INQUILAB

Financial Statements

For the year ended 31 March 2019

www.inquilabha.org

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Co-operative & Community Benefit Societies Act 2014
No. 25733R

Registered Social Landlord
No. LH3728

BOARD MEMBERS, EXECUTIVE DIRECTORS, ADVISORS AND BANKERS

BOARD OF MANAGEMENT

Pamela Leonce
(**Chair** September 2018)

Olu Olanrewaju
(Resigned September 2018)

Duncan Hughes
(Resigned September 2018)

Peter Calderbank
(Appointed September 2018)

Nigel Newman

Nisha Makwana

Puneet Rajput

Gordon Mattocks

Gina Amoh

SENIOR STAFF TEAM

Gina Amoh - Chief Executive
Eric Nelson-Addy - Director of Finance & Resources
Steve Selfe - Director of Operations (Joined 4 March 2019)

SECRETARY AND REGISTERED OFFICE

Gina Amoh
Unit 3
8 Kew Bridge Road Brentford
London TW8 0FJ

BANKERS

National Westminster Bank
1 The Mall
Ealing
London
W5 2PL

AUDITOR

Nexia Smith & Williamson
25Moorgate
London
EC2R 6AY

SOLICITORS

Prince Evans
Craven House
40-44 Uxbridge Rd
Ealing
London
W5 2BS

Devonshires Solicitors
30 Finsbury Circus
London
EC2M 7DT

STATUTORY REGISTRATIONS

Co-operative & Community Benefit Societies Act 2014
No. 25733R
Registered Social Landlord
No. LH3 728

REPORT OF THE BOARD OF MANAGEMENT

The Board presents its report and the Association's audited financial statements for the year ended 31 March 2019.

PRINCIPAL ACTIVITIES

Inquilab Housing Association Limited (the Association or Inquilab) is a charitable social landlord administered by a board of management. Inquilab is regulated by the Regulator of Social Housing (RSH) and is principally engaged in:

- The provision and management of affordable rented social lhousing for people who cannot afford to rent in the open market.
- The provision of shared ownership homes to meet the needs of people who cannot afford the outright purchase of homes on the open market.
- Working in close partnership with other Registered Providers, local authorities, community groups, local contractors and encouraging residents' pa1rticipation in all levels of our decision making to improve the quality of life in the local communities.

STATEMENT OF RESPONSIBILITIES OF THE BOARD

The Board is responsible for preparing the Report of the Board and the financial statements in accordance with applicable law and regulations.

Co-operative and Community Benefit Society law and social housing legislation require the Board members to prepare financial statements for each financial year for the Association in accordance with UK Generally Accepted Accounting Practice (UK GAAP), including FRS 102, 'The Financial Reporting standard applicable in the UK and Republic of Ireland' and applicable law. The Board must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Association and of the surplus or deficit for that period.

In preparing these financial statements, the Board members are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards and the Statement of Recommended Practice for Registered Social Housing Providers (SORFJ 2014) have been followed, subject to any material departures disclosed, and explained in the financial statements; and
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Association will continue in business.

The Board is responsible for keeping proper accounting records 1that are sufficient to show and explain the Association's transactions and disclose with reasonable accuracy at any time the financial position of the Association, and to enable them to ensure that the financial statements comply with the Co-operative & Community Benefit Societies Act, the Housing and Regeneration Act 2008, the Accounting Direction for private registered providers of social housing 2015, and the Statement of Recommended Practice: Accounting by Registered Social Landlords (2014).

They are also responsible for safeguarding the assets of the Association and, hence, for taking reasonable steps to prevent and detect fraud and other irregularities.

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

Key aspects of the Association's current governance procedures are detailed below.

BOARD

The Board has seven members. Six are non-executives and one is an executive member. The non-executive members embrace a broad range of experience in business, finance, property development, risk management and housing services.

The Board meets regularly to set and review the strategic direction and financial and operational performance of the Association. The Chief Executive, in consultation with the Chair, produces an agenda for each meeting supported by papers from executive members who present the papers and answer any questions that arise as part of the Board discussion. The Board has a framework of delegation to committees whose functions are set out below. It also has a number of matters that are reserved to the Board. Authority for implementing the agreed strategy and for general management of the Association is delegated to the Chief Executive and the Board.

All Board members are briefed and are aware of their responsibilities to bring independent judgement on all issues. On appointment, they are informed of the procedure for obtaining professional advice at the Association's expense. Regular site visits, presentations and meetings with senior management and advisers are arranged to ensure that all Board members are kept informed of their responsibilities, the Association's activities and objectives and the environment in which it operates. In addition, the Chief Executive and senior management team are fully accessible to all Board members and maintain regular contact with them.

Board committees

The Board formally delegates specific responsibilities to the following committees, each of which operates under terms of reference agreed by the Board. The committee members are all non executive members of the Board, but the committees are supported by executive team members as appropriate.

The Audit and Assurance Committee (A&AC)

This committee comprises four Board members and normally meets four times a year. It has been set up to support the Board in discharging its responsibilities, particularly in maintaining an effective system of internal control. The committee's objective is to give assurance to the Board on the effectiveness of the system of risk management and internal control, the integrity of the Association's annual report and accounts, the work of the internal audit service, the external audit by the external auditor and such other matters as may be referred to it by the Board. The external and internal auditors attend key meetings and have direct access to the committee Chair. The committee keeps the relationship between the Association and its auditors under review and considers their independence, including the extent of their fees from non-audit services.

Remuneration Committee

This committee comprises three Board members. It is responsible for the recruitment of Board members, the Board member appraisal system, advising on general corporate governance issues and the pay and remuneration of the Board and executive team.

RISK MANAGEMENT OBJECTIVES AND POLICIES

The Board reviews the Association's financial performance regularly and in light of this, assesses the risks facing the Association through a structured risk management process. Risk management is a planned and systematic approach to the identification, evaluation, prioritisation and control of risks and opportunities and is defined as the chance of something happening that will have an impact (positive or negative) on the achievement of the organisation's objectives.

We are committed to ensuring that consideration of risks is a part of everyday management processes across the organisation and is intended to:

- improve our decision making and optimise opportunities;
- promote innovation in efficient and effective service delivery;
- enhance our reputation;
- minimise levels of inspection and regulation;
- deliver value for money; and
- avoid unbudgeted expenditure and/or loss of income.

We manage risk rather than avoid it and we identify, analyse, prioritise and mitigate the risks we face. We do this through a risk register that records and analyses risks according to their potential impact and probability. We encourage innovative solutions that we can implement with an awareness and active management of the risks that they carry. Our internal control and corporate governance arrangements include a risk management strategy which aims to:

- deliver our objectives more effectively;
- promote service improvement through cost effective actions that manage risk and exploit areas of potential;
- minimise and manage unacceptable and avoidable errors and serious incidents;
- minimise our exposure to fraud and corruption;
- make risk management an integral part of key management processes; and
- discharge our duty of care to our customers and employees.

NHF GOVERNANCE CODE

The Board is committed to a high standard of corporate governance and adheres to the NHF's Governance Code 2015 and regularly reviews its activities against this. The Association is fully compliant with the provisions of the Code.

COMPLIANCE WITH THE GOVERNANCE AND FINANCIAL VIABILITY STANDARD

The Board undertakes a regular assessment of compliance with the governance and financial viability standard. The Association is fully compliant with the provisions of the standard.

OUR MISSION

At Inquilab we are passionate about supporting our communities, providing good quality homes and an excellent customer service.

We provide more than 1,300 homes through a wide range of rental and homeownership opportunities to over 3,500 customers in West and North-West London, Elmbridge and Slough. In practice this means building high quality homes at affordable rents to meet the needs of our current and future residents. Some of our homes are sold on a shared ownership basis, let homes

at sub-market rents and in addition to providing quality services to tenants and leaseholders. We also help find employment for our residents and the wider community.

We invest all our income in support of our charitable objectives. These objectives include building new affordable homes, letting and maintaining our existing homes, improving our customer service and supporting our most vulnerable customers and local communities.

OUR STRATEGIC OBJECTIVES

We are committed to helping address wider social issues among our residents and communities, such as financial inclusion. Our corporate plan for 2016-21 sets out our key objectives and growth strategy and recognises the important influence of the political and economic operating environment. We continue to review the corporate plan on an on-going basis in response to significant changes in the operating environment.

The Board and Executive Team have identified three strategic objectives, and these are set out below

- Improve the Customer Experience
- Investing in Homes and Communities
- Strengthen the Business

OUR VALUES

Service	Delivering services residents value and we are proud of
Trust	Being open, honest and showing integrity
Accountability	Taking ownership and responsibility
Respect	Showing care, commitment and fairness
Strength	Building on the strength of people, legacy and resources

CORE PRINCIPLES

Our corporate plan 2016-21 is to provide good customer experience, invest in new homes and more specifically: -

- We will continue to develop our services to residents, in partnership through our Residents Scrutiny Panel and resident involvement framework.
- We will take all reasonable steps to achieve top regulatory rankings for governance and financial viability.
- We recognise how difficult it is for a growing number of people to afford a decent home at market prices, so we are committed to building homes and making them available for people on a broader range of incomes.
- We will continue to invest in helping our residents to become more self-reliant, more aspirational and less dependent on benefits.
- We will remain independent but open to opportunities for growth through manageable mergers or partnerships with other housing associations.

OUR STRATEGIC GOALS

CORE THEMES	KEY GOALS
Financial strength	• Maintain an annual surplus to turnover ratio of at least 10% year on year to 2020-21.- • Risk management and the delivery of capital programmes will include a focus on protecting the Association appropriately from downside risks.
New homes	• Maximise the number of new rented homes we can deliver through cross-subsidy from other tenure and using grant where available on acceptable terms. • Build new shared ownership homes to meet the aspirations of those who seek to own their own home
Our landlord services	• Tailor the services we provide to meet the different requirements of social renters and leaseholders. • Invest in our stock to ensure that our assets are managed cost effectively and well maintained to achieve agreed levels of customer satisfaction. • Existing tenancies will be maintained on existing terms. New lettings will be on five-year renewable tenancies.
Financial inclusion and partnerships	• Deliver cost effective initiatives to help residents into work. • Use our supply chain to create training and employment opportunities for our residents. • Build financial awareness amongst our residents.
People	• Improve our recruitment processes to deliver high calibre appointments. • Build staff capacity to deliver great services, growth and commercial success. • Improve staff engagement, leading directly to improved performance.

