Our audit work has not identified any other issues in relation to this risk.

"In respect of some risks, the auditor may judge that it is not possible or practicable to obtain sufficient appropriate audit evidence only from substantive procedures. Such risks may relate to the inaccurate or incomplete recording of routine and significant classes of transactions or account balances, the characteristics of which often permit highly automated processing with little or no manual intervention. In such cases, the entity's controls over such risks are relevant to the audit and the auditor shall obtain an understanding of them." (ISA (UK&I) 315)

Accounting policies, estimates and judgements

In this section we report on our consideration of accounting policies, in particular revenue recognition policies, and key estimates and judgements made and included with the Company's financial statements.

Accounting area	Summary of policy	Comments	Assessment
Going concern	The Directors have a reasonable expectation that the Company will continue to operate for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.	We have reviewed management's assessment of going concern and are satisfied that the going concern basis is appropriate for the financial statements for the year ended 31 March 2017. We note that the Company has breached a number of the loan covenants set out in the Facilities Agreement that sets the terms of the Company's borrowings with Ashford Borough Council. These breaches were as follows: - the Company was in breach of the cash flow to debt service financial covenant as at 31 March 2017; - the Company did not file all tax returns by their filing dates as is required by the Facilities Agreement and incurred a £200 fine due to the late filing of the corporation tax return relating to the year ended 31 March 2016; - audited accounts were not presented to the lender within 180 days of the year end as is required by the Facilities Agreement. Appropriate waivers of the loan covenant violations relating to the breach of the cash flow to debt service covenant and the late filing of the 2015/16 corporation tax return have been obtained. Management have also informed us that they are confident that a waiver will be forthcoming in respect of the deadline for audited accounts being presented to the lender not having been met. Providing that management are able to obtain an appropriate waiver of the loan covenant breach for late completion of the audit, we are satisfied that it has been demonstrated that Ashford Borough Council will not seek to call in the loans as a result of these breaches and therefore that the breaches of the loan covenants do not indicate a material uncertainty in respect of going concern.	● Amber

Assessment
● Marginal accounting policy which could potentially attract attention from regulators
● Accounting policy appropriate but scope for improved disclosure
● Accounting policy appropriate and disclosures sufficient

Accounting policies, estimates and judgements (continued)

Accounting area	Summary of policy	Comments	Assessment
Revenue recognition	Revenue comprises of rental income from tenanted properties. Rental revenues are recognised on an accruals basis.	We have reviewed the Companies' revenue recognition policies and have verified that they are reasonable and compliant with the requirements of IFRS.	Green
Other judgements and estimates	Significant estimates and judgements include: • Expenditure accruals • Deferred tax • Fair value of investment property • Fair value of financial instruments	Expenditure accruals were understated by £1,256 as a result of a receivable balance with Ashford Borough Council having been netted off against payables from Ashford BC. This has been adjusted within the final version of the financial statements. We also identified a £10,403 overstatement of the deferred tax liability as a result of management having estimated deferred tax using a tax rate of 20% when we would consider a rate of 17% to be more appropriate. This has been adjusted within the final version of the financial statements. In all other respects we are satisfied regarding the appropriateness of significant accounting judgements and estimates reflected within the accounts.	Amber
Other accounting policies	We have reviewed the Company's policies against the requirements of the Companies Act and International Financial Reporting Standards ("IFRS").	We have reviewed the Company's policies against the requirements of the Companies Act and IFRS. The accounting policies adopted are appropriate and consistent with previous years.	Green

Assessment

- Marginal accounting policy which could potentially attract attention from regulators
- Accounting policy appropriate but scope for improved disclosure
- Accounting policy appropriate and disclosures sufficient

Other communication requirements

	Issue	Commentary
1.	**Matters in relation to fraud**	• We have discussed the risk of fraud with Directors. We have not been made aware of any incidents in the period and no other issues have been identified during the course of our audit procedures.
2.	**Matters in relation to related parties**	• We are not aware of any related party transactions which have not been disclosed.
3.	**Matters in relation to laws and regulations**	• We are not aware of any incidences of non-compliance.
4.	**Written representations**	• A letter of representation has been requested from the Company. • We have included an additional non-standard representation within the letter requesting that management confirm to us that they have disclosed to is all breaches of the loan covenants detailed in the Facilities Agreement that sets the terms of the Company's borrowings with Ashford Borough Council of which they are aware.
6.	**Disclosures**	• We identified no significant omissions in the disclosures in the financial statements.

