2018

Housing Solutions Annual Report and Accounts

For the year ended 31 March 2018

Co-Operative and Community Benefit Societies No. 27876R

Contents

The Housing Solutions Group

Housing Solutions is a registered housing provider with charitable status dedicated to providing affordable and supported homes.

We have a housing stock of over 5,000 properties in the South East of England. We offer affordable homes to rent, shared ownership schemes, key worker housing and specialist accommodation for older people and people who need support and care to live within the community.

All our homes are supported by a range of housing services, including our own professional team of maintenance staff who provide a comprehensive repair and maintenance service.

Registered with Homes England Reg No. L4073
Registered as 0061 Co-Operative and Community Benefit Societies Reg No. 27876R
Registered Office: Crown House, Crown Square, Waldeck Road, Maidenhead, Berkshire SL6 8BY.

There are three subsidiaries and one joint venture within the Group. These are:

Housing Solutions Capital
Set up to facilitate capital market funding for the Group.

HSG Property Services Limited
Provides photo voltaic panels on residents' roofs and other energy saving solutions in order to save utility costs for those residents and at the same time produce revenue for the Group through the Feed-in Tariff programme.

Housing Solutions Development Limited
Set up on 26/02/16 to facilitate the efficient design and building of properties for the Group.

Glassford LLP
A joint venture with The Royal County of Berkshire Pension Fund which owns and manages 40 market rent properties.

Our Purpose & Values

Our core purpose is to meet local affordable housing needs by creating and maintaining quality homes and delivering valued services.

Great customer satisfaction

More homes locally

Strong financial performance

Excellent employee engagement

Members, Executives And Advisors

Board of management

Chairman
Elizabeth Padmore (Independent) appointed 24 January 2018
Hayley Peters (Independent) interim 27 September 2017 to 24 January 2018
Mark Pullen (Independent) retired as Chairman 27 September 2017

Vice Chairman
Hayley Peters (Independent)

Chair of Audit Committee
Val Bagnall (Independent)

Chair of Funding Committee
Valerie Kendall (Independent)

Board Members
Alice McDonagh (Resident nominee)
Ross McWilliams (RBWM nominee)
James Measures (Independent)
Angus McCallum (Independent)
Nigel Cook (Independent)
Orla Gallagher (Chief Executive)
Taslim Gbaja-Biamila (Resident nominee) retired 27 September 2017

Company Secretary
Andrew Robertson

Executive team

Chief Executive
Orla Gallagher

Director of Finance & Resources
Andrew Robertson

Business Development Director
Jill Caress

Director of Operations
Steve Woodcock appointed 11 December 2017

Director of Corporate Services
Carol Lovell appointed 19 February 2018

The Executive Team hold no interest in the Association's shares and act within the authority delegated by the Board.

Our Advisors and Funders

Auditors
Grant Thornton UK LLP
30 Finsbury Square
London
EC2A 1AG

Solicitors
Penningtons Manches LLP
Da Vinci House
Basing View
Basingstoke
Hampshire
RG21 4EQ

Trowers & Hamlins LLP
3 Bunhill Row
London
EC1Y 8YZ

Devonshires Solicitors LLP
30 Finsbury Circus
London
EC2M 7DT

Funders
Barclays Bank PLC
1 Churchill Place
Canary Wharf
London
E14 5HP

Lloyds TSB PLC
25 Gresham Street
London
EC2V 7HN

M & G Limited
Laurence Pountney Hill
London
EC4R 0HH

Legal & General Investment Management Ltd
One Coleman Street
London
EC2R 5AA

Treasury Advisors
JC Rathbone Associates Limited
12 St James's Square
London
SW1Y 4LB

Valuers
Jones Lang LaSalle Limited
22 Hanover Square
London
W1S 1JA

Chairman's Report

2018 is my first year as Chairman of Housing Solutions and I am delighted to present the Annual Report and Financial Statements for the year ending 2017/18.

Over the past 12 months, Housing Solutions has continued to innovate and expand its services, seeking not only to provide local people with homes they can be proud of but also to continue to support them in so many ways. That diversification and innovation continues to deliver strong financial and operational performance, it continues to win external recognition too.

In March 2018, Theresa May, UK Prime Minister said: "Housing Solutions is one of the good ones who is actually building. We need to encourage more to do this".

The Association now owns, manages and maintains over 7,000 homes (includes properties not owned but maintained for third parties) in a well defined geographical area of the M4 corridor. Housing demand in our local area continues to increase. In 2016/17 the average house price in the Royal Borough of Windsor and Maidenhead increased from £550k in 2015 to £584k.

This means that house prices are 15.4x the average salary. We expect affordability ratios to worsen in the coming years because Maidenhead is set to experience exceptional increases in housing demand owing to cross-rail and the development of a 3rd runway at Heathrow.

Against this backdrop, the Housing Solutions Board has adopted a consistent strategy which aims to achieve happy customers, more homes and strong financial performance.

Despite the current economic challenges, we continue to achieve a strong EBITDA margin of 59.6% which makes us one of the top performers in our peer group. The Regulator of Social Housing carried out an in-depth assessment of our governance and financial viability in 2017/18 and we were delighted to be awarded the highest grade of G1/V1.

In March, Standard and Poors reaffirmed our A+ Credit rating. Our EBITDA margin, credit rating and regulatory grading are all crucial in helping us to fulfil our core purpose of delivering more homes and funding growth.

> "Housing Solutions is one of the good ones who is actually building. We need to encourage more to do this."
>
> THERESA MAY
> PRIME MINISTER

In 2017/18 we invested £17 million in building new homes and successfully delivered 198 new homes exceeding our target of 159. We also completed our flagship over-55's Extra Care Scheme, The Birches, which comprises 60 one and two bedroom apartments for shared ownership and social rent in Woodley. This year we trebled the value of our stair-casing from £0.6million in 16/17 to £1.9million in 17/18 which will enhance our surplus to help self fund our development programme.

In 2017/18 we invested **£17m** in building new homes

& successfully delivered **198 new homes** exceeding our target of 159

We made significant investment in our current stock increasing our planned maintenance spend from £2.6million to £3million (+15%). This resulted in spend of £615,000 on new kitchens and bathrooms, £500,000 on new boilers and £250,000 of window replacements.

Our in-house repairs teams continue to excel and in 2017/18 over 93% of our customers said they were happy with the most recent repair. We continue to focus rigorously on customer safety and continue to achieve high levels of health & safety compliance.

Our dedicated approach to supporting local people, local businesses and building more affordable and social rented homes has translated into us winning new contracts to maintain our strong development pipeline.

Our Financial Inclusion Team has continued to help customers facing financial difficulty. Over the last year we assisted 869 customers and obtained for them additional benefits of over £255,000. Over the course of the past five years our team has helped customers to access nearly £850,000 of additional benefits.

One of the things I am most proud of is our committed and focused staff. 93% of our staff have said they are proud to work for Housing Solutions.

Over the past year there have been some changes to the Housing Solutions Board. Mark Pullen retired after 9 years; Taslim Gbaja-Biamila retired after 3 years; Hayley Peters was elected as Vice Chairman and I would particularly like to thank her for acting as interim Chairman until my appointment.

I am grateful for the continued support and commitment of all our Board members.
On behalf of the Board I would like to thank all of our staff, our customers, partners and stakeholders who have all contributed to making this a successful year.

Elizabeth J Padmore

ELIZABETH J PADMORE
CHAIRMAN

Operating and Financial Review and Report of the Board

For The Year Ended 31 March 2018

Report of the Board

The Board of Housing Solutions presents its report together with the audited financial statements of Housing Solutions (the Association) and Housing Solutions Group (the Group) for the year ended 31 March 2018. Payton Homes was dissolved in February 2018.

The Group comprises of the Association and its subsidiary undertakings Housing Solutions Capital plc, HSG Property Services Limited and Housing Solutions Development Limited.

Housing Solutions is a Public Benefit Entity. It changed its name with the Financial Conduct Authority from Housing Solutions Limited to Housing Solutions in October 2017.

Principal Activities

The Group's principal activities are the development and management of affordable and supported housing and providing repairs services to its own stock as well as external clients.