FINANCIAL REVIEW

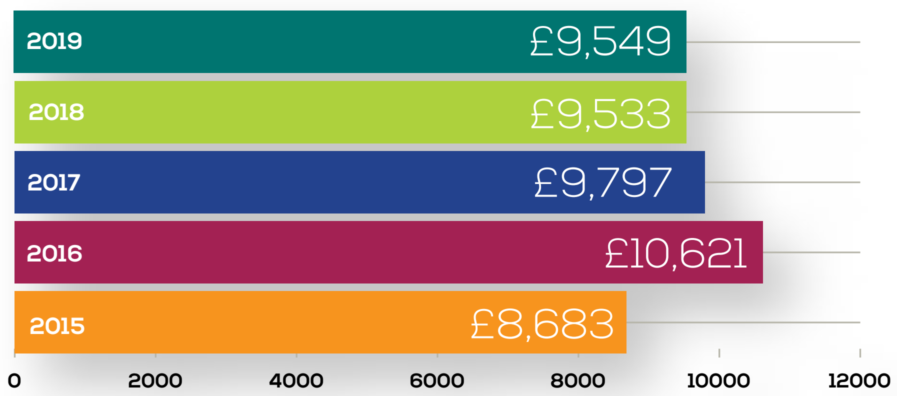
Turnover for the financial year was £9.55m (2018: £9.53m) generating an operating surplus before asset sales of £3.61m (2018: £4.18m). The increase in turnover in a period of rent reduction was achieved from the additional homes acquired towards the latter end of 2017/18 financial year. The annual surplus including surplus on fixed asset property sales was £2.05m (2018: £3.03m). Our operating surplus before property sales produced an operating margin of 37.8% (2018: 43.8%).

The reduction in operating surplus was mainly attributable to increased planned works and health and safety expenditure

The business is modelled on the generation of sufficient income to meet our operating costs, loan interest payments and investment in our homes. The prime objective is to maintain our financial health and viability, enabling us to invest in quality homes and services

We continue to generate sufficient surpluses before sales to cover interest costs and maintain the level of re-investment in our stock. Key performance indicators are used to track and monitor performance, together with regular peer group benchmarking

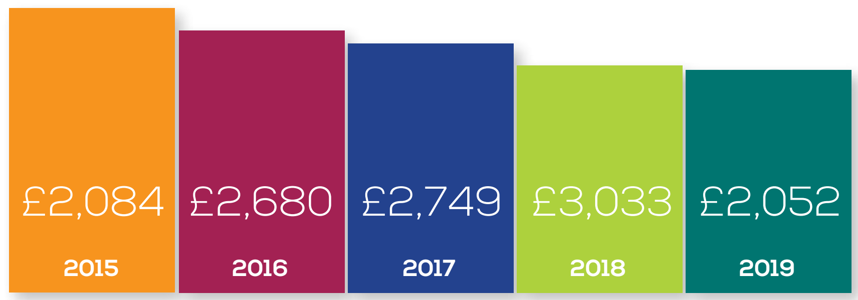
Turnover
£000



Surplus
£000

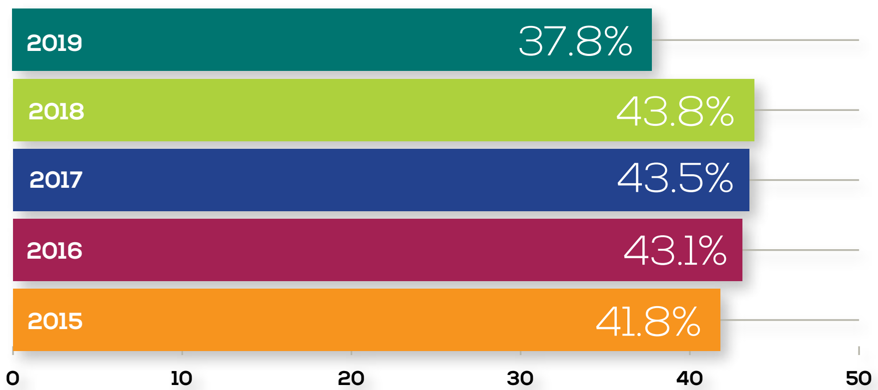
Key features of the results were:

A operating surplus of £2.052 million
(2018: £3.033million)

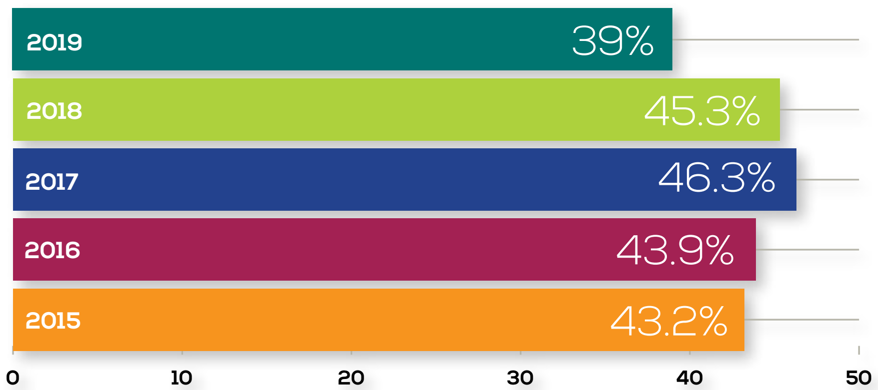


Operating Margins
before property disposals

An overall operating margins of 37.8%
(2018: 43.8%)

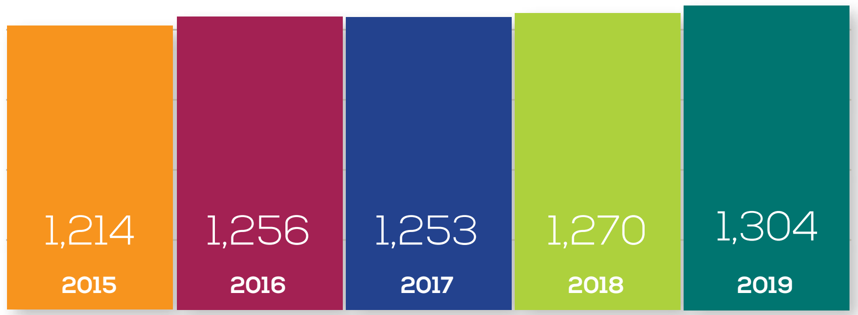


Operating Margins
(social lettings)



social housing cost per home of £3,912
(2018: £3,137)

Homes Owned



Number of homes owned 1,304
(2018: 1,270)

SUMMARY STATEMENT OF COMPREHENSIVE INCOME (£000)	2019	2018	2017	2016	2015
Turnover	**£9,549**	£9,533	£9,797	£10,621	£8,683
Operating costs and cost of sales	**(£5,942)**	(£5,358)	(£5,532)	(£6,045)	(£5,057)
Operating surplus before property sales	**£3,607**	£4,175	£4,265	£4,576	£3,626
Net interest charge/other finance costs	**(£1,861)**	(£1,839)	(£1,943)	(£2,161)	(£1,787)
Surplus on disposal of assets	**£280**	£697	£375	£248	£176
Movement in fair value of investment	**£26**	£8	£52	£17	£69
Surplus for the year	**£2,052**	£3,033	£2,749	£2,680	£2,084
Operating surplus margin before property disposals	**37.8%**	43.8%	43.5%	43.1%	41.8%
Retained Surplus as % of Turnover	**21.5%**	31.9%	28.1%	25.2%	24.0%

SUMMARY STATEMENT OF FINANCIAL POSITION (£000)	2019	2018	2017	2016	2015
Housing properties (cost less depreciation)	**151,891**	152,282	143,803	145,197	144,990
Other tangible fixed assets/investments	**2,678**	2,653	2,289	202	197
Net current assets	**2,157**	126	10,548	11,590	10,221
Total assets less current liabilities	**156,726**	155,061	156,640	156,989	155,408
Loans due after one year	**55,384**	55,447	58,474	60,814	63,099
Unamortised grant liability	**68,274**	68,556	68,893	69,475	68,711
Other long-term liabilities	**1,944**	1,688	2,936	3,112	2,690
Revenue reserve	**31,124**	29,370	26,337	23,588	20,908
Total	**156,726**	155,061	156,640	156,989	155,408

We maintain a robust financial position, reflecting a strong statement of financial position and cash reserves. These reserves will provide funds for future growth plans.

Other key highlights include:

- the value of the housing properties at historical cost totalled £172m (2018: £171m)
- value of current assets investment increased to £0.81m (2018: £0.78m)
- we have drawn down loans of £58.9m (2018: £58.9m)
- revenue reserves increased by £1.75m to £31.12m (2018: £29.37m)

TREASURY

Treasury activities focus on ensuring that the Association has sufficient liquidity to fund its operations for a minimum of one year, mitigating the impact of adverse movements in interest rates, ensuring that loan covenants are met and ranking the preservation of capital ahead of returns when making investment decisions.

Inquilab is financed by a combination of non-distributable retained reserves, long and medium term committed loan facilities from banks and other lending institutions and Social Housing Grant. Loans and bonds are wholly secured by way of mortgages on certain housing properties.

The treasury management policy focuses on the maintenance of an efficient capital structure and the management of liquidity, interest rate, counterparty and other treasury risks. We monitor covenant compliance on a regular basis and report covenant compliance to the lenders and borrowers on a quarterly basis. t 31 March 2019 the Association had drawn facilities of £58.9 million (2018: £58.9 million), with total undrawn fully secured and committed revolving credit facility of £2 million (2018: £5 million). The loan portfolio comprises a mix of 83% loans and 17% bonds. Approximately 73% (2018: 73%) of the loans have fixed rate interest arrangements.

The maturity profile of the debt portfolio reflects the long-term nature of the Association's assets and reduces financing risk by staggering repayment of the principal.

RISK AREA	MITIGATION
Significant Property Health & Safety failure	In 2017, the government commissioned an independent review of building regulations relating to fire safety, the findings of which were published in May 2018. The Association owns one block which required re-cladding, the cost of which has been recovered from the Government funding programme announced in May 2018. We continue to place a high priority on resident, staff and contractor safety. Health and safety risks are regularly reviewed by the Executives, the Audit & Assurance Committee and the Board A new Health and Safety Group has been set up with delegated authority from the Executives to oversee our strategic response to health and safety and review progress across all areas of activity, including actions to minimise risks. Emphasis has been placed on the management of health and safety risks within our residential property stock, including an extensive programme of fire safety works.
Unknown and unforeseen changes to government policy/ regulatory regime/external environment e.g. Government restrictions on income	Recent legislation has reduced the level of income to be generated from our portfolio of social rented homes over the next year. We have recognised this in our plans and remain positive about our ability to continue to develop new social housing in London, given our significant underlying financial strength. During the last year the Government indicated that it will permit the increase of social housing rents for the five years from 2020 and this has been included in our financial projections. Should the Government change this position and require further reductions in rents, we would need to review our plans. This has been covered under our stress testing scenarios
Failure to secure enough new developments to meet business plan objectives	Individual developments are controlled through approved parameters, pre-set budgets and monthly monitoring. We are working closely with our development partner to ensure costs are controlled.
Failure to meet income target - Welfare Reform	The changes to date are having a minimal impact on our overall finances but we are monitoring the position carefully as it may well be a long-term issue for our tenants and the Association. The risk that rental income will become more difficult to collect in future seems almost certain to materialise given the changes in welfare benefits. We are monitoring closely the impact of benefit changes and have been investing in staff and systems to ensure that we are in the best position to support residents and deal with any issues as they develop.
Significant market slow downs, future development from sales receipts either for shared own-ership or outright market sale do not materialise Sales risks	The Association's development programme includes a number of schemes which assume either shared ownership or outright sales. The levels of exposure to sales income are regularly monitored and actions taken to mitigate the risks where appropriate. The Board approved the use of the LLR tenure as a risk mitigation measure at the May 2019.
Unable to obtain capital in order to grow in line with the business plan objectives Funding market contraction, high lenders margins e.g.Liquidity risk Interest rate risk Inflation	The Treasury management policy (part of the Treasury Strategy) sets out minimum levels of liquidity both in terms of cash and short-term money market deposits that should be maintained and also levels of secured and available bank facilities. Short term money market deposits are only made with institutions that meet Board-approved credit rating hurdles. Over the long term, our income (primarily rents) and operating costs tended to move in a linked fashion with inflation.
Failure to achieve the savings identified in the business plan	Budgets are monitored monthly via the management accounts. We are installing a new accounting system and employing new technology for the effective reporting on income and expenditure

PRINCIPAL RISKS AND UNCERTAINTIES

The Board, Audit & Assurance Committee and Executive Team consider the risks throughout the year. Economic, political and social factors are among those that affect the risks faced by the Association. Some also relate to governance structures and inadequate resources.