Internal controls

Our audit included consideration of internal controls relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. We considered and walked through the internal controls for revenues, operating expenditure, and employee remuneration expenditure as set out on page 9 above.

We have noted no deficiencies in internal control during the course of our audit.

"The purpose of an audit is for the auditor to express an opinion on the financial statements.

Our audit included consideration of internal control relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control.

The matters being reported are limited to those deficiencies that the auditor has identified during the audit and that the auditor has concluded are of sufficient importance to merit being reported to those charged with governance." (ISA (UK&I) 265)

Adjusted misstatements

One adjustment to the draft accounts has been identified during the audit process. We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management. The table below summarises the one adjustment arising from the audit which management has agreed to correct in the final version of the financial statements.

Impact of adjusted misstatements

The one adjusted misstatement identified during the audit is set out in detail below along with the impact on the key statements and the reported profit for the year.

	Detail	Statement of comprehensive income £'000	Statement of financial position £'000	Impact on profit for the year £000
1	Adjustment to deferred tax liability: - DR Deferred tax liability - £10,403 - CR Income tax - £10,403	 £(10,403)	 £10,403 	 £(10,403)
2	Adjustment to present year end balances with Ashford Borough Council gross rather than net: - DR Trade receivables - £1,256 - CR Trade payables - £1,256		 £1,256 £(1,256)	
	Overall impact	**£(10,403)**	**£10,403**	**£(10,403)**

Disclosure changes

The table below provides details of disclosure changes identified during the audit which have been made in the final set of financial statements.

	Adjustment type	Account balance	Impact on the financial statements
1	Disclosure	Going concern	The going concern disclosure was required to be updated to refer to the additional breaches of loan covenants identified during the audit.

Section 3: Fees, non audit services and independence

We confirm below our final fees charged for the audit and provision of non-audit services.

Fees

	Proposed fee £	Final fee £
Audit	10,000	10,000
Total	**10,000**	**10,000**

Fees for other services

Service	Fees £
No other services have been provided	

Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Auditing Practices Board's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.

We confirm that we have implemented policies and procedures to meet the requirements of the Auditing Practices Board's Ethical Standards.

Section 4: Communication of audit matters

Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	✓	
Overview of the planned scope and timing of the audit. Form, timing and expected general content of communications	✓	
Views about the qualitative aspects of the Company accounting and financial reporting practices, significant matters and issue arising during the audit and written representations that have been sought		✓
Confirmation of independence and objectivity	✓	✓
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence		✓
Material weaknesses in internal control identified during the audit		✓
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		✓
Non compliance with laws and regulations		✓
Expected modifications to the auditor's report, or emphasis of matter		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to Going Concern		✓

International Standards on Auditing (ISA) 260, as well as other ISAs, prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.

This document, The Audit Findings, outlines those key issues and other matters arising from the audit, which we consider should be communicated in writing rather than orally, together with an explanation as to how these have been resolved.

Distribution of this Audit Findings report

Whilst we seek to ensure our audit findings are distributed to those individuals charged with governance, as a minimum a requirement exists for our findings to be distributed to all the company directors and those members of senior management with significant operational and strategic responsibilities. We are grateful for your specific consideration and onward distribution of our report, to those charged with governance

Respective responsibilities

As auditor we are responsible for performing the audit in accordance with the ISAs (UK and Ireland), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.