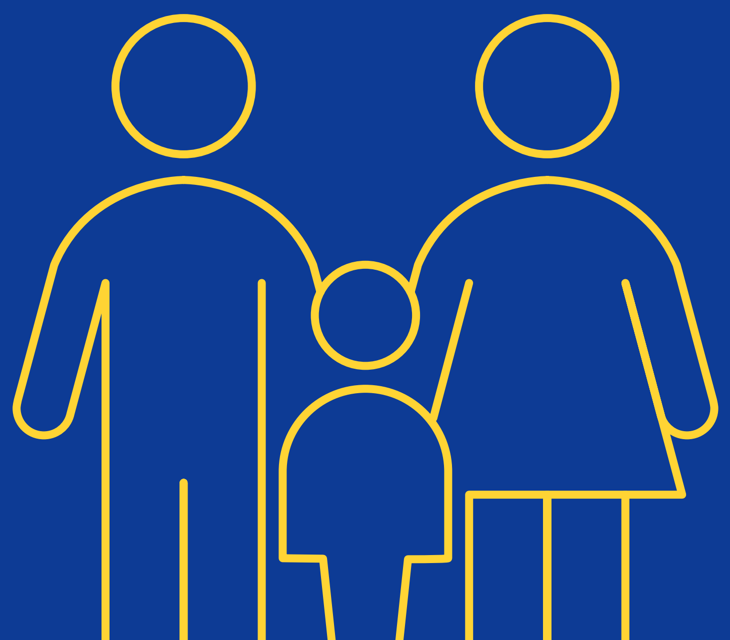
The Association has charitable status and operates three key business streams:

- Housing for rent, primarily for households who are unable to rent or buy at open market rates;
- Supported housing for people who need additional housing-related support;
- Low-cost home ownership, primarily shared ownership whereby residents purchase a share in the equity of their home;

As well as managing 5,608 properties, the Group develops new affordable housing and is a member of the Sovereign Development Consortium (SDC) which enables the Group to access Homes England grant funding.

The Group also provides a small amount of non-social housing, in particular market rent accommodation.

However, the Group's focus remains its social housing activities and these constitute over 80 per cent of the Group's activities by turnover.



Board Members And Executive Directors

The present Board members and executive directors of the Group are set out on page 5.

All executives work within the authority delegated by the Board. Group insurance policies indemnify Board members and officers against liability when acting for the Group.

Employment Contracts

Excluding the Chief Executive, Board members are paid based on a scale reflecting their relative responsibilities to the Group. The total amount paid to Board members during 2017/18 was £53,913.

The executive directors including the Chief Executive were employed on the same terms as other staff, their notice periods are six months.

The Chief Executive's salary is set at the market rate.

“ At 31 March 2018 the Group owned 5,608 housing properties (2017: 5,415) ”

Pensions

Prior to its closure to new members, the executive directors were entitled to join the Royal County of Berkshire Pension Fund, a defined benefit (Career Average) pension scheme. They participate in the scheme on the same terms as all other eligible staff and the Association contributes to the scheme on behalf of its employees. With effect from 1st April 2014 the Royal County of Berkshire Pension Fund scheme was closed to all new employees and a new contributory Personal Pension Plan was set up for new employees. The Executive Directors may participate in this scheme on the same terms as all other eligible staff and Housing Solutions makes contributions into the Individual Personal Pensions.

The Royal County of Berkshire Pension Fund is an average salary scheme, offering good benefits for our staff. The Association has contributed to the scheme in accordance with levels, set by the actuaries, at 18.2 per cent.

The latest actuarial valuation of the Royal County of Berkshire Pension Fund as at 31 March 2016 has been rolled forward allowing for the different financial assumptions required under FRS102 to calculate the accounting valuation at 31 March 2018.

Accounting Policies

The Group’s principal accounting policies are set out on pages 24 to 26 of the financial statements. The policies that are most critical to the financial results relate to accounting for housing properties and include: capitalisation of costs; deduction of capital grant from the cost of assets; housing property depreciation; and treatment of shared ownership properties.

The Group has prepared the accounts in accordance with UK Generally Accepted Accounting Practice (UK GAAP) including Financial Reporting Standard 102 (FRS 102) and the Housing SORP 2014: Statement of Recommended Practice for Registered Social Housing Providers and complies with the Accounting Direction for Private Registered Providers of Social Housing 2015.

Housing Properties

At 31 March 2018 the Group owned 5,608 housing properties (2017: 5,415).

The Board appointed external professional valuers to undertake the annual valuation of the Group’s housing properties as at 31 March 2018. The value of the properties, on an existing use for social housing basis, was £465 million and this has been reflected in the valuation of properties in the financial statements

Our investment in new housing properties and maintenance of existing properties this year was funded through a mixture of debt finance and operating surpluses.

Cash Flows

Cash inflows and outflows during the year are shown in the consolidated statement of cash flows (page 34).

Group Debt

The Group did not borrow any further funds during the year.

At the year end Group borrowings amounted to a nominal amount of £295.8 million. Gross Gearing, calculated as total loans as a percentage of the balance sheet value of completed housing property, was 63.2% by 31 March 2018 (2017: 71.1%). In April 2017 the Group's Syndicated Bank facility was restructured to two Bilateral facilities. This was done to remove the risk of reduced valuations on the gearing covenant. Gearing has therefore been replaced by a net debt per unit covenant. Cash held at 31 March 2018 was £57.8 million compared to £67.1 million at 31 March 2017. Net Debt per Unit at 31 March 2018 was £51.5k against the covenant of £65.0k.

The Group is borrowing principally from banks and through private placements, at both fixed and floating rates of interest. Embedded interest rate swaps are in place to generate the desired interest profile and to manage the Group's exposure to interest rate fluctuations. The Group's policy is to keep between 65 per cent and 85 per cent of its borrowings at fixed rates of interest and to maintain an average duration within a range of 7 to 13 years with a target of 10 years.

At the year-end, 80 per cent of the Group's borrowings were at fixed and index linked rates after taking account of interest rate swaps (2017: 81 per cent). The fixed rates of interest range from 3.28 per cent to 6.16 per cent. Our all-in average cost of funds was 4.37 per cent.

The Group's lending agreements require compliance with a number of covenants. The Group's position is monitored against those covenants on an on-going basis and reported to the Board at each meeting. The Group funding committee regularly reviews the Group's treasury position including requirements for new loan facilities. Recent reports confirmed that the Group was in compliance with its loan covenants both at the balance sheet date and also the Board expects to remain compliant in the foreseeable future. The Group borrows and trades only in sterling and so is not exposed to currency risk.

Maturity	2018 (£m)	2017 (£m)
Within one year	6.8	2.5
Between one and two years	7.5	6.8
Between two and five years	25.5	22.8
After five years	256.0	272.9
	295.8	305.0

Overview of the Business

The Group's main activities are the development and management of social and affordable housing and residential care homes and providing repairs services to its own stock as well as external clients.

The Group's head office is in Maidenhead and its properties are primarily in Maidenhead and surrounding areas, although increasingly new social housing properties are being developed in Wokingham, Buckinghamshire, and Slough which we fund and manage. The Group's focus remains its social housing activities and these constitute over 80 per cent of the Group's activities by turnover.

Financial Position and Performance

The Group's five year income and expenditure accounts and balance sheets are summarised on page 14 and the following paragraphs highlight key features of the Group's financial position up to and including 31 March 2018 as well as the position at the year end.

Statement of Compliance

In preparing this Strategic report, the Board has followed the principles set out in the Statement of Recommended Practice (SORP): Accounting for registered social housing providers 2014.

> "The Group's focus remains its social housing activities and these constitute over 80%of the Group's activities by turnover."

Risk Management

Housing Solutions has an embedded risk management strategy. Risks that may prevent the group achieving its objectives are considered and reviewed on a regular basis by the executive team, audit committee and Board. The risks are recorded, assessed and tracked in terms of their impact and importance. Major risks presenting the greatest threats to the Group are reported to the board and audit committee at all meetings together with the actions taken to manage the risks, including assessments of key controls and the outcome of the actions. The major risks to successful achievement of the group's objectives going forward are detailed on the next page as well as their mitigation.

Key risk	Risk management
Impact of political, legislative, rental and welfare reforms	• Regular stress testing of business plan under different scenarios to develop contingency plans • Continual review by both Audit Committee and the Board • Stand alone Financial Inclusion Team
Duty of care to staff, customers and the public in the operation of our business	• Comprehensive safety management system covering safety procedures/risk assessments in place to ensure all staff have suitable knowledge and compliance. HSE best practice followed • Safeguarding policy in place • OHSAS/ISO 18001 accredited. CHAS accredited. ROSPA health and safety best practice followed • Major incident plan in place and regularly reviewed • Qualified external consultants and advisors utilised for all health and safety areas • Additional safety spend in light of Grenfell tragedy
Development Programme slow down/acceleration	• Board reviews the development programme at every meeting • Ongoing development completion and cash forecasts are monitored on a regular basis • Continual assessment of effect on internal covenant buffers • Regular review of the housing market for signs of a market slowdown
Poor business planning/forecasting	• Continuous remodelling and updating of long, medium and short term forecasts • Regular review of economic, financial and operating assumptions and sensitivity analysis to plan mitigating actions to maintain business plan and forecast objectives • Financial consultants used to review and advise