A formal review of the risk map is undertaken by the Board annually and the Audit and Assurance Committee at least three times a year. Risks across the business are managed according to the overall risk appetite of the Association and analysed according to their potential impact and probability. These risks are also reviewed and updated by the Executive Team quarterly, with action plans updated to mitigate any risks.

The Association has assessed that the risks in the table above are those most likely to influence future performance:

VALUE FOR MONEY (VFM)

In April 2018 the Regulator of Social Housing (RSH) introduced a new Value for Money (VfM) Standard and Code of Practice. The specific requirements of the new Standard require social housing providers to clearly set out their strategic objectives, which are aligned to the purpose of the organisation. Transparency with our performance is also key and must be understood by our boards and stakeholders with targets set accordingly.

In addition to our own performance measures the Standard introduced a set of standard metrics (VfM metrics), which we are required to publish annually, together with our comparable performance against our peers. The new metrics are intended to enhance the consistency, comparability and transparency of VfM reporting in the sector.

We published our first set of VfM metrics in the 2017/18 financial statements along with our targets for 2018/19. The VfM metrics are reported within the Association's management accounts. An example of our VfM metrics reporting is shown below, along with a table showing how we compare to others. This updated approach to VfM has been adopted at Inquilab Housing Association, which has been approved by the Board. Within our approach we have committed to achieve a set of key activities that take account of the specific expectations of the Standard and code of Practice.

At Inquilab we are committed to demonstrate the three principles of VfM; Economy, Efficiency and Effectiveness. We believe that VfM is achieved by balancing these key principles when delivering our business objectives. VfM is not an exercise in cost cutting or limiting resources; it is about ensuring as a business we can create an efficient, effective and economical business.

In this time of ever-increasing pressure on resources Inquilab has adopted a lean and agile business model. This has helped us to deliver the Corporate Plan vision of supporting sustainable communities. Being lean and agile gives us the capacity to invest in new and existing homes, enhance the customer experience, and create a strong sustainable business; which are the objectives of the Plan.

The Association's Value for Money (VfM) strategy is a core factor in supporting our vision 'To be a top performing, customer driven business, making a positive contribution to supporting diverse and cohesive communities'. The VfM strategy supports the Corporate Plan and is in turn linked to the Balanced Scorecard (BSC) and underlying strategies of the Association.

OUR STRATEGIC APPROACH TO VFM

The Board is responsible for ensuring we have a comprehensive and strategic approach to achieving VfM.

Our overarching strategic approach to VfM can be summarised as an ambition to become an Association that delivers **'High quality services at Low to Medium costs'** within our peer group. We have reflected our current performance against this ambition in the benchmarking below.

Our approach to VfM is structured around:

- understanding our costs, benchmarking them internally and with our sector peers
- ensuring that we deliver VfM through service, team and individual plans
- making sure that quality is an essential element in VfM decisions
- actively involving residents in decisions that affect services
- reinvesting financial savings into improving current and future services
- challenging how we deliver services and deliver VfM
- ensuring that our staff become VfM 'champions' and embed VFM into our culture
- quantifying efficiencies to monitor savings, quality improvement and regulatory compliance
- procuring goods and services more effectively.

Our VfM strategy is integrated into the planning and performance management frameworks through:

- Setting out what outcomes we are seeking to achieve (our corporate plan)
- Understanding the financial requirements of the corporate plan and how we will deliver them
- Clear processes for deciding on priorities and allocating resources to competing options as well as balancing cost against performance
- Cost effectiveness and benchmarking of performance
- Effective procurement policies
- Regular reporting of performance to Board, our residents and stakeholders
- Risk management
- Embedding VfM in the organisation

DECISION MAKING

Inquilab adopts a robust decision-making process. All decisions that commit to significant growth in expenditure are approved by the Board and are supported by a cost benefit appraisal.

We operate a clear scheme of delegation within our financial regulations and Association standing orders. Our governance framework sets out the accountabilities and responsibilities for the Board and executive directors and our governance documents are aligned to our Corporate Strategy, mission and operating principles.

We have a robust schedule for reporting financial decisions to the Board and the Audit and Assurance Committee is responsible for in-depth examination of risk management and internal and external audit findings. Financial performance is monitored by the Board

All reports presented to Boards and Committees set out the financial and VfM implications for each decision and these are supported as appropriate by option appraisals.

EMBEDDING VALUE FOR MONEY

VfM is not a standalone project or reliant on lots of new projects to achieve it, rather it is a fundamental guiding principle that is integrated into all ways of working, and into our strategic planning. Our Corporate Strategy objectives is translated into an annually-updated corporate delivery plan which provide measurable outputs for the Board to track progress against approved plans.

Our success measures seek to optimise VfM across all our activities, whilst meeting our purpose as a social housing provider and delivering against our vision.

In our Corporate Strategy (2016-21) we have agreed the following three objectives; to be:

- Improving customer experience
- Investing in new homes and communities
- Strengthening the business

Each objective has an accountable executive together with defined key performance measures that are measured and monitored in line with our Performance Management Framework.

Key activities which are core to our VfM approach and ensure it is embedded across our organisation.

- Annually benchmark against our peers through range of mechanisms, this is to ensure we understand our relative performance and drivers for costs. We also have stepped targets to improve our performance year on year to reach our Corporate Plan aspirations of top quartile position, this is part of our annual plan which tracks our Corporate Plan measures.
- We have a net present value assessment refreshed on a cyclical basis to understand the return of our stock and identify any that need a full options appraisal. There are also individual appraisals carried out for any individual voids to identify the best use of that stock, including whether disposal and reinvestment would represent the best value and use of resources.
- Through our partnership with another housing associations to unlock the potential of grant and using our various expertise to maximise our development programme and deliver our development strategy.
- Track our benefit realisation targets including efficiency savings, these are not standalone targets but accounted for in overall performance targets. Improvements identified through the lean projects, although measured separately to understand the impact are incorporated into delivery targets.
- Maximise our partnership with local authorities to use our assets for community gains

To remain transparent with our activities and demonstrate to our Board and stakeholders how we achieve VfM we publish outcomes and evidence that supports our approach on our website.

VALUE FOR MONEY METRICS: COMPARATIVE PERFORMANCE

We have used the Sector Scorecard to complete a thorough review of our relative position in the market, to understand performance and market influence relative to other social housing providers in the region. This information is used to help inform our development Strategy.

Benchmarking and cost comparison are key drivers in our continuous improvement programme. We utilise HouseMark benchmarking data to understand how our costs and performance compare to other providers and to prioritise our work. We have chosen to compare ourselves with other London and South East-based housing associations managing fewer than 7,500 properties, selecting this peer group because the location we share has a strong correlation between cost and satisfaction.

The Regulator of Social Housing (RSH) new VfM Standard applies to all registered providers (RPs) and it sets nine key sector metrics which providers must report on. Our performance for the year to 31 March 2019 is set out in the table below.

SUMMARY	2019	2018	PEER MEDIAN 2018
Reinvestment %	1.44%	2.58%	4.41%
New supply delivered % (Social Housing)	2.84%	1.57%	n/a
New	0.00%	0.00%	0.00%
Gearing%	36.74%	36.30%	36.45%
EBITDA MRI Interest Cover%	178.98%	228.01%	177.25%
Headline Social Housing Cost per unit	£3,868	£3,137	£4,860
Operating Margin % (SH)	39.02%	45.30%	25.50%
Operating Margin% (overall)	37.77%	43.80%	23.90%
Return on capital employed %	2.48%	3.14%	3.10%

Reinvestment: considers the investment in properties (existing as well as new supply) as a percentage of the net book value of total properties held. In the year ended March 2019, we completed the construction of a 37unit block and re-invested £965k in replacing components within existing properties. There was no new acquisition in the year compared to the previous year where a acquired a block of 20 units from another RP. Works were funded entirely from cash reserves. Our plan for the coming years is to build/acquire an additional 100 new homes through our partnership arrangement with another RP. Our outcome of 1.44% compares unfavourably with the 2018 peer group median 4.41% due to our recent history of development growth in comparison with the peer group.

New supply delivered % (social housing): sets out the number new social housing units acquired or developed in the year as a proportion of the total social housing units. The completion of the newly built 37 unit block meant our stock numbers increased by 2.84%.

New supply delivered% (non-social housing units): this sets out the number of non-social housing units. We did not deliver any non-social housing units in the year. This is because the focus of our growth and development is on social housing.

Gearing: assesses how much of the adjusted assets are made up of debt and the degree of dependence on debt finance. Our ratio net debt to the carrying value housing properties increased from 36.30% to 36.74% following the drawdown of an additional £3m in loan financing during the year. The outturn ratio of 36.74% slightly above the 2018 Peer Group median of 36.45%.

Earnings Before Interest, Tax, Depreciation, Amortisation, Major Repairs Included (EBITDA-MRI) Interest Cover: a key indicator for liquidity and investment capacity as it seeks to measure the level of surplus generated compared to interest payable. The ratio for the year was 179% compared to the prior ratio of 228%. The decline was mainly because of increased expenditure in key areas of our operations including health and safety. The result for the year was in line with the 2018 Peer Group median ratio of 177%.

YEAR TO MARCH	MANAGEMENT	SERVICES	REPAIRS	MAJOR REPAIRS	OTHER	TOTAL
2019	**890**	**537**	**1,417**	**928**	**96**	**3,868**
2018	749	528	1403	324	133	3,137
2017	744	513	1,344	767	167	3,535
2016	859	491	1,338	1,046	139	3,873
2015	778	364	1,310	625	122	3,199

Headline Social Housing cost per unit: measures the cost per unit of managing and maintaining our social housing stock. Our cost per unit increased to £3,868 from £3,137 mainly as result of increased spend on our major works programme. The 2018 Peer Group figure was £4,860.

Operating Margin % Social Housing (SH): measures the profitability of the social housing operating assets before exceptional expenses are taken into account. Our ratio of 39.02% was a reduction in the previous year's ratio of 45.30%. This ratio has been adversely impacted by the reduction in our income following the requirement to reduce rents by 1% for four years starting from April 2016 and increased expenditure on stock maintenance including health and safety. The 2018 median ratio for the peer group was 25.50%.