Key risk	Risk management
Major Changes in economic conditions	• Ensure operating costs kept low and margins maintained at high level to provide contingency in the event that cost inflation outstrips rental inflation • Review development assumptions regularly for changes in economic assumptions on CPI and interest rates • Regular review of business model assumptions and stress and scenario testing especially if any major change in economic assumptions or government policy e.g. rental regulations, universal credit, interest rates, CPI changes
Loss of key staff, leading to loss of knowledge and experience	• Regular market salary reviews undertaken • Staff satisfaction measured via surveys, currently satisfaction is 85% • Staff related KPI's tracked • Succession planning in place • Staff briefings provided on a regular basis • Staff encouraged to allocate time to Corporate Social Responsibility • Exit interviews undertaken
Failure to resource adequate funding to meet development commitments and potential breach of funding covenants	• A+ credit status as allocated by S&P Global ratings • G1/V1 rating from The Regulator of Social Housing • Investor in MORhomes to enable access to Bond market pricing • Rolling 3 year cash and covenant forecasting as well as longer term business modeling • Maintenance of adequate term loan and working capital facilities ahead of development commitments • Regular forecasting of available security • Negotiation of increased and extended RCF

Group Highlights, Five Year Summary

	FRS 102 – 2018	FRS 102 – 2017	FRS 102 – 2016	FRS 102 – 2015	UK GAAP – 2014
Group Statement of Comprehensive Income	£000	£000	£000	£000	£000
Total turnover	43,220	45,965	43,339	36,736	34,395
Income from lettings	35,375	34,628	33,607	31,475	29,920
EBITDA	27,114	26,827	23,884	20,836	18,711
Operating surplus (before exceptional items)	21,795	21,686	19,317	16,052	14,422
Group Statement of Financial Position					
Housing properties (at valuation)	467,491	441,026	428,736	461,985	424,563
Other fixed assets	10,665	9,642	9,817	9,806	9,712
Fixed assets	478,156	450,668	438,553	471,791	434,275
Long term investments	2,427	2,427	2,427	-	-
Net current assets	48,296	63,854	63,466	43,079	45,670
Total assets less current liabilities	528,879	516,949	509,629	514,870	479,945
Loans (due over one year)	(290,599)	(303,696)	(306,117)	(272,257)	(263,052)
Less: Debt Service Reserve	-	-	-	-	4,450
Net Loans	(290,599)	(303,696)	(306,117)	(272,257)	(258,602)
Pensions liability	(20,667)	(20,624)	(14,656)	(13,507)	(9,516)
	217,613	192,629	188,856	229,106	211,827
Reserves: Designated	-	-	-	-	-
Revenue	60,188	51,584	44,493	36,836	32,313
Revaluation	157,425	141,045	144,363	192,270	179,514
Total	217,613	192,629	188,856	229,106	211,827
Housing properties owned at year end:	No.	No.	No.	No.	No.
Social housing	5,530	5,337	5,236	5,028	4,898
Non-social housing	78	78	78	120	39
	5,608	5,415	5,314	5,148	4,937
Statistics:					
EBITDA as % of turnover excluding property sales	59.54%	60.19%	57.51%	58.07%	56.17%
Operating surplus as % of turnover	50.4%	47.2%	44.6%	43.7%	41.9%
Rent arrears (gross arrears as % of rent and service charges receivable)	2.27%	1.84%	1.99%	2.6%	2.1%
Liquidity (current assets divided by current liabilities)	3.9	9.3	9.1	5.5	9.7
Gearing (total loans as % of value of completed housing properties)	63.9%	64.4%	66.9%	54.4%	66.2%

Value for Money Self-Assessment 2017/18

ACHIEVED
G1/V1
IDA rating

Solid Foundations

Achieved a G1/V1 rating following an In Depth Assessment (IDA) by Regulator for Social Housing

Delivered £150k of procurement savings

Increased staff satisfaction by 16% from 69% to 85%

EBITDA at 60%

Strong Financial Performance

Continued increase in turnover from new developments was delivered to offset rent reduction

EBITDA excluding sales remains strong at 60%

Maintained our A+ rating by Standard and Poors which keeps us in the top quartile of Housing Associations

Disposed of assets GENERATED
£2.8m
receipts

Building More Homes

Invested £17m to deliver 198 new homes against a target of 159

Trebled stair casing receipts within our existing Shared Ownership portfolio to deliver £1.9m

Disposed of assets which no longer met our strategic objectives which generated £2.8m of receipts

customer satisfaction
96%

Operational Performance

Increased our planned maintenance spend by 18% and increased customer satisfaction from 93% in 2016/17 to 96% in 2017/18

We reduced our responsive repair costs by 10% despite an increase in stock numbers and increased customer satisfaction from 90% in 2016/17 to 93% in 2017/18

Generated an additional £255k for customers through benefit claims advice

Value for money self-assessment 2017/18

For every £1 we spend

	2017/18 (pence)	2016/17 (pence)
New homes	35	41
Interest	31	29
Management and other expenses	12	13
Planned maintenance	7	5
Routine maintenance	5	6
Estates	4	3
IT	1	1
Purchase of other assets	4	1
Other expenses	1	1

Corporate Objectives

In 2014 we set ourselves some challenging development targets and in 2017/18 we continued to make good progress against these objectives.

Happy Customers

We have been carrying out annual ‘Have Your Say’ surveys since 2013 and whilst it provides us with valuable information about the experiences our customers are having with us, it was not giving us enough time to embed changes from the previous survey before we went back out to customers.

In 2017/18 we therefore decided to put the survey on hold whilst we were in merger talks with Bracknell Forest Homes and instead we will go out to our customers in Q2 of 2018/19 with a full survey.

Our previous survey, carried out in 2016/17, told us that customers consider their rent to provide good value for money (89%). However, our front line services could be more efficient so over the course of 2018/19 we will be focusing on ways to increase efficiency, particularly through investment in new IT systems.

More Homes

In 2014 we aimed to deliver 1,421 homes by 2020 and so far we have 1,287 of those homes either delivered or in the pipeline. In 2017/18 we focused on ensuring that we could achieve our target without having any negative impact on our on going financial viability. The Board have agreed that we can comfortably deliver between 150-190 new homes each year whilst remaining within 10% of our bank covenants. We have also committed to increasing our shared ownership development to 40% from 34% of total development in 2017/18 to support local needs.

To remain focused on delivering homes for the local community, we have defined our area for new development as being:

- Royal Borough of Windsor and Maidenhead
- Wokingham
- Slough, Reading, Bracknell Forest, Aylesbury Vale and High Wycombe

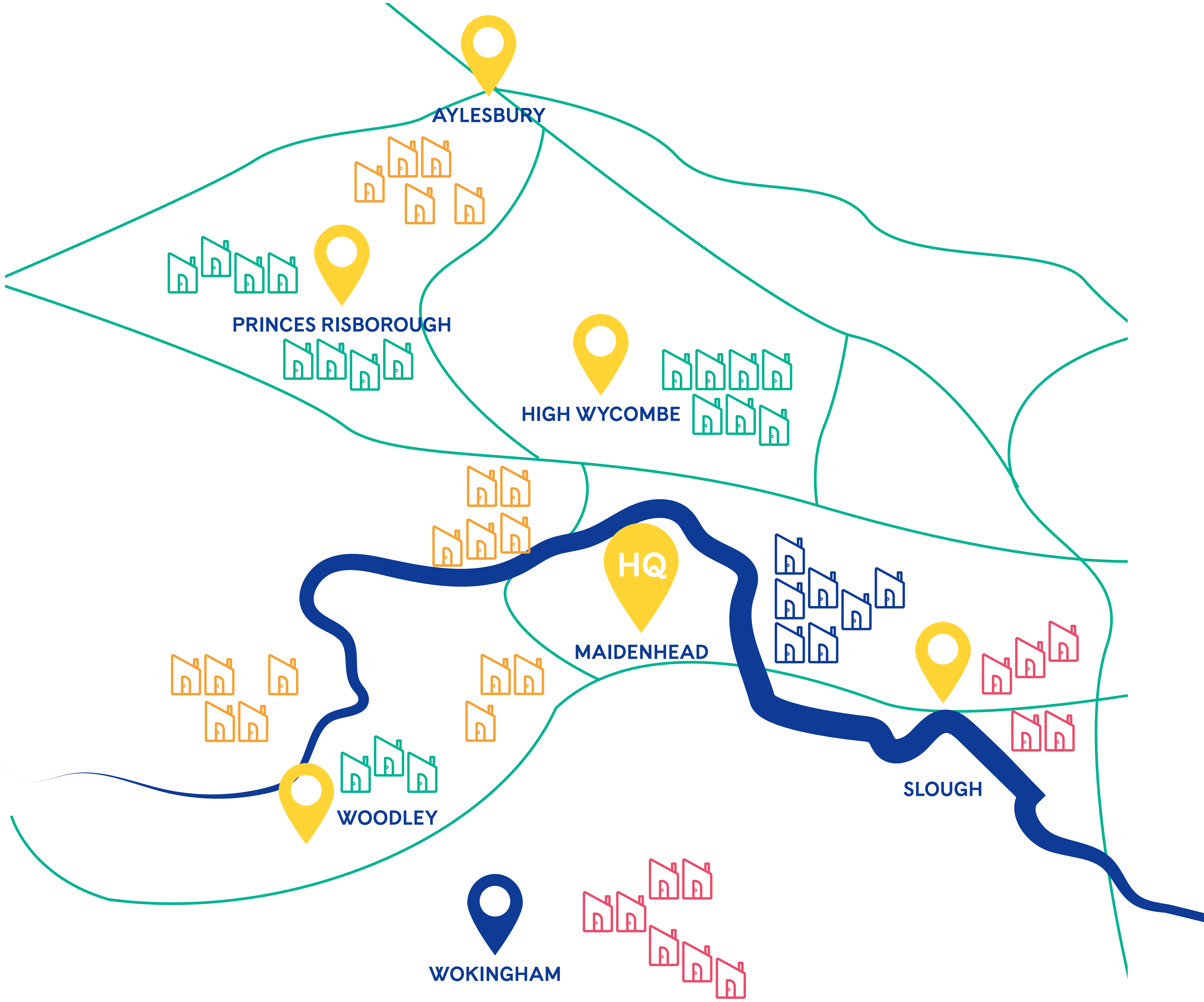
As part of our ambition to achieve our core purpose of delivering more homes for the local community, in January 2017, we announced our intention to pursue a merger with Bracknell Forest Homes. Although we decided to terminate this in July 2017, the process allowed us the opportunity to conclude that we are able to remain strong as an independent organisation and take advantage of a significant development pipeline within our areas of operation.