Operating Margin % (overall): measures the profitability of the organisational operating assets before exceptional expenses are taken into account. Our ratio of 37.77% was a reduction in the previous year's ratio of 43.80%. The result was impacted by a reduction in staircasing surpluses during the year. The 2018 peer group median ratio was 23.90%.

Return on Capital Employed (ROCE): measures the efficient investment of capital resources. The metric compares the operating surplus to total assets less current liabilities. ROCE for the year March 2019 was 2.48% (March 2018: 3.14%). The peer group's median score was 3.10% in 2018.

RETURN ON ASSETS

Alongside the RSH's mandatory metrices we also consider the return on assets to be a key measure for Inquilab in assessing how we deliver Value for Money. The table below shows our annual operating return on assets from 2015 to the present. We calculate this by dividing the cost of our homes by the operating surplus they generate. We use this information to help us identify more efficiently how the different values of our properties affect our returns, according to location and type. We believe this will make the links clearer and help us better understand how we can deliver our objectives more effectively.

SOCIAL RENTS	2019	2018	2017	2016	2015
Fixed asset cost £000	£156,666	£156,141	£153,982	£153,549	£143,537
Operatinq Surplus £00	£3,431	£3,999	£4,116	£3,865	£3,346
Return	2.19%	2.56%	2.67%	2.52%	2.33%

SHARED OWNERSHIP	2019	2018	2017	2016	2015
Fixed asset cost £000	£6,202*	£6,428	£6,949	£7,409	£7,257
Operating Surplus £000	£288	£288	£292	£320	£280
Return	4.64%	4.48%	4.20%	4.32%	3.86%

Our shared ownership asset values relate to the retained element of the unsold property which may fluctuate from year to year due to staircasing and the varying levels of first tranche equity shares.

* This does not include the Bakers Road development as this completed in March 2019 and did not contribute to the surplus

VFM GAINS IN 2018/19

During the year, a number of efficiency savings were identified and recorded. These have helped to increase the resources available to deliver our corporate objectives and were part of the approved VfM strategy.

The table below provides a summary of the savings made during the year:

INITIATIVES £000	£ TARGET	£ SAVINGS
Finance (Insurance premiums)	59,128	30,000
Central Facilities	24,900	84,500
Corporate	12,500	9,560
Total	96,528	124,060

The identified savings represent 1.30% (2018: 1.01%) of the Association's annual turnover of £9.55 million.

PLANS FOR 2019-2020 AND BEYOND

With a rebranding of the Association having been undertaken and an increased development program, we will be working up a revised Corporate Strategy for beyond 2021 with a detailed corporate delivery plan sitting underneath it, where the Association's corporate objectives over the next 5 years will be identified and described.

We recognise improvements are required in some aspects of the service delivery and have embarked on a service transformation journey to help deliver the improvement. These include

Satisfaction with the repairs service: we have recently completed the procurement of the service based on a fixed price per property concept and will be integrating our systems to that of that service providers. This should ensure the delivery of smooth and transparent service to our tenants where they will be able to log repairs online and have sight of the status of the repair logged to its completion.

Satisfaction with estate cleaning and gardening: we are looking to re-procure the service during the year following consultation with our tenants.

HOW OUR CUSTOMERS CONTRIBUTE

We involve our customers and residents in decisions that affect frontline services through our Residents Scrutiny Panel (RSP) and Customer Advisory Panel. These groups have an important scrutiny role, ensuring that we deliver and continue to improve. Our resident involvement framework sets out how we engage with the wider resident community to ensure that their views are representative.

In relation to VfM, staff report back on our performance against a range of resident and service improvement activities such as estate management plans, service improvement plans and local offers.

DELIVERING SOCIAL VALUE

During 2018/19 we invested in community development programmes supporting our local communities by funding skills and training, employment, financial inclusion and health and wellbeing initiatives.

Using the HACT Social Value calculator, the financial return achieved on the five main activities from this funding amounted to £540,052 (see table below).

However, it must be noted that the figures are highly skewed by one project in particular (Movie Mobil) which had an enormous benefit due to further and ongoing work with clients. In this instance the intervention of our funding provided a gateway to access of further funding and support and therefore could be viewed as not representative of actual cost input.

Further, only the top two interventions in the table measure the social value impact directly on Inquilab customers. The other activities include people from communities where Inquilab operates as well as their project partners but who were engaged through targeted recruitment campaigns.

ACTIVITY	SOCIAL VALUE GENERATED
Provision of Advice (Lido Centre, Ealing)	£45,890
Financial capability workshops	£14,516
Brentford FCCST Youth Club	£33,533
Youth Urban Arts Foundation	£27,944
Movie Mobil	£418,169
Total	£540,052

CASH FLOW AND LIQUIDITY

Cash flow from operating activities during the year was £4.29 million (2018: £5.44 million). The Association had cash reserves of £3.06 million at 31 March 2019 (2018: £3.29 million).

CAPITAL STRUCTURE

The Association's assets are financed by a combination of:

- social housing grants of £69 million (43%),
- private finance (loans) of £59 million (37%), and
- internally generated funds of £31 million (20%)

At March 2019, we had a fully secured, unused revolving credit facility of £2 million.

RENT POLICY

In line with the government's objective of rent harmonisation across the social housing stock, our rent policy is regularly reviewed to ensure compliance. On average our affordable rents are set at 72% of the market rent. The average assured rent charged during the year to 31 March 2019 was £111.73 (March 2018: £112.90).

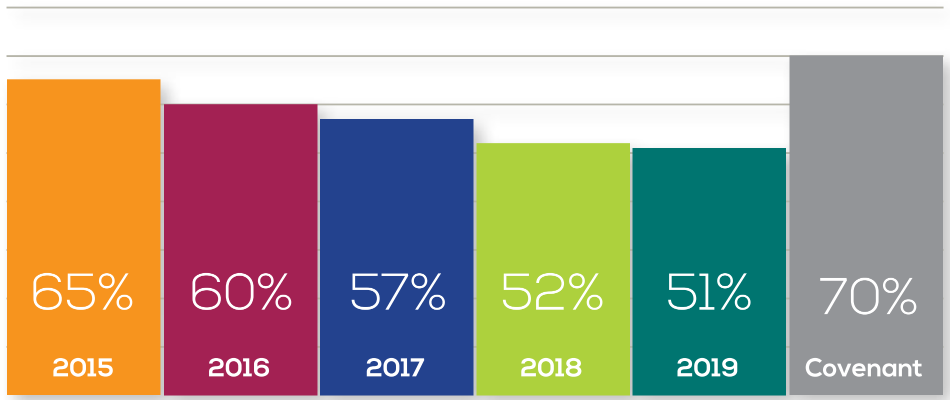
COMPLIANCE WITH LOAN COVENANTS

The Association continues to operate within the limits set by its lenders. Loan covenants are based primarily on gearing and interest cover; our covenants are based on gearing ratio of 70% and an interest cover ratio of 1.10.

Gearing is calculated as total debt divided by total reserves and grant. The gearing ratio (level of indebtedness) at March 2019 was 51% (March 2018: 52%).

Interest Cover

Gearing



RESERVES STRATEGY

Our policy on reserves is to build up sufficient funds from our rents to provide a safe working margin for our business and to produce comfortable cover for all our medium and longer-term loans and other liabilities. Our policy on major repairs is to set a strategy that matches the build up of the liability arising from the ageing of our properties over their assumed lives.

Our strategy is to use the reserves to:

- upgrade the current stock in line with return on asset initiatives;
- subsidise the development of new homes;
- improve our service delivery to residents; and
- invest in our communities.

INTERNAL CONTROLS

We are committed to high standards of corporate governance. The Board recognises and accepts that it is responsible for the Association's system of internal control and for reviewing its effectiveness. The system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve business objectives. It can only provide reasonable, not absolute, assurance against misstatement or loss.

The Board believes that our system of internal controls is proportionate and provides reasonable assurance that we are not exposed to material miss-statement or loss.

The Board confirms that the key processes for identifying, evaluating and managing the significant risks faced by the Association have been in place throughout the year under

review, up to and including the date of approval of the annual report and financial statements.

Some of the key policies and processes the Board has established to provide effective internal control include:

- clear delegated powers to Board committees, the Chief Executive and directors;
- robust strategic and business planning processes with detailed financial budgets and forecasts;
- regular reporting to the Board and appropriate committees on key business objectives, targets and outcomes;
- an annual Board review of risk management processes;
- documented policies and procedures for all key operational areas;
- establishment of a fraud register and related processes, including the review of the register at the Audit and Assurance Committee (A&AC) meetings;
- adoption of an internal audit programme monitored by the A&AC;
- Board review of the external audit management letter, and A&AC members' interview with the external auditors;
- review of the performance standard returns and all regulatory reports; and
- staff being fully conversant with key controls and procedures relating to financial operational systems.

We have an anti-fraud policy designed to tackle fraud, corruption, theft, cybercrime and breaches of regulations. We also have a fraud response plan to help ensure that we respond quickly to fraud or fraud allegations and can recover our assets where necessary.

The Board cannot delegate ultimate responsibility for the system of internal control, but it can delegate authority to the A&AC to review regularly the effectiveness of the system of internal control, which it has. The Board receives minutes from the A&AC meetings.

The A&AC reviews the effectiveness of the system of internal control by considering risk reports, internal audit reports, management assurances, the external audit management letter and specialist reviews.

The A&AC has received and reviewed assurance on the effectiveness of the Association's system of internal control, together with the annual report of the internal auditor. It has reported its findings to the Board through an annual report to the Board and the minutes of its meetings. The Board can confirm that there are no significant problems in relation to internal controls which require disclosure in the financial statements.

The Board confirms that there have been no regulatory concerns which have led the Regulator of Social Housing to intervene in the affairs of the Association, nor are there significant problems in relation to failures of internal controls which required disclosure in the annual report and financial statements. Any weaknesses identified by the Board are being acted on.

GOING CONCERN

The Board has made enquiries and examined areas that could give rise to significant financial exposure and is satisfied that no material or significant exposures exist, other than as reflected in these financial statements. Our business activities, current financial position and factors likely to affect our future operations are set out within the business plan and the Board is satisfied the plan has sufficient funding and is sufficiently robust to ensure that there will be no financial covenant breaches over the next five years. We have in place long term debt facilities which provide adequate resources to finance committed reinvestment and development programmes, along with our day-to-day operations, for the foreseeable future. For this reason, the going concern principle has been applied in preparing these financial statements.

POST BALANCE SHEET EVENTS

There have been no significant events between the year-end date and the date of approval of these financial statements which would require an adjustment to the financial statements.

AUDITOR

All current Board members have taken all the steps they ought to have taken to make themselves aware of any information needed by the Association's auditor for the purposes of the audit and to establish that the auditor is aware of that information. The directors do not know of any relevant audit information of which the auditor is unaware.

Nexia Smith and Williamson has expressed its willingness to continue in office. A resolution for the re-appointment of Nexia Smith and Williamson as auditor of the Association is to be proposed at the forthcoming General Meeting.

GinaAmoh

Secretary

Date: 23 July 2019

INDEPENDENT AUDITOR'S REPORT

OPINION

We have audited the financial statements of Inquilab Housing Association Limited (the 'Association') for the year ended 31 March 2019 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Cash Flow, the Statement of Changes in Equity and Reserves 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 FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Association's affairs as at 31 March 2019 and of its surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015.