1,287

out of

1,421 homes

delivered / pipeline



Smart Operating Model
Independent reviews

In order to thoroughly understand our strengths and weaknesses, during the 2017/18 financial year, we commissioned a number of independent reviews of our internal controls and performance.

Asset Management – Ark Consulting

Ark reviewed the quality of our stock alongside the quality of data held within our asset database. Ark reported that they found our stock to be high quality but identified some weaknesses in the data held. We have since set ourselves the target of surveying all of our properties every 3 years in order to keep our data accurate.

IT Systems – Alysium

Alysium found that our systems are made up of some of the highest quality products in the market, but identified that there was a large number of different systems which were underutilised on occasion. Our IT strategy which is scheduled for approval in 2018 will focus on ameliorating our systems to underpin our approach to smarter working.

Business Model – Centrus

In reviewing our business models, internal reports and funding requirements, Centrus concluded that we are financially strong and that our Board and Funding Committee can have assurance that the information they receive is robust and transparent.

Financial Systems – Smith & Williamson

Smith and Williamson found that our financial systems, controls and reporting were more than sufficient to provide Executives and Board with thorough assurance.

Regulator for Social Housing: Value for Money Metrics

In April 2018 the Regulator for Social Housing launched their revised Value for Money standard. Within the standard, the regulator set out the measures for all Registered Providers to submit data against.

Below we have set out our performance against each of the metrics.

	The Regulator for Social Housing Value for Money Metrics	2016/17	2017/18
1	Reinvestment %	5.67%	5.71%
2a.	New Supply Delivered (Social Housing Units)	2.38%	3.93%
2b.	New Supply Delivered (Non Social Housing Units)	0.00%	0.00%
3	Gearing % (net)	55.82%	51.59%
4	EBITDA MRI %	192.69%	166.47%
5a.	Headline Social Housing Cost Per Unit (Excl. planned maintenance)	£1,984	£1,914
5b.	Headline Social Housing Cost Per Unit	£2,651	£2,784
6a.	Operating Margin % (Social Housing Letting only)	46.85%	46.30%
6b.	Operating Margin % (overall)	47.24%	42.50%
7	ROCE %	4.70%	3.69%

The chart demonstrates our continued strong performance which relies on an efficient operating model. The 5% increase in Cost Per Unit shown in 5b is attributable to an increase in our planned maintenance spend in line with our ongoing commitment to long term stock investment.

In 2016/17 we took part in a pilot to the Regulators 7 metrics as we submitted our data to the Sector Scorecard project. We were pleased to see that in 11 of the 15 measures we performed better than the sector median.

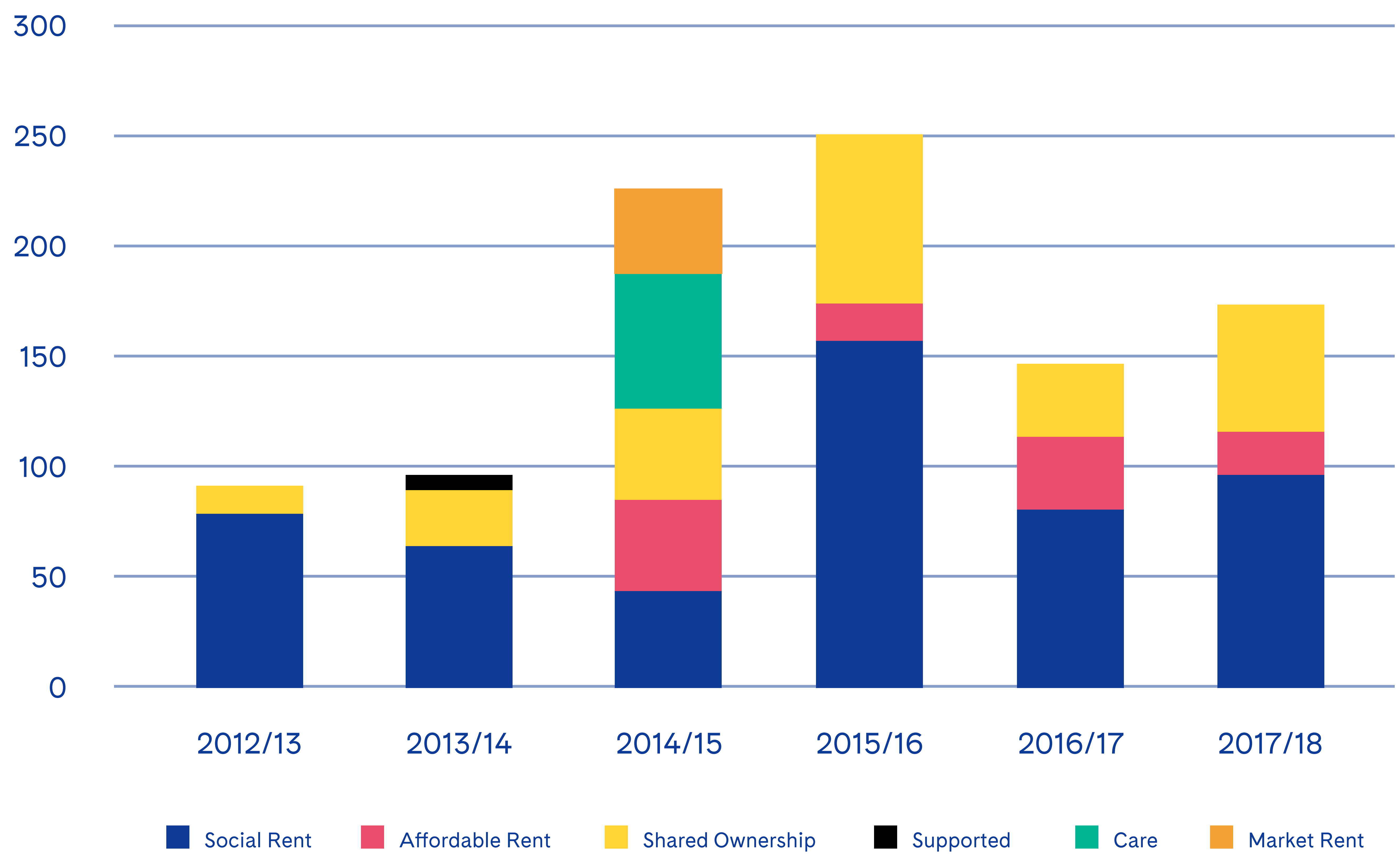
Financial Performance

Financial Highlights	2013/14	2014/15	2015/16	2016/17	2017/18
Turnover	£34.4m	£36.7m	£43.3m	£45.9m	£43m
Sales	£1.8m	£2.2m	£6.8m	£8.3m	£5m
Turnover (excl. property sales)	£32.6m	£34.5m	£36.6m	£37.6m	£38m
EBITDA (excl. property sales)	£18.3m	£20m	£21m	£23.5m	£24m
Operating Surplus	£14.4m	£16.1m	£19.3m	£21.7m	£21.8m
EBITDA as % Turnover less property sales	56%	58%	58%	60%	60%
Total Stock	4937	5148	5314	5415	5608

Our financial performance has remained consistently strong and delivered year on year growth despite the 1% rent reduction. Our resilience has enabled us to retain our A+ credit status from Standards and Poors as well as having contributed towards achieving a G1/V1 rating from Homes England.

Development

New homes by type

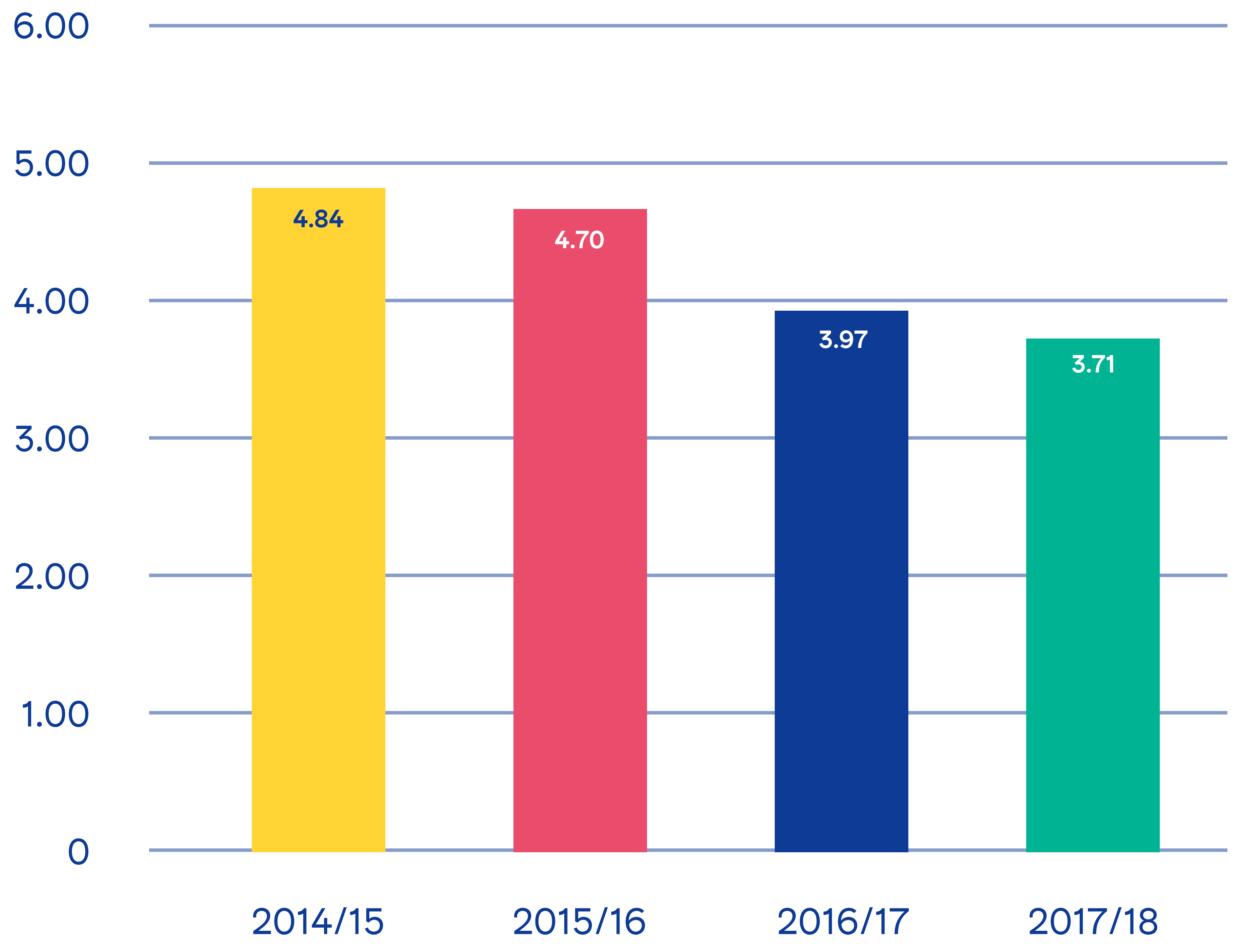


In 2017/18 we set ourselves the ambitious target of delivering 159 homes and managed to exceed our target by delivering 198 new homes for our local area. Our £17m of development spend was without grant funding and relied entirely on our surpluses and loan facilities.

We aimed to increase the amount of staircasing within our existing shared ownership portfolio in 2017/18 and during the year we trebled the value when compared to 2016/17 increasing our receipts from £0.6m to £1.9m. The income we have generated from the sales will go towards funding future development activity.

Operational Performance

Average jobs per property



Asset Management

In 2018 we launched our Asset Management Strategy which focused on improving the efficiency of the services we deliver. The changes that we have implemented have reduced our responsive spend by 10% and over the past 4 years we have significantly dropped the number of jobs we carry out per property whilst increasing customer satisfaction to 93% in 17/18.

Our reduced spend in responsive repairs has enabled us to invest more in our planned maintenance work. In 2017/18 we increased our spend by 15% from £2.6m to £3m.

Housing Management

Our rent arrears performance has been identified as an area of focus in 2018/19. Current tenant arrears have increased from 1.84% in April 2016 to 2.27% in March 2018. We have established a set of plans aimed at reducing arrears including a restructure of our Housing Management Team, the introduction of Mobysoft's Rent Sense to predict trends, a review of our Housing Management software and the investigation of the Rental Exchange system provided by Experian.

Financial Inclusion

Our Financial Inclusion Team has continued to work with our customers to help them to access and maximise their benefit claims. Over the course of the year the team helped 869 customers to access £255k of benefits to help support them to sustain their tenancy and maintain a decent standard of living. Over the past five years our team have helped customers to access nearly £850k in additional benefits.

Statement of the Responsibilities of the Board for the Report and Financial Statements

Internal Controls Assurance

The Board acknowledges its overall responsibility, applicable to all organisations within the Group, for establishing and maintaining the whole 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 and to provide reasonable assurance against material misstatement or loss.

The 2016/17 Annual Audit Report made a number of observations regarding the poor implementation of audit recommendations. In response, we confirmed that we took the feedback from the internal auditor very seriously and that we took the following course of action: (1) implemented an action plan to improve our approach to internal audit; (2) agreed an audit protocol with RSM; and (3) put in place a detailed tracker of audit recommendations which was monitored by the audit committee at every meeting in 2017.

On 1 February 2018, we were able to provide the RSM Follow-up Audit Report (2016/17 actions) which included the follow-up assessment of the risk management audit. The assessment confirmed that 100% of the risk management actions were complete. RSM also confirmed in their report that the 'audit committee could rely on the action tracking reports provided by management'.

The process for identifying, evaluating and managing the significant risks faced by the Group is ongoing and has been in place throughout the period commencing 1 April 2017 up to the date of approval of the report and financial statements.

Key elements of the control framework include:

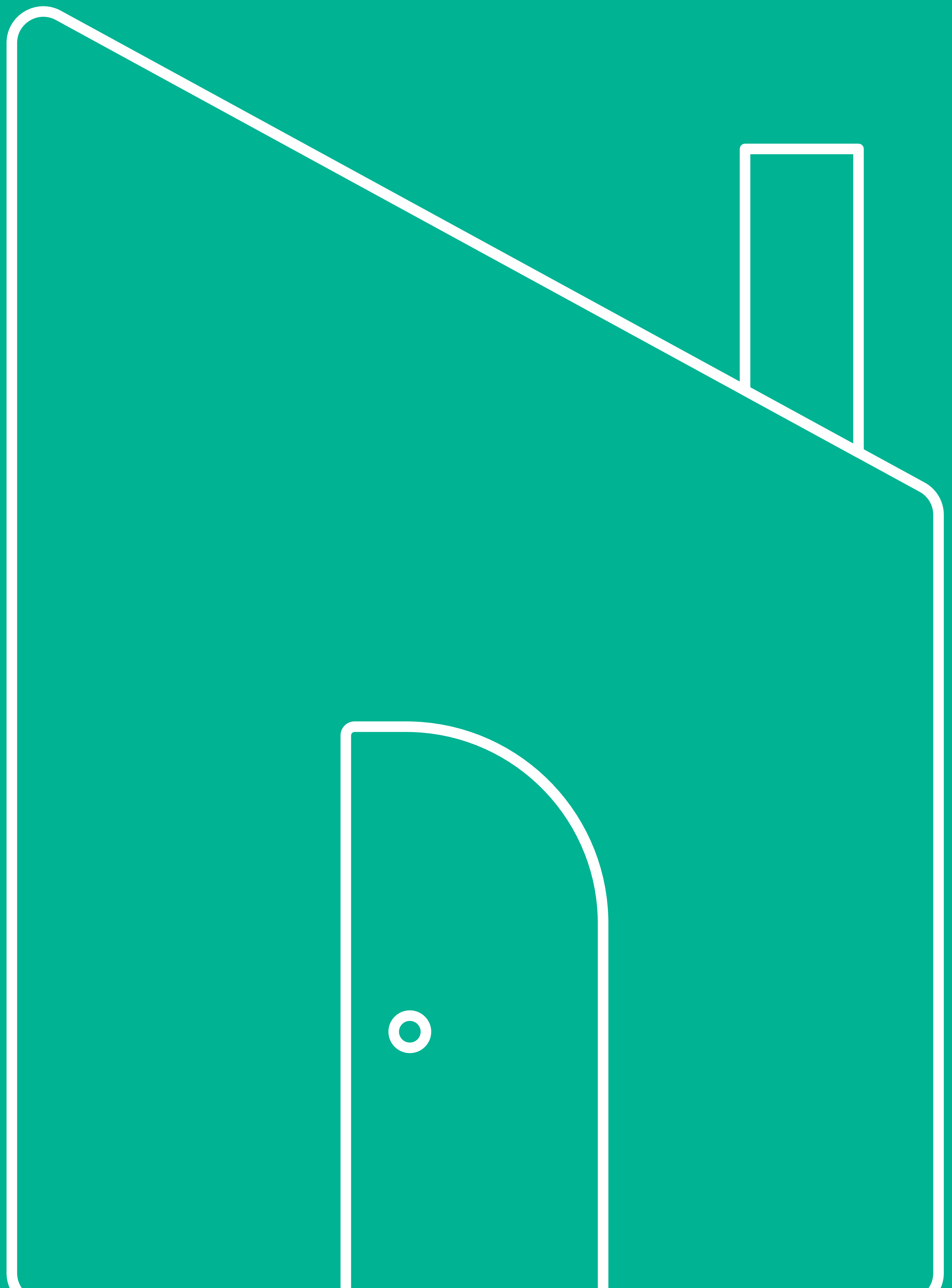
- Board approved terms of reference and delegated authorities for audit, Group funding and emergency committees;
- Clearly defined management responsibilities for the identification, evaluation and control of significant risks;
- Detailed audit tracking system and deep dive programme which is reviewed and monitored by the Audit Committee;
- Implementation of comprehensive GDPR action plan which has been verified by internal audit;
- Robust strategic and business planning processes, with detailed financial budgets and forecasts;
- Formal recruitment, retention, training and development policies for all staff;
- Established authorisation and appraisal procedures for significant new initiatives and commitments;
- A sophisticated approach to treasury management, which is subject to external review each year;
- Regular reporting to the appropriate committee on key business objectives, targets and outcomes;
- Board approved whistle-blowing and anti-theft and corruption policies;
- Board approved fraud policies, covering prevention, detection and reporting, together with recoverability of assets;
- Regular monitoring of loan covenants and requirements for new loan facilities.