BASIS FOR OPINION

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

CONCLUSIONS RELATING TO GOING CONCERN

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

- the Board's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Board has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Association'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 other information comprises the information included in the Financial Statements, other than the financial statements and our auditor's report thereon. The Board is responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express 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.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters where the Co-operative and Community Benefit Societies Act 2014 requires us to report to you if, in our opinion:

- a satisfactory system of control over transactions has not been maintained; or
- the Association has not kept proper accounting records; or
- the financial statements are not in agreement with the books of account; or
- we have not received all the information and explanations we need for our audit.

RESPONSIBILITIES OF THE BOARD

As explained more fully in the Statement of the Board's Responsibilities, set out on page 3, the Board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal controls as the Board determines is necessary to enable the preparation offinancial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board is responsible for assessing the Association'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 Board either intend to liquidate the Association or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

USE OF OUR REPORT

This report is made solely to the Association's members, as a body, in accordance with section 87 of the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the Association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association and the Association's members as a body, for our audit work, for this report, or for the opinions we have formed.

Nexia Smith & Williamson

Nexia Smith & Williamson

Statutory Auditor
Chartered Accountants

STATEMENT OF COMPREHENSIVE INCOME

	Note	2019	2018
		£'000	£'000
Turnover	2	9,549	9,533
Operating expenditure	2	(5,942)	(5,358)
Gain on disposal of housing properties	2/5	280	697
Operating surplus	2	**3,887**	**4,872**
Loss on disposal of fixed assets		-	(8)
Interest receivable	6	17	38
Interest payable and financing costs	7	(1,878)	(1,877)
Movement in fair value of investment	11	26	8
Surplus for the financial year		**2,052**	**3,033**
Other comprehensive income			
- Adjustment arising on change in accounting for the defined benefit pension obligation	18	(147)	
- Actuarial loss for the year on defined benefit pension obligation	18	(151)	
Total comprehensive income for the financial year		**1,754**	**3,033**

All amounts relate to continuing activities

STATEMENT OF FINANCIAL POSITION

	Note	2019	2018
		£'000	£'000
Fixed assets			
Housing properties	9	151,891	152,282
Other property, plant & equipment	10	2,678	2,653
		154,569	**154,935**
Current assets			
Investments	11	810	777
Properties for sale	12	3,558	3,057
Trade and other debtors	13	430	591
Cash & cash equivalent		3,057	3,290
		7,855	**7,715**
Creditors: amounts falling due within one year	14	(5,698)	(7,589)
Net current assets		**2,157**	**126**
Total assets less current liabilities		**156,726**	**155,061**
Creditors: amounts falling due after more than one year	15	(124,929)	(125,276)
Provisions for liabilities			
Pension provision	18	(610)	(357)
Other provisions	19	(63)	(58)
Total net assets		**31,124**	**29,370**
Reserves			
Revenue reserve		31,124	29,370
Total reserves		**31,124**	**29,370**

These financial statements were approved by the Board and signed on its behalf by:

Pamela Leonce
Chairperson

Peter Calderbank
Chair - Audit Committee

Gina Amoh
Secretary

Date of approval: 23 July 2019

STATEMENT OF CASH FLOW

	2019	2018
	£'000	£'000
Net cash generated from operating activities **(see Note 24)**	4,289	5,440
Cash flow from investing activities		
Purchase of tangible fixed assets	(1,993)	(4,447)
Proceeds from sale of tangible fixed assets	519	1,231
Grants received	562	562
Interest received	10	32
	(902)	**(2,622)**
Cash flow from investing activities		
New Loans	3,000	
Interest paid	(2,174)	(2,158)
Repayments of borrowings	(3,037)	(2,314)
Grants repaid	(1,409)	(135)
	(3,620)	**(4,607)**
Net change in cash and cash equivalents	(233)	(1,789)
Cash and cash equivalents at beginning of the year	3,290	5,079
Cash and cash equivalents at end of the year	**3,057**	**3,290**

STATEMENT OF CHANGES IN EQUITY AND RESERVE

	Share capital	Revenue	Total
	£'000	£'000	£'000
Balance as at 1 April 2018	-	**29,370**	**29,370**
Total comprehensive income for the year	-	1,754	1,754
Balance at 31 March 2019		**31,124**	**31,124**

	Share capital	Revenue	Total
	£'000	£'000	£'000
Balance as at 1 April 2017	-	**26,337**	**26,337**
Total comprehensive income for the year	-	3,033	3,033
Balance at 31 March 2018		**29,370**	**29,370**

NOTES TO THE FINANCIAL STATEMENTS

1 PRINCIPAL ACCOUNTING POLICIES

1.1 LEGAL STATUS

The Association is incorporated in England under the Co-operative and Community Benefit Societies Act 2014 and is registered with the Regulator of Social Housing (RSH).

The Association's principal activities are stated in Report of the Board of Management on page 3.

The Association's registered office is Unit 3, 8 Kew Bridge Road, Brentford, London, TW8

1.2 ACCOUNTING BASIS

The financial statements of the Association are prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP) including Financial Reporting Standard 102 (FRS

102) and the Statement of Recommended Practice for Registered Social Housing Providers (SORP 2014) and comply with the Accounting Direction for Private Registered Providers of Social Housing 2015 ("the Direction"). The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain assets in accordance with the Association's accounting policies.

In accordance with FRS 102 (3.3A), the Association is a public benefit entity that has applied the "PBE" prefixed paragraphs.

The financial statements are presented in sterling (£'000).

1.3 GOING CONCERN

The Association's business activities, its current financial position and factors likely to affect its future development are set out within the Report of the Board of Management. The Association has in place long-term debt facilities which provide adequate resources to finance committed reinvestment and development programmes, along with the Association's day to day operations. The Association also has a long-term business plan which shows that it is able to service these debt facilities whilst continuing to comply with lenders' covenants.

On this basis, the Board has a reasonable expectation that the Association has adequate resources to continue in operational existence for the foreseeable future and for at least twelve months after the date on which the report and financial statements are signed. For this reason, it continues to adopt the going concern basis in the financial statements.

1.4 SIGNIFICANT JUDGEMENTS AND ESTIMATES

Preparation of the financial statements in conformity with general accepted accounting practices requires management to make significant judgements and estimates that affect the reported amounts of assets and liabilities as well as the disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenue and expenses during the period.

JUDGEMENTS

The following are the significant management judgements made in applying the accounting policies of the Association that have the most significant effect on the financial statements.

Identification of housing property components

Housing property depreciation is calculated on a component by component basis. The identification of such components is a matter of judgement and may have material impact on the depreciation charge. The components selected are those which reflect how the major repairs to the property are managed.

Capitalisation of property development costs

Distinguishing the point at which a project is more likely than not to continue, allowing capitalisation of associated development costs requires judgement. After capitalisation management monitors the asset and considers whether changes indicate that impairment is required.

Categorisation of housing properties as investment properties or property, plant and equipment

Class of properties within the category of housing properties that are held to earn commercial rentals or for capital appreciation or both are accounted for as investment properties. Properties rented to provide social housing and properties used for the production or supply of goods and services or for administrative purposes are classified as property, plant and equipment.

Financial instruments classification

The classification of financial instruments as "basic" or "other" requires judgement as to whether all applicable conditions as basic are met. This includes consideration of the form of the instrument and its return.

Estimation uncertainty

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

Bad debt provision

The rent debtors balance of £342k recorded in the Association's Statement of Financial Position comprise a relatively large number of small balances. A full line by line review of trade debtors is carried out at the end of each month. Whilst every attempt is made to ensure that the bad debt provisions are as accurate as possible, there remains a risk that the provisions do not match the level of debts which ultimately prove to be uncollectible.

Useful lives of depreciable assets

Management reviews its estimate of the useful lives of depreciable assets at each reporting date based on the expected utility of the assets. Uncertainties in these estimates relate to 'technological obsolescence' with regard to IT equipment/software and any changes to decent homes standard requiring frequent replacement of components. The accumulated depreciation at 31 March 2019 was £20 million.

Housing property impainnents

For impairment purposes, as explained in the accounting policies, housing properties are grouped into schemes which reflects how the properties are managed.

Recoverable amounts are based on either future cash flows or, for assets held for their service potential, depreciated replacement cost. The assessment of whether an asset is held for its service potential is a matter of judgement and in making that judgement the Board considers the current use of the asset and the expected future use of the asset. If the asset is unable to be let in its current condition or is not being used for a social purpose, either now or in the foreseeable future, it is assessed as not being held for its service potential.

Recoverable amounts for assets held for their service potential is assessed as the depreciated replacement cost which is the lower of (a) the cost of purchasing an equivalent property on the open market; and (b) the land cost plus the rebuilding cost of the structure and components. The Association has no history of acquiring or selling properties from or to other registered providers and the Board considers that there is no active market. The accumulated impairment provision at 31 March 2019 was £nil.

Percentage of shared ownership properties to be sold under first tranche sales

An estimate is required in determining the percentage of shared ownership properties to be sold under first tranche sales and hence the amount to be recognised as stock rather than housing properties. Management base their estimate on a number of factors, including past experience, reservations and minimum percentage policies. The stock balance as at 31 March 2019 was £3.6m.

KEY SOURCES OF ESTIMATION UNCERTAINTY AND JUDGEMENTS

Multi-employer pension obligation

Various estimates are used in the calculation of the defined pension liability, such as discount rate, inflation, salary growth rates and mortality rates. The Pensions Trust provided base assumptions which the Association has flexed to reflect more accurately the particular circumstance of the organisation. In determining the appropriate discount rate, consideration is made of the interest rates of corporate bonds with at least an AA rating. Inflation is set by considering market expectations, salary growth is set by aligning with the Association's business plan and mortality rates have been adjusted to allow for any expectation of higher or lower life expectancy of scheme members due to geographic, socio-economic or demographic factors. The value of the provision is highly sensitive to relatively small changes in assumptions. At 31 March 2019, a liability of £610,000 for pensions is recorded in the Statement of Financial Position.

Impairment of work in progress and properties held for sale

In assessing whether work in progress and properties held for sale are impaired management make an assessment of the expected net realisable value of the units. This assessment is based upon the anticipated sale price less costs to complete and sell.

1.5 TURNOVER AND REVENUE RECOGNITION

Turnover comprises rental and service charge income, income from shared ownership first tranche sales and sales of properties built for sale, fees and revenue grants receivable from local authorities, government grants received for housing properties recognised in income on a systematic basis and other income.

Rental and service charge income is recognised in the period to which it relates net of rent and service charge losses from voids. Rental income is recognised from the point when properties under development reach practical completion or otherwise become available for letting, net of any voids.

Service charge and other income are accounted for on the basis of the value of goods or services supplied during the period. Any over or under recovery of variable service charge amounts due is reflected as a creditor or debtor respectively.

Income from first tranche sales and sales of properties built for sale is recognised at the point of legal completion of the sale. First tranche sales are included within turnover and the related portion of the cost of the asset recognised as an operating cost. The resultant surplus or deficit on first tranche sales is recognised within the income statement.

Revenue grants are accounted for once the Association is legally entitled to the grant. Revenue grants are recognised in the Statement of Comprehensive Income in the same period as the expenditure to which they relate.