A fraud register is maintained and is reviewed annually by the Audit Committee. During the year there were no reports of actual or suspected frauds.

The Board cannot delegate ultimate responsibility for the system of internal control but has delegated authority to the Audit Committee to regularly review the effectiveness of the system of internal control.

The Board receives regular reports and meeting minutes from the Audit Committee. The Audit Committee has received the Chief Executive's annual review of the effectiveness of the system of internal control for the Group, and the annual report of the internal auditor, and has reported its findings to the Board.

NHF Code of Governance and Homes England Governance and Financial Viability Standard



The Group monitors its on-going compliance with both the economic and consumer Regulatory standards and compliance is reported to the Board on an annual basis with any changes or implications arising within the year being reported on an ad hoc basis.

Having considered the requirements of the Regulator for Social Housing regulatory framework, following review by the Board we are pleased to report that the Group complies with the principal recommendations of the NHF Code of Governance (revised); and the Governance and Financial Viability Standard.

The Group's business activities, its current financial position and factors likely to affect its future development are set out within this Operating and Financial Review. The Group has in place long-term debt facilities which provide adequate resources to finance committed investment and development programmes. The Group 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.

The Board has a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, being a period of 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.

The Board has considered the effects of Brexit and is confident the Association can withstand significant economic volatility.

The strategic report was approved by the Board on

25 July 2018 and signed on its behalf by:

ELIZABETH J PADMORE
CHAIRMAN

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

Co-Operative and Community Benefit Societies legislation requires the Board to prepare financial statements for each financial year. Under that law the Board has elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws). Under the Co-Operative and Community Benefit Societies legislation 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 Group and Association at the end of the year and of the surplus or deficit of the Association and Group for that period.

In preparing those financial statements the Board is required to:

- Select suitable accounting policies and apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable UK Accounting Standards including Financial Reporting Standard 102 (FRS102) and the Statement of Recommended Practice (SORP) Accounting by Registered Housing Providers Update 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 company will continue in business.

The Board is responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Group and Association and enable it to ensure that the financial statements comply with the Co-Operative and Community Benefit Societies Act 2014. It is also responsible for safeguarding the assets of the Group and Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board is responsible for ensuring that the report of the Board is prepared in accordance with the Statement of Recommended Practice: Accounting by Registered Housing Providers Update 2014.

The Board is responsible for the maintenance and integrity of the corporate and financial information on the Group's website.

Disclosure of information to auditors

At the date of this report each of the Association's Board members, as set out on page 5, confirm the following:

- So far as each Board member is aware, there is no relevant information of which the Group's and Association's auditors are unaware and;
- The Board members have taken all the steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

External auditors

A resolution to re-appoint Grant Thornton UK LLP will be proposed at the forthcoming annual general meeting. The report of the Board was approved by the Board on 25 July 2018 and signed on its behalf by:

Elizabeth J Padmore

ELIZABETH J PADMORE
CHAIRMAN

Annual General Meeting

The annual general meeting will be held on 26 September 2018 at Crown House, Crown Square, Waldeck Road, Maidenhead, Berkshire, SL6 8BY.

External Auditors

Opinion

We have audited the financial statements of Housing Solutions (the 'association') for the year ended 31 March 2018 which comprise statements of comprehensive income, group statement of changes in reserves, association statement of changes in reserves, consolidated statement of financial position, association statement of financial position and consolidated statement of cash flows and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including Financial Reporting Standard 102; The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice)

In our opinion the financial statements:

- Give a true and fair view of the state of the society's affairs as at 31 March 2018 and of its income and expenditure for the year then ended;
- Have been properly prepared in accordance with 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 have been appointed as auditor under the Co-operative and Community Benefit Societies Act 2014 and report in accordance with regulations made under that Act. 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 society in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Who we are Reporting to

This report is made solely to the society's members, as a body, in accordance with regulations made under 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 society'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 society and the society's members as a body, for our audit work, for this report, or for the opinions we have formed.

A resolution to re-appoint Grant Thornton UK LLP will be proposed at the forthcoming annual general meeting.

The report of the Board was approved by the Board on 25 July 2018 and signed on its behalf by:

Elizabeth J Padmore

ELIZABETH J PADMORE
CHAIRMAN

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 society'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 board is responsible for the other information. The other information comprises the information included in the Annual Report, set out on pages 3 to 26 other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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 society 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 for the Financial Statements

As explained more fully in the Statement of Board's Responsibilities set out on pages 24-26, 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 control as the board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the board is responsible for assessing the society'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 society 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.

Grant Thornton UK LLP

Statutory Auditor, Chartered Accountants
London

1st August 2018

Statement of comprehensive income For the year ended 31 March 2018

	Notes	Group 2018 £000	Restated Group 2017 £000	Association 2018 £000	Restated Association 2017 £000
Turnover	3	43,220	45,965	43,000	45,739
Cost of sales	3	(2,412)	(4,153)	(2,379)	(4,123)
Operating costs	3	(19,013)	(18,749)	(18,921)	(18,631)
Operating surplus	**7**	**21,795**	**23,063**	**21,700**	**22,985**
Pension adjustment and aborted merger costs		(727)	-	(727)	-
Loss on disposal of property, plant and equipment (fixed assets)	8	(421)	-	(421)	-
Interest receivable and other income	9	245	839	296	890
Interest payable and financing costs	10	(14,019)	(12,134)	(14,019)	(12,134)
Decrease in valuation of housing properties	12	(187)	(6,617)	(187)	(6,617)
Surplus on ordinary activities before taxation		**6,686**	**5,151**	**6,642**	**5,124**
Tax on surplus on ordinary activities	11	-	-	-	-
Surplus for the year		**6,686**	**5,151**	**6,642**	**5,124**
Unrealised surplus/(deficit) on revaluation of housing properties	12,14	17,298	4,015	17,298	4,015
Remeasurement of pension scheme net liabilities		1,000	(5,393)	1,000	(5,393)
Total comprehensive income for the year		**24,984**	**3,773**	**24,940**	**3,746**

All of the Group and Association's turnover and surplus disclosed above are derived from continuing activities.

The accompanying accounting policies and notes on pages 35 - 64 form an integral part of the financial statements.

The financial statements were approved and signed by the Board of Management on 25 July 2018 and are signed on its behalf by:

Elizabeth J Padmore
Chairman

Hayley Peters
Board Member

Andrew Robertson
Company Secretary

Statement of changes in reserves

For the year ended 31 March 2018

Group

	Share capital £000	Revenue reserve £000	Revaluation reserve £000	Total £000
Balance as at 1 April 2016	-	44,493	144,363	188,856
Total comprehensive income for the year	-	3,773	-	3,773
Transfer from revaluation reserve to revenue reserve	-	2,602	(2,602)	-
Depreciation charged on revalued properties	-	716	(716)	-
Balance at 31 March 2017	-	51,584	141,045	192,629
Total comprehensive income for the year	-	24,984	-	24,984
Transfer from revaluation reserve to revenue reserve	-	(17,112)	17,112	-
Depreciation charged on revalued properties	-	732	(732)	-
Balance at 31 March 2018	-	60,188	157,425	217,613

The accompanying accounting policies and notes on pages 35 - 64 form an integral part of the financial statements.

Statement of changes in reserves

For the year ended 31 March 2018

Association

	Share capital £000	Revenue reserve £000	Revaluation reserve £000	Total £000
Balance as at 1 April 2016	-	44,368	144,363	188,731
Total comprehensive income for the year	-	3,746	-	3,746
Transfer from revaluation reserve to revenue reserve	-	2,602	(2,602)	-
Depreciation charged on revalued properties	-	716	(716)	-
Balance at 31 March 2017	**-**	**51,432**	**141,045**	**192,477**
Total comprehensive income for the year	-	24,940	-	24,940
Transfer from revaluation reserve to revenue reserve	**-**	**(17,112)**	**17,112**	**-**
Depreciation charged on revalued properties	-	732	(732)	-
Balance at 31 March 2018	-	**59,992**	**157,425**	**217,417**

The accompanying accounting policies and notes on pages 35 - 64 form an integral part of the financial statements.

Consolidated statement of financial position

For the year ended 31 March 2018

	Notes	2018 £000	2017 £000
Fixed Assets			
Tangible Fixed Assets (housing properties)	12	447,301	421,803
Tangible Fixed Assets (other)	12	10,123	9,080
Investment properties	14	20,190	19,223
		477,614	**450,106**
Intangible Fixed Assets	13	542	562
Long Term Investment	16	2,427	2,427
Current Assets			
Properties for sale	17	3,414	5,138
Debtors	18	3,650	2,523
Cash and cash equivalents		57,834	67,054
		64,898	**74,715**
Creditors: amounts falling due within one year	**19**	**(16,602)**	**(10,861)**
Net current assets		48,296	63,854
Total assets less current liabilities		**528,879**	**516,949**
Creditors: amounts falling due after more than one year	21	(311,266)	(324,320)
Total net assets		217,613	192,629
Capital and reserves			
Called-up non-equity share capital	23	-	-
Revaluation reserve		157,425	141,045
Revenue reserve		60,188	51,584
Total Reserves		217,613	192,629

The accompanying accounting policies and notes on pages 35 - 64 form an integral part of the financial statements

The financial statements were approved by the Board of Management on 25 July 2018 and are signed on its behalf by:

Elizabeth J Padmore
Chairman

Hayley Peters
Board Member

Andrew Robertson
Company Secretary

Association statement of financial position

For the year ended 31 March 2018

	Notes	2018 £000	2017 £000
Tangible Fixed Assets			
Tangible Fixed Assets (housing properties)	12	447,301	421,803
Tangible Fixed Assets (other)	12	8,644	7,440
Investment properties	14	20,190	19,223
		476,135	**448,466**
Intangible Fixed Assets	13	542	562
Long term investments	16	2,477	2,477
Current Assets			
Properties for sale	17	3,414	5,138
Debtors	18	4,461	3,486
Cash and cash equivalents		57,338	36,652
		65,213	**45,276**
Creditors: amounts falling due within one year	19	(15,684)	(9,984)
Net current assets		49,529	35,292
Total assets less current liabilities		**528,683**	**486,797**
Creditors: amounts falling due after more than one year	21	(311,266)	(294,320)
Total net assets		217,417	192,477
Capital and reserves			
Called-up non-equity share capital	23	-	-
Revaluation reserve		157,425	141,045
Revenue reserve		59,992	51,432
Total Reserves		**217,417**	**192,477**

The accompanying accounting policies and notes on pages 35 - 64 form an integral part of the financial statements

The financial statements were approved by the Board of Management on 25 July 2018 and are signed on its behalf by:

Elizabeth J Padmore
Chairman

Hayley Peters
Board Member

Andrew Robertson
Company Secretary

Consolidated statement of cash flows

For the year ended 31 March 2018

	Note	2018 £000	2017 £000
Net cash generated from operating activities	26	26,653	24,368
Cash flow from investing activities			
Purchase of tangible fixed assets		(19,076)	(20,237)
Proceeds from sale of tangible fixed assets		5,356	2,401
Grants received		735	819
Interest received		245	360
		(12,740)	(16,657)
Cash flow from financing activities			
Interest paid		(14,001)	(13,674)
New secured loans		-	-
Repayment of borrowings		(9,132)	-
Withdrawal from deposits		0	5,741
		(23,133)	(7,933)
Net change in cash and cash equivalents		(9,220)	(222)
Cash and cash equivalents at the beginning of the year		67,054	67,276
Cash and cash equivalents at the end of the year		57,834	67,054

The accompanying accounting policies and notes on pages 35 - 64 form an integral part of the financial statements.

Notes to the financial statements

For the year ended 31 March 2018

1.0 Legal status

The Association is registered in England under the Co-Operative and Community Benefit Societies Act 2014 and is registered with the Homes and Communities Agency (HCA) as a housing provider.

2.0 Accounting policies

2.1 Basis of accounting

The financial statements of the Group and Association are prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP) including Financial Reporting Standard 102 (FRS 102) and the Housing SORP 2014: Statement of Recommended Practice for Registered Social Housing Providers and comply with the Accounting Direction for Private Registered Providers of Social Housing 2015.

The financial statements are compliant with FRS 102.

The financial statements are presented in Sterling (£).

2.2 Going concern

The Group's business activities, its current financial position and factors likely to affect its future development are set out within the Strategic Report. The Group has in place long-term debt facilities which provide adequate resources to finance committed investment and development programmes. The Group 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 Group has adequate resources to continue in operational existence for the foreseeable future, being a period of 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.

2.3 Significant judgements and estimates

Preparation of the financial statements requires management to make significant judgements and estimates. The items in the financial statements where these judgments and estimates have been made include:

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

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. The total amount capitalised in the year was £352,000 relating to several development schemes.

Supporting people
Management judgement is applied in determining the extent to which the risks and benefits are transferred to the Association when considering the Income to be recognised. £46,000 of supporting people income was recognised in the year.

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.

Valuation of housing properties
Management reviews its valuation of housing properties at each reporting date, based on either formal valuation reports or an update to those reports based on market conditions and other changes to assumptions. Uncertainties in these estimates relate to the discount rate, the cost of property maintenance and future cash flows. Valued properties totalled £465,279,000 at the year end.

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 that may change the utility of certain software and IT equipment and changes to decent homes standards which may require more frequent replacement of key components. Accumulated depreciation at 31 March 2018 was £53,553,000.

Defined benefit obligation (DBO)
Management's estimate of the DBO is based on a number of critical underlying assumptions such as standard rates of inflation, mortality, discount rate and anticipation of future salary increases. Variation in these assumptions may significantly impact the DBO amount and the annual defined benefit expenses (as analysed in Note 27). The liability at 31 March 2018 was £20,667,000.

Fair value measurement
The Group has the appropriate rules to enable it to enter into third party hedging arrangements. However, none are in place at this time. Were such arrangements entered into and not settled at year end a disclosure note would be made showing the fair value, as either a potential asset or liability at that date.

Where loans are re-financed, any gains or losses arising are recognised in the income and expenditure account in the year in which the refinancing takes place, except where the new debt gives the same economic result as the old debt, in which case the cost or benefit is spread over the remaining maturity of the debt.

2.4 Basis of consolidation

The Group accounts consolidate the accounts of the Association and all its subsidiaries at 31 March using the purchase method.

2.5 Investment in subsidiaries and joint ventures

The consolidated financial statements incorporate the financial statements of the Association and entities (including special purpose entities) controlled by the Group (and its subsidiaries). Control is achieved where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

All intra-Group transactions, balances, income and expenses are eliminated in full on consolidation.

Investments in subsidiaries are accounted for at cost less impairment in the individual Association's financial statements.

Investments in joint ventures are accounted for at cost less impairment in the individual Association's financial statements.

2.6 Turnover and revenue recognition

Turnover comprises rental income receivable in the year, income from shared ownership first tranche sales, sales of properties built for sale and other services included at the invoiced value (excluding VAT where recoverable) of goods and services supplied in the year and grants receivable in the year.

Rental income is recognised from the point when properties under development reach practical completion or otherwise become available for letting, net of any voids. Income from first tranche sales and sales of properties built for sale is recognised at the point of legal completion of the sale. Charges for support services funded under Supporting People are recognised as they fall due under the contractual arrangements with Administering Authorities.

2.7 Taxation

Current tax is recognised for the amount of income tax payable in respect of the taxable surplus for the current or past reporting periods using the tax rates and laws that have been enacted or substantively enacted by the reporting date.

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

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

If and when all conditions for retaining tax allowances for the cost of a fixed asset have been met, the deferred tax is reversed.