Government capital grants received are initially deferred and then credited to turnover in the Statement of Comprehensive Income on a straight-line basis over the expected life of the asset which they have funded.

1.6 SHORT TERM EMPLOYEE BENEFITS

Short-term employee benefits and contributions to defined contribution plans are recognised as an expense in the period in which they are incurred.

1.7 VAT

Since a large proportion of the Association's income, including its rents, is exempt for VAT purposes whilst the majority of its expenditure is subject to VAT that cannot be reclaimed, expenditure is shown inclusive of irrecoverable VAT.

1.8 INTEREST PAYABLE

Interest is capitalised on borrowings to finance the development of qualifying assets to the extent that it accrues in respect of the period of development if it represents:

a) interest on borrowings specifically financing the development programme after deduction of related grants received in advance; or

b) a fair amount of interest on borrowings of the Association as a whole after deduction of SHG received in advance to the extent that they can be deemed to be financing the development programme.

Other interest payable is charged to the statement of comprehensive income in the year.

1.9 SALE OF PROPERTIES

Sales of housing properties and stock are recognised at the date of completion of each property sold. Sales of housing properties under the Right to Acquire (RTA) are credited to the Disposal Proceeds Fund in accordance with the Direction. This will be utilised to fund future housing programmes.

Gains or losses arising on the sale of properties are determined as the difference between the sale proceeds and the carrying amount of the property and are recognised as part of the surplus/deficit for the year.

1.10 TAXATION

The Association has charitable status and therefore is not subject to Corporation Tax on surpluses derived from charitable activities, provided that the surpluses are applied to the charitable objects of the Association.

1.11 HOUSING PROPERTIES

Housing properties are properties held for the provision of social housing or to otherwise provide social benefit. Housing properties are principally properties available for rent and are stated at cost less accumulated depreciation and impairment losses.

Cost includes the cost of acquiring land and buildings, development costs, interest charges incurred during the development period.

Where the Association has a mixed tenure development which has more than one element, the Association allocates the cost of the land to each element of the scheme to reflect the respective values of the land for different tenure types.

Where an asset comprises components with materially different useful economic lives, those assets are separately identified and depreciated over those individual lives. The identification of such components is a matter of judgement and may have a material impact on the depreciation charge. The components selected are those which reflect how the major repairs to the property are managed.

The Association depreciates the major components of its housing properties at the following annual rates:

	Depreciation in years
House structure	**100**
Roof structure and covering	**70**
Windows and external doors	**30**
Bathrooms	**30**
Kitchens and lifts	**20**
Central heating boilers and hard-wired alarms	**15**
Heating, ventilation and plumbing systems	**30**
Electrics	**40**

Subsequent expenditure which relates to either the replacement of previously capitalised components or the enhancement of such components which results in incremental future benefit is capitalised and the carrying amount of any replaced component or part component is derecognised.

Properties acquired from another registered provider as a result of stock swaps are recorded at their fair value.

Shared ownership properties are split proportionally between current and fixed assets based on the element relating to expected first tranche sales. The split is determined by the percentage of the property sold under the first tranche disposal and the remainder retained by the Association. The first tranche proportion is classed as current asset and related sales proceeds included in turnover, and the remaining element is classed as fixed asset and included in housing properties at cost, less any provisions needed for depreciation or impairment.

The exception to the above is where this would result in a surplus on the disposal of the current asset that would exceed the anticipated overall surplus. In these circumstances any surplus on disposal of the first tranche is limited to the overall surplus by adjusting the costs allocated to current or fixed assets.

The overall surplus is the difference between the net present value of cash flows and the cost. The net present value of the cash flows is the sum of the first tranche proceeds, net rental streams and expected receipts from subsequent disposals of the asset, less any grant repayable.

The Association does not depreciate Shared ownership properties as the residual value is estimated to be equal to the cost of the properties. Residual value represents the estimated amount which would currently be obtained from disposal of an asset, after deducting estimated costs of disposal, if the asset was already of the age and in the condition expected at the end of its useful life.

The residual values of fixed assets, their useful lives, and their depreciation rates are reviewed at each reporting date and where there is an indication of a significant change since the previous reporting date, they are adjusted prospectively.

1.12 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment comprises other fixed assets and are stated at cost less accumulated depreciation.

Depreciation is provided evenly on the cost of other tangible fixed assets to write them down to their estimated residual values over their expected useful lives. No depreciation is provided on freehold land.

Leased Properties are written down over the life of the asset.

Long term leases or virtual freehold assets and offices are written down over the life of the asset up to a maximum of 100 years.

The principal annual rates used for other assets are:

Furniture, fixtures and fittings	**25%**
Computers and office equipment	**25%**

Gains or losses arising on the disposal of other tangible fixed assets are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised as part of the surplus/deficit for the year.

1.13 WORK IN PROGRESS AND PROPERTIES HELD FOR SALE

Stocks and work in progress is stated at the lower of cost and net realisable value. Additions to these properties include the costs of finance charges specifically related to the funding of the purchase and development of the property, except that interest costs incurred prior to construction and after practical completion are written off in the period to which they relate.

Properties completed for outright sale and the proportion of shared ownership properties expected to be sold under first tranche sales are recorded within current assets at the lower of cost and net realisable value. Net realisable value is based on estimated sales price after allowing for all further costs of completion and disposal.

1.14 FINANCIAL INSTRUMENTS

Financial assets and liabilities comprise investments, trade and other debtors, cash and cash equivalents, trade and other payables, accruals and loan balances.

Financial assets and financial liabilities are recognised when the Association becomes party to the contractual provisions of the financial instrument.

All financial assets and financial liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through the Statement of Comprehensive Income, which are initially measured at fair value (normally the transaction price less transaction costs), unless the arrangement constitutes a financial transaction. If an arrangement constitutes a financial transaction, the financial asset or financial liability is measured at the present value of future payments discounted at a market rate of interest for a similar debt instrument. A financing transaction may take place in connection with the sale of goods or services, for example, if payment is deferred beyond normal business terms or is financed at a rate of interest that is not a market rate.

Financial assets and liabilities are only offset in the Statement of Financial Position when, and only when there exists a legally enforceable right to set off the recognised amounts and the Association intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Debt instruments that are classified as payable or receivable within one year on initial recognition and which meet the above conditions are measured at the undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.

Debt instruments which meet the conditions of Section 11.9 of FRS 102 are subsequently measured at amortised cost using the effective interest method.

The effective interest rate is the rate that exactly discounts estimated future cash flows through the expected life of the financial asset or liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Other financial instruments and investments in equity instruments are recognised at fair value with any gains or losses being reported in surplus or deficit.

Financial assets are only derecognised when and only when:

- the contractual rights to the cash flows from the financial asset expire or are settled,
- the Association transfers to another party substantially all the risk and rewards of ownership of the financial asset, or
- the Association, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

Investments represent a debt service reserve fund which is equivalent to one year's interest on the THFC loan and comprise cash and investment in gilts. Investments are measured at fair value.

Cash and cash equivalents are classified as basic financial instruments and comprise cash in hand and at bank, short-term bank deposits and bank overdrafts which are an integral part of the Association's cash management. Cash equivalents are highly liquid investments that are readily convertible to known amounts of cash without significant risk of change in value.

1.15 IMPAIRMENT

Non-financial assets

Non-financial assets comprise housing properties, property, plant and equipment and stock.

Non-financial assets, other than those measured at fair value, are assessed for indications of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in the Statement of Comprehensive Income as described below.

A non-financial asset is impaired where there is objective evidence that, as a result of one or more events after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of a non-financial asset is the higher of its fair value less costs to sell and its value in use.

Value in use for housing properties which are able to be let in their current condition and which are fulfilling the social purpose for which they were acquired is based on the value in use for assets held for their service potential, being the depreciated replacement cost of the asset. For other schemes, value in use is defined as the net present value of the future cash flows before interest generated from the scheme.

Financial as sets

Financial assets comprise investments, trade and other debtors and cash and cash equivalents.

For financial assets carried at amortised cost, the amount of impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

Where indicators exist for a decrease in impairment loss, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

1.16 GOVERNMENT GRANTS

Government grants include grants receivable from the Homes and Communities Agency (HCA), Greater London Authority (the GLA), local authorities, and other government organisations.

Government grants received for housing properties are recognised in income over the useful life of the housing property structure and, where applicable, its individual components (excluding land) under the accrual model.

The unamortised element of the government grant is recognised as deferred income in creditors due within one year or due after more than one year as appropriate in the Statement of Financial Position.

Government grants received for housing properties are subordinated to the repayment of loans by agreement with the HCA.

Government grants released on sale of a property may be repayable but are normally available to be recycled and are credited to a Recycled Capital Grant Fund and included in the Statement of Financial Position in creditors. If unused within a three-year period, grants received from the Greater London Authority or Homes and Communities Agency are repayable, including any accrued interest. The development programme of the Association is such that the recycled grant is expected to be re-used before it becomes repayable. Any unused recycled capital grant held within the recycled capital grant fund is disclosed in the balance sheet, split between creditors falling due within one and after one year. If there is no requirement to recycle or repay the grant on disposal of the asset, any unamortised grant remaining within creditors is released and recognised in the Statement of Comprehensive Income.

Where individual components are disposed of and this does not create a relevant event for recycling purposes, any grant which has been allocated to the component is released to the Statement of Comprehensive Income. Upon disposal of the associated property, the Association is required to recycle these proceeds and recognise them as a liability.

Government grants relating to revenue are recognised in the Statement of Comprehensive Income under the performance model of accounting. They are release to income over the same period as the expenditure to which they relate, once reasonable assurance has been gained that the Association will comply with the conditions and that the funds will be received.

1.17 OTHER GRANTS

Grants received from non-government sources are recognised using the performance model. A grant which does not impose specified future performance conditions is recognised as revenue when the grant proceeds are received or receivable. A grant that imposes specified future performance-related conditions on the Association is recognised only when these conditions are met. A grant received before the revenue recognition criteria are satisfied is recognised as a liability in the Statement of Financial Position.

1.18 PENSIONS

The Association operates a defined benefit scheme and a defined contribution scheme. The Social Housing Pension Scheme (SHPS) defined benefit scheme is valued every three years by a professionally qualified independent actuary, the rates of contribution being determined by the actuary. In the intervening years the actuary reviews the continuing appropriateness of the rate. The SHPS defined benefit scheme closed to new accruals from 3oth September 2015.

All staff in the SHPS pension scheme only make contributions into the defined contribution scheme. The annual employer contributions payable is charged to the income and expenditure account.

The assets of the schemes are held separately from those of the Association.

The Association is part of the Social Housing Pension Scheme, a multi-employer defined benefit (final salary) contributory pension scheme administered independently by The Pensions Trust. In the previous year, insufficient information was available for the Association to account of its obligations on a defined benefit basis. As a result, the expected liability for the contributions payable that arise from the deficit funding agreement, discounted using market yield at the reporting date on high quality corporate bonds, with a currency and period consistent with the future payments, was recognised as a creditor in the Statement of Financial Position. The charge to the Statement of Comprehensive Income represents the net movement in the liability.

In the current year, sufficient information is available for the Association to account for its obligations on a defined benefit basis. As such, the Association recognises in its statement of financial position the present value of its defined benefit obligations less the fair value of plan assets. The current service cost is charged against operating profit. Interest on the scheme liabilities net of the expected return on scheme assets is included in the finance costs.

The defined benefit obligation is calculated at each period end by independent actuaries using the projected unit credit method. The present value of the obligation is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds that are denominated in the currency in which the benefits will be paid and which have terms to maturity approximating to the terms of the related pension liabilities. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are reflected in the statement of comprehensive income in the period in which they arise.

The change in accounting treatment from defined contribution scheme to defined benefit scheme has been reflected in the statement of comprehensive income in the current year.

1.19 LEASES

Leases are classified as finance leases where the terms of the leases transfer substantially all the risks and the rewards incidental to ownership of the leased asset. All other leases are classified as operating leases.

Rentals paid or receivable under operating leases are recognised to the Statement of Comprehensive Income on a straight-line basis over the term of the lease, including where payments or receipts are not required to be made on a straight-line basis. Lease incentives are similarly spread on a straight-line basis over the relevant lease terms.

Assets held under finance leases are measured initially at the fair value of the leased asset and the corresponding lease liability. Assets held under finance leases are included in tangible fixed assets and depreciated in the same way as owned assets.

On transition to FRS 102 the Association elected to determine whether an arrangement existing at the date of transition to FRS 102 contained a lease on the basis of facts and circumstances existing at that date rather than when the arrangement was entered into. The Association also elected to not restate lease incentives where the lease commenced before the date of transition to FRS 102 and has continued to recognise any residual benefit or cost associated with lease incentives on the same basis that applied prior to transition to FRS 102.

1.20 PROVISIONS FOR LIABILITIES

Provisions for liabilities and charges are recognised when the Association has a present obligation (whether legal or construction) as a result of a past event that can be reliably estimated, and it is probable that a transfer of economic benefit will be required to settle the obligation.

1.21 REVENUE RESERVES

Revenue reserves relate to the cumulative surpluses less amounts transferred to designated and restricted reserves.

2 LETTINGS AND OTHER RELATED INFORMATION

2 (A) PARTICULARS OF TURNOVER, COST OF SALES, OPERATING EXPENDITURE AND OPERATING SURPLUS EXPENDITURE FROM SOCIAL HOUSING LETTINGS

	2019			2018		
	Turnover	Operating expenditure	Operating surplus/ (deficit)	Turnover	Operating expenditure	Operating surplus/ (deficit)
	£'000	£'000	£'000	£'000	£'000	£'000
Social housing lettings (Note 2b)	**9,537**	**(5,816)**	**3,721**	9,493	(5,193)	4,300
Other social housing activities						
Gain on disposal of housing properties	**-**	**-**	**280**	-	-	697
Other	**12**	**(126)**	**(114)**	40	(165)	(125)
Total	**9,549**	**(5,942)**	**3,887**	**9,533**	**(5,358)**	**4,872**

2(B) PARTICULARS OF TURNOVER AND OPERATING EXPENDITURE FROM SOCIAL HOUSING LETTINGS

	Housing Accommodation	Supported Housing	Shared Ownership	Total 2019	Total 2018
	£'000	£'000	£'000	£'000	£'000
Income					
Rents receivable net of identifiable service charges	**7,738**		**298**	**8,036**	8,030
Service charges receivable	**553**		**114**	**667**	640
Water Rates Receivable	**23**			**23**	24
Amortised government grants	**775**		**36**	**811**	799
Turnover from social housing lettings	**9,089**		**448**	**9,537**	9,493
Operating expenditure					
Service charge costs	**590**		**110**	**700**	671
Management	**1,109**		**50**	**1,159**	951
Routine maintenance	**1,354**			**1,354**	1,179
Major repairs	**245**			**245**	255
Bad debts	**18**			**18**	25
Planned Maintenance	**495**			**495**	347
Depreciation of housing properties	**1,707**			**1,707**	1,690
Loss on disposals and component replacements	**138**			**138**	71
Water rates					4
Operating expenditure on social housing	**5,656 -**		**160**	**5,816**	5,193
Operating surplus/(loss) on social housing	**3,433**		**288**	**3,721**	4,300
Rent losses from voids	17			17	27

3 BOARD MEMBERS & DIRECTORS' EMOLUMENTS

For the purpose of this note, the directors are defined as the Board Members, the Chief Executive and the Senior Staff Team.	2019 £'000	2019 £'000
Aggregate emoluments and expenses payable to the executive directors (including pension contributions and benefits in kind)	295	300
Pensions Contribution	19	19
Emoluments paid to the highest paid director of the Association excluding pension contributions	112	110
Pensions contributions in respect of the highest paid director	8	8

During the year to 31 March 2019, three (2018: 3) executive directors were remunerated by the Association. The Chief Executive is an ordinary member of the Social Housing Pension Scheme (SHPS). SHPS is a defined contribution scheme. The employers' contribution rate is currently set at between 6.45% and 8.45%.

	2019 Total £'000	2018 Total £'000
Olu Olanrewaju (Chair - Resigned September 2018)	4.0	8.0
Duncan Hughes (Resigned September 2018)	1.5	3.0
Zakia Raja (Resigned December 2017)		1.3
Nigel Newman	1.8	1.8
Pamela Leonce (Chair from October 2018)	5.0	2.0
Nisha Makwana	1.8	1.8
Puneet Rajput	2.5	2.5
Gordon Mattocks	1.8	1.8
Peter Calderbank (Appointed September 2018)	1.8	
	20.2	22.2

4 EMPLOYEE INFORMATION

	2019 Number	2018 Number
The average weekly number of persons (including the Chief Executive) employed during the year was (full time equivalents based on 35 hours per week):	18	19
Staff costs during the year:	£'000	£'000
Wages and salaries	908	966
Social security costs	101	108
Pension costs	57	59
	1,066	1,133

Salary banding for all employees earning over £60,000 (including salaries, performance related pay and benefits in kind but excluding pension contributions paid by the employer and any termination payments):.

Bands	Number 2019	Number 2018
£60,000 - £70,000	3	
£70,001 - £80,000	1	1
£80,001 - £90,000	1	1
£90,001 - £100,000	-	1
£100,001 - £110,000	1	1
Total	6	4

5 SURPLUS ON SALE OF HOUSING PROPERTIES

	2019 £'000	2018 £'000
Disposal proceeds	522	1,234
Carrying value of fixed assets	(226)	(521)
Grant amortised	(13)	(13)
Selling cost	(3)	(3)
	280	697

6 INTEREST RECEIVABLE

	2019 £'000	2018 £'000
Bank interest	10	32
Investment income	7	6
	17	38

7 INTEREST PAYABLE AND SIMILAR CHARGES

	2019 £'000	2018 £'000
SHPS pension - unwinding of the discount factor	-	5
SHPS pension - interest expense	12	(5)
Loans and bank overdrafts	2,154	2,178
Cost of raising finance	{6}	{7}
	2,160	2,171
Interest payable capitalised on housing properties under construction	(282)	{294}
	1,878	1,877
Capitalisation rate used to determine the finance costs capitalised during the period	3.69%	3.56%

8 SURPLUS FOR THE YEAR

	2019 £'000	2018 £'000
Is stated after charging		
Auditor's remuneration (excluding VAT):		
- in their capacity as auditor	23	18
- other services	8	4
Depreciation	1,879	1,,877

9 HOUSING FIXED ASSETS

	Housing properties held for letting £'000	Completed Shared ownership housing properties £'000	Shared Ownership £'000	Total £'000
Cost				
At 1 April 2018	156,141	6,428	8,353	170,922
Transfer to current assets	-	-	(501)	(501)
Additions	-	-	934	934
Capitalised Interest	-	-	282	282
Transfer on completion	-	9,068	(9,068)	-
Components additions	965	-	-	965
Disposals	(440)	(226	-	(666)
At 31 March 2019	**156,666**	**15,270**	**-**	**171,936**
Depreciation and impairment				
At 1 April 2018	18,640	-	-	18,640
Charged for year	1,707	-	-	1,707
Disposals	{302}	-	-	{302}
At 31 March 2019	**20,045**			**20,045**
Net book value				
At 31 March 2019	**136,621**	**15,270**	**-**	**151,891**
At 31 March 2018	137,501	6,428	8,353	152,282

The cost incurred on improvement works to existing properties during the year is analysed as follows:	2019 £'000	2018 £'000
Amounts capitalised (all relating to components)	965	412
Amounts charged to the income and expenditure account	245	255
	1,210	667

Carrying amount of secured and unsecured properties	2019 £'000	2018 £'000
Secured properties	76,450	78,067
Unsecured properties	60,172	59,434
	136,622	137,501

10 OTHER TANGIBLE FIXED ASSETS

	Leased Office Premises	Long Leased Office Premises	Office Furniture and Equipment	Total
	£'000	£'000	£'000	£'000
Cost				
At 1 April 2018	-	2,332	796	3,128
Additions	-	13	184	197
At 31 March 2019	**-**	**2,345**	**980**	**3,325**
Depreciation				
At 1 April 2018	-	23	452	475
Charge for year	-	24	148	172
At 31 March 2019	**-**	**47**	**600**	**647**
Net book value				
At 31 March 2018	**-**	**2,298**	**380**	**2,678**
At 31 March 2018	-	2,309	344	2,653

11 INVESTMENTS

The Association deposited £520k which is held in trust on behalf of The Housing Finance Corporation as part of the loan agreement. As at March 2019 the balance including accrued interest was £810k (2018: £777k). Fair value movement of the investment recognised in the Statement of Comprehensive Income is £26k (2018: £Bk).

12 PROPERTIES HELD FOR SALE

	2019 £'000	2018 £'000
Shared ownership under construction 1st tranche	3,558	3,057
	3,558	3,057

13 TRADE AND OTHER DEBTORS

	2019 £'000	2018 £'000
Amounts receivable within one year::		
Rent arrears	342	267
Housing benefits in arrears	179	114
Less: provision for bad debts	(218)	(159)
	303	222
Prepayments and accrued income	77	182
Other debtors	50	187
	430	591

14 CREDITORS

	2019 £'000	2018 £'000
Amounts falling due within one year::		
Trade creditors	305	580
Taxation and social security payable	34	35
Loan repayments (note 17)	3,169	3,125
Loan interest	125	132
Other creditors and accruals	797	1,071
Recycled Capital Grant Fund (note 20)	-	274
Disposal Proceeds Fund (note 21)	1,136	
Rent in advance	419	399
Issue premium (30 year bond)	38	38
Deferred grant income (note 16)	811	799
	5,698	7,589

15 CREDITORS

	2019 £'000	2018 £'000
Amounts falling due after more than one year:		
Deferred grant income (note 16)	68,274	68,556
Issue Premium (30 year bond)	897	934
Recycled Capital Grant Fund (note 20)	374	339
Disposal Proceeds Fund (note 21)		
Housing loans (note 17)	55,384	55,447
	124,929	125,276

16 DEFERRED GRANT INCOME

	2019 £'000	2018 £'000
At 1 April	69,355	69,675
Grant received in the year	648	648
Recycled on disposal	(120)	(182)
Released to income in the year	(811)	(799)
Released on disposal	13	13
At 31 March	69,085	69,355
Amounts to be released within one year	811	799
Amounts to be released in more than one year	68,274	68,556
	69,085	69,355

	2019 £'000	2018 £'000
Government grant previously amortised to income	11,989	11,191
Government grant included in deferred income	69,085	69,355
Total government grant received	81,074	80,546

Previous stock swaps entered into by the Association have resulted in associated grants of £7,285k (2018: £7,285k). These grant liabilities are not recognised within deferred grant income, in line with the related accounting policy, but nevertheless represent a contingent liability.