Deferred tax is recognised when income or expenses from a subsidiary or associate have been recognised, and will be assessed for tax in a future period, except where:
- the Group is able to control the reversal of the timing difference; and
- it is probable that the timing difference will not reverse in the foreseeable future.

A deferred tax liability or asset is recognised for the additional tax that will be paid or avoided in respect of assets and liabilities that are recognised in a business combination. The amount attributed to goodwill is adjusted by the amount of deferred tax recognised.

Deferred tax relating to investment property that is measured at fair value is measured using the tax rates and allowances that apply to the sale of the asset, except for investment property that has a limited useful life and is held in a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time.

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

With the exception of changes arising on the initial recognition of a business combination, the tax expense/income is presented either in income and expenditure, other comprehensive income or equity depending on the transaction that resulted in the tax expense/income.

Deferred tax liabilities are presented within provisions for liabilities and deferred tax assets within debtors. Deferred tax assets and deferred tax liabilities are offset only if:
- the Group has a legally enforceable right to set off current tax assets against current tax liabilities and;
- the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously.

Value Added Tax
The Group charges Value Added Tax (VAT) on some of its income and is able to recover part of the VAT it incurs on expenditure. The financial statements include VAT to the extent that it is suffered by the Group and not recoverable from HM Revenue and Customs. The balance of VAT payable or recoverable at the year-end is included as a current liability or asset.

2.8 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 income and expenditure in the year.

2.9 Financial instruments

Financial instruments which meet the criteria of a basic financial instrument as defined in Section 11 of FRS 102 are accounted for under an amortised cost model.

Non-basic financial instruments are recognised at fair value using a valuation technique with any gains or losses being reported in surplus or deficit. At each year end, the instruments are revalued to fair value, with the movements posted to the income and expenditure (unless hedge accounting is applied).

The Group and Association does have the appropriate rules to enable it to enter into third party hedging arrangements. However, none are in place at this time.

2.10 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

Where deferral of payment terms have been agreed at below market rate, and where material, the balance is shown at the present value, discounted at a market rate.

2.11 Creditors

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

2.12 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.

2.13 Pensions

The Group participates in a funded multi-employer defined benefit scheme - Royal County of Berkshire Pension Scheme (RCBPS) and a defined contribution scheme operated by Scottish Widows.

The RCBPS scheme assets are measured at fair value. Scheme liabilities are measured on an actuarial basis using the projected unit credit method and are discounted at appropriate high quality corporate bond rates. The net surplus or deficit is presented as a separate provision on the statement of financial position. A net surplus is recognised only to the extent that it is recoverable by the Group through reduced contributions or through refunds from the plan.

The current service cost and costs from settlements and curtailments are charged against operating surplus. Past service costs are recognised in the current reporting period. Net interest costs are calculated by applying the discount rate to the net defined benefit liability and are recognised in the income and expenditure account as a finance cost. Remeasurements are reported in other comprehensive income.

The Scottish Widows scheme is accounted for as a defined contribution plan. The charge to income and expenditure represents the employer contribution payable to the scheme for the accounting period.

2.14 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 valuation.

Completed housing and shared ownership properties are stated at fair value at the date of valuation, less subsequent accumulated depreciation and accumulated impairment losses. Revaluations are made with sufficient regularity to ensure that the carrying amount does not materially differ from the fair value of the properties as at the year end.

Housing properties under construction are stated at cost less related social housing and other capital grants. Cost includes the cost of acquiring land and buildings, development costs, interest charges incurred during the development period and expenditure incurred in respect of improvements.

Works to existing properties, which replace a component that has been treated separately for depreciation purposes, along with those works that result in an increase in net rental income over the lives of the properties, thereby enhancing the economic benefits of the assets, are capitalised as improvements.

Depreciation of housing properties
The Group separately identifies the major components, which comprise its housing properties, and charges depreciation, so as to write-down the cost of each component to its estimated residual value, on a straight line basis, over its estimated useful economic life.

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

	%pa	Number of Years
Structure	1.0	100
Roofs	1.3	75
Bathrooms	3.3	30
Kitchens	4.0	25
Windows and doors	3.3	30
Heating systems	5.0	20

Impairment
Annually, housing properties are assessed for impairment indicators. Where indicators are identified an assessment for impairment is undertaken comparing the asset's carrying amount to its recoverable amount. Where the carrying amount of an asset is deemed to exceed its recoverable amount, the asset is written down to its recoverable amount. This is likely to be the value in use of the asset based on its service potential. The resulting impairment loss is recognised as expenditure in income and expenditure. Where an asset is currently deemed not to be providing service potential to the Association, its recoverable amount is its fair value less costs to sell.

Completed properties are valued annually by an independent valuer.

Government grants
Government grants include grants receivable from the Homes and Communities Agency (the HCA), local authorities, and other government organisations. 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. For Social Housing Grant this means that the grant is recognised as revenue on completion of the property.

Grants due from government organisations or received in advance are included as current assets or liabilities.

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 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 as income in income and expenditure. Upon disposal of the associated property, the Group is required to recycle grant proceeds and recognise them as a liability.

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.

Properties for sale
Shared ownership first tranche sales, completed properties for outright sale and property under construction are valued at the lower of cost and net realisable value. Cost comprises materials, direct labour and direct development overheads. Net realisable value is based on estimated sales price after allowing for all further costs of completion and disposal.

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

- interest on borrowings specifically financing the development programme after deduction of social housing grant received in advance; or
- a fair amount of interest on borrowings of the Association as a whole after deduction of social housing grant received in advance to the extent that they can be deemed to be financing the development programme.

Other interest payable is charged to the income and expenditure account in the year.

2.15 Investment properties

Investment properties consist of commercial properties and other properties not held for the social benefit or for use in the business. Investment properties are measured at cost on initial recognition and subsequently at fair value as at the year end, with changes in fair value recognised in income and expenditure.

2.16 Other tangible fixed assets

Other tangible fixed assets are measured at cost less accumulated depreciation and any accumulated impairment losses.

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. The principal annual rates used for other assets are:

Other freehold property	100 years
Free/Leasehold premises' improvements	21 years
Office furniture and equipment	5 years
Computer equipment	5 years
Motor vehicles	5 years
Plant & machinery	25 years

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.

2.17 Intangible assets

Intangible assets are measured at cost less accumulated amortisation.

Amortisation is provided evenly on the cost of intangible assets to write them down to their estimated residual values over their expected useful lives.
The principal annual rate used for intangible assets is:

Computer software	5 years

2.18 Leases

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

Assets held under finance leases are recognised initially at the fair value of the leased asset (or, if lower, the present value of minimum lease payments) at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation using the effective interest method so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are deducted in measuring the surplus or deficit. Assets held under finance leases are included in tangible fixed assets and depreciated and assessed for impairment losses in the same way as owned assets.

Rentals payable under operating leases are charged to income and expenditure on a straight-line basis over the lease term, unless the rental payments are structured to increase in line with expected general inflation, in which case the Group recognises annual rent expense equal to amounts owed to the lessor. The aggregate benefit of lease incentives are recognised as a reduction to the expense recognised over the lease term on a straight line basis.

2.19 Provisions for liabilities

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value using a pre-tax discount rate. The unwinding of the discount is recognised as a finance cost in profit or loss in the period it arises.

The Group recognises a provision for annual leave accrued by employees as a result of services rendered in the current period, and which employees are entitled to carry forward and use within the next 12 months. The provision is measured at the salary cost payable for the period of absence.

2.20 Reserves

The Group establishes restricted reserves for specific purposes where their use is subject to external restrictions.

2.21 Revaluation reserve

When housing properties are revalued, the difference between the carry value of the land and structure elements of housing properties is credited to the housing property revaluation reserve. Where a downward movement is taken to the surplus or deficit a transfer from income and expenditure reserve is made for the net of the downward movement and the value of any associated grant released to income.

3. Particulars of turnover, cost of sales, operating costs and operating surplus

For the year ended 31 March 2018

Group

	2018 Turnover £000	2018 Cost of sales £000	2018 Operating expenditure £000	2018 Operating surplus £000
Social housing lettings	35,375	-	(19,246)	16,129
Other social housing activities				
Lifeline alarm system	131	-	(128)	3
Shared Ownership	4,958	(2,379)	-	2,579
Supporting people	46	-	-	46
Gain on disposal of housing properties	-	-	1,924	1,924
	40,510	**(2,379)**	**(17,450)**	**20,681**
Activities other than social housing	2,710	(33)	(1,563)	1,114
Total	**43,220**	**(2,412)**	**(19,013)**	**21,795**

	2017 Turnover £000	2017 Cost of sales £000	2017 Operating expenditure £000	2017 Operating surplus £000
Social housing lettings	34,628	-	(18,403)	16,225
Other social housing activities				
Lifeline alarm system	152	-	(128)	24
Shared Ownership	8,324	(4,123)	-	4,201
Supporting people	119	-	-	119
Gain on disposal