17 HOUSING LOANS

Housing loans from lending institutions are secured by specific charges on the Association's housing properties at rates of interest between 0.57% and 10.34%. They are repayable in instalments due as follows:

	2019 £'000	2018 £'000
In five years or more		
Between two and five years	40,552	43,730
Between one and two years	12,215	8,990
Loan finance costs	2,946	3,076
	(329)	(348)
	55,384	55,447
In one year or less	3,169	3,125
	58,553	58,572

18 PENSIONS

The Association participates in the scheme, a multi-employer scheme which provides benefits to some 500 non-associated employers.

The Scheme is subject to the funding legislation outlined in the Pensions Act 2004 which came into force on 30 December 2005. This, together with documents issued by the Pensions Regulator and Technical Actuarial Standards issued by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension schemes in the UK.

The last triennial valuation of the scheme for funding purposes was carried out as at 30 September 2017. This valuation revealed a deficit of £1,522m. A Recovery Plan has been put in place with the aim of removing this deficit by 30 September 2026.

The scheme is classified as a 'last-man standing arrangement'. Therefore, the Association is potentially liable for other participating employers' obligations if those employers are unable to meet their share of the scheme deficit following withdrawal from the scheme. Participating employers are legally required to meet their share of the scheme deficit on an annuity purchase basis on withdrawal from the scheme.

Previously, the administrator of the scheme was unable to allocate the scheme assets to individual employers, and hence was unable to determine the deficit attributable to each employer. As a result, historically SHPS has been accounted for as a defined contribution scheme, with a liability being recognised in respect of the present value of the contributions payable to fund the deficit. This is consistent with the accounting treatment required by FRS 102 for all schemes of this nature. The change has arisen as a result of a method of allocation being developed by the administrator that will allow each employer to recognise their share of assets and liabilities.

For accounting purposes, two actuarial valuations for the scheme were carried out with effective dates of 31 March 2018 and 30 September 2018. The liability figures from each valuation are rolled forward to the relevant accounting dates, if applicable, and are used in conjunction with the Association's fair share of the Scheme's total assets to calculate the Association's net deficit or surplus at the accounting period start and end dates.

These financial statements present a period of transition, where the Association is moving from one basis of accounting to another. In March 2019 following completion of a consultation by the Financial Reporting Council (FRC) in the form of Financial Reporting Exposure Draft 71 (FRED 71), proposed changes to FRS 102 were issued in relation to this. These proposed changes have now been confirmed with an updated version of FRS 102, "Amendments to FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland Multi-employer defined benefit plans May 2019" ("May 2019 FRS 102"), which the Association has chosen to adopt for the year ended 31 March 2019 in line with industry peers, and associated guidance issued by the National Housing Federation (NHF). Adopting FRED 71 results in no restatement of the comparatives and instead the change in accounting treatment being recorded as a separate movement through other comprehensive income

Pension scheme liabilities recognised in the Statement of Financial Position	2019 £'000	2018 £'000
Pension obligations recognised as Defined Benefit schemes	610	-
Pension obligations recognised as Defined Contribution schemes	-	357
Total pension scheme liabilities	**610**	357

Statement of Financial Position	2019 £'000	2018 £'000
Fair value of plan assets	1,886	1,783
Present value of funded retirement benefit obligations	(2,496)	(2,287)
Net liability	**610**	504

Principal actuarial assumptions at the financial position date:	2019 %	2018 %
Discount rate	2.30	2.56
Inflation (RPI)	3.30	3.19
Inflation (CPI)	2.30	2.19
Salary growth	3.30	3.19
Allowance of commutation of pension for cash at retirement	**75% of maximum allowance**	75% of maximum allowance

The mortality assumptions applied at 31 March 2019 imply the following life expectancies:	Life expectancy at age 65 (years)
Male retiring in 2019	21.8
Female retiring in 2019	23.5
Male retiring in 2039	23.2
Female retiring in 2039	24.7

Amounts recognised in the Income Statement	2019 £'000
Net interest on defined benefit liability	12
Expenses paid	4
Total expenses	**16**

18 PENSIONS (CONT)

Amounts recognised in Other Comprehensive Income	**2019 £'000**
Experience on plan assets	11
Experience gains and losses arising on the Plan liabilities	2
Effects of changes in assumptions underlying the present value of the Plans' liabilities	(157)
Effects of changes in the demographic assumptions underlying the present value of the Plan liabilities	(7)
	(151)
FRED 71 adjustment	147
Actuarial loss recognised	**298**

Reconciliation of movements on the defined benefit obligation	**2019 £'000**
Defined benefit obligation at the start of the period	2,287
Expenses	4
Interest expense	58
Actuarial (gains)/losses due to scheme experience	(2)
Actuarial (gains)/losses due to changes in demographic assumptions	7
Actuarial losses/(gains) due to changes in financial assumptions	157
Benefits paid	(15)
Defined benefit obligation at the end of the period	**2,496**

Reconciliation of movements on the fair value of plan assets	**2019 £'000**
Fair value of the Plans' assets at the start of the period	1,783
Interest income	46
Experience gains/(losses) on plan assets	11
Contributions by the employer	61
Experience gains/(losses) on plan assets	-
Benefits paid	(15)
Fair value of plan assets at the end of the period	**1,886**

The actual return on the plan assets (including any changes in share of assets) over the period ended 31 March 2019 was £57,000.

As permitted by section 28 of FRS 102, the Association have not presented comparative information for either of the above two reconciliations.

18 PENSIONS (CONT)

The fair values of each main class of assets held by the Fund are set out in the following table.	**2019 £'000**	**2018 £'000**
Global Equity	**317**	352
Absolute Return	**163**	218
Distressed Opportunities	**34**	17
Credit Relative Value	**35**	-
Alternative Risk Premia	**109**	68
Fund of Hedge Funds	**8**	59
Emerging Markets Debt	**65**	72
Risk Sharing	**57**	16
Insurance-Linked Securities	**54**	47
Property	**42**	82
Infrastructure	**99**	46
Private Debt	**25**	16
Corporate Bond Fund	**88**	73
Long Lease Property	**28**	-
Secured Income	**68**	66
Liability Driven Investment	**690**	649
Net Current Assets	**4**	2
Total assets	**1,886**	1,783

19 PROVISIONS FOR LIABILITIES - OTHER PROVISIONS

	Sinking Fund £'000
At 1 April 2018	58
Additions:	5
At 31 March 2019	**63**

20 RECYCLED CAPITAL GRANT FUND

	GLA £'000
At 1 April 2018	**613**
Inputs to RCGF:	
Recycling of grant	120
New Build	(86)
Repayment of Grant	**(273)**
At 31 March 2019	**374**
Amounts 3 years old or older where repayment may be required	

21 DISPOSAL PROCEEDS FUND

	£'000
At 1 April 2018	**1,136**
Inputs to DPF:	
Repayment of Grant	(1,136)
At 31 March 2019	**-**
Amounts 3 years old or older where repayment may be required	**-**

22 SHARE CAPITAL

Allotted, issued and fully paid	2019 £'000	2018 £'000
At 1 April 2018	**7**	**8**
New Shares Issued	**1**	**1**
Shares cancelled during the year	**(2)**	**(1)**
At 31 March	**6**	**7**

The share capital of the Association consists of shares with a nominal value of £1 each which carry no rights to dividends or other income. Shares in issue are not capable of being repaid or transferred. Where a shareholder ceases to be a member, that person's share is cancelled, and the amount paid up thereon becomes the property of the Association. Therefore, all shareholdings relate to non-equity interests; there are no equity interests in the Association.

23 CAPITAL COMMITMENTS

Capital expenditure that has been committed to but has not been provided for in these financial statements:	2019 £'000	2018 £'000
- authorised and contracted for	-	**950**
- authorised but not contracted for	-	**321**
	-	**1,271**

Capital commitments are financed from loan funding already drawn down.

24 NOTES ON THE CASHFLOW STATEMENT

	2019 £'000	2018 £'000
Surplus for the year	**2,052**	**3,033**
Adjustments for non-cas h items:		
Depreciation of tangible fixed assets	**1,879**	**1,877**
Disposal of other tangible fixed assets	**-**	**6**
Components disposal	**138**	**71**
Amortised grant	**(811)**	**(799)**
Decrease/ (increase) in trade and other debtors	**161**	**(113)**
(Decrease)/ increase in trade and other creditors	**(633)**	**278**
Increase in provisions for sinking funds	**5**	**8**
(Increase) / decrease in pension costs less contributions payable	**(57)**	**(63)**
Adjustments for investing or financing activities:		
Gain on sale of tangible fixed assets	**(280)**	**(697)**
Movement in fair value of investment	**(26)**	
Interest payable	**1,878**	**1,877**
Interest received	**(17)**	**(38)**
Net cash generated from operating activities	**4,289**	**5,440**

25 TAXATION

No provision for United Kingdom corporation tax has been made due to the Association's charitable status.

26 UNITS AND BEDSPACES

	2019 Number	2018 Number
Under development at end of year:		
Shared Ownership		37
		37
Under management at end of year:		
Owned - General needs	1,203	1,203
Owned - Temporary Housing	6	6
Owned - Shared ownership	95	61
	1,304	1,270

27 RELATED PARTY TRANSACTIONS

Disclosures in relation to key management personnel are set out below:	2019 £'000	2018 £'000
Basic salary	276	280
Employers national insurance	35	35
Pensions contributions	19	19
As at 31 March	330	334

28 FINANCIAL INSTRUMENTS

The carrying values of the RP's financial assets and liabilities are summaries by category below:

	2019 £'000	2018 £'000
Financial assets		
Measured at fair value through the profit or loss		
• Investments in equity instruments	810	777
Measured at undiscounted amounts receivable		
• Gross debtors	521	382
• Other debtors	50	187
• Cash and cash equivalents	3,057	3,290

	2019 £'000	2018 £'000
Financial liabilities		
Measured at amortised cost		
• Loans repayable	58,553	58,572
• Other creditors and accruals	798	1,071
• Trade creditors	305	580
• Loan interest	125	132

29 FINANCIAL INSTRUMENTS (CONTINUED)

The Association's income, expense, gains and osses in respect of the financial instruments are summaries below:

	2019 £'000	2018 £'000
Interest income and expense		
Total interest income for financial assets at amortised cost	32	32
Total interest income for financial assets at fair value through profit or loss	7	6
Total interest expense for financial liabilities at amortised cost	1,878	1,877
Fair value gains and losses		
On financial assets measured at fair value through profit or loss	26	8

Financial assets measured at fair value are valued based upon quoted market prices.

INQUILAB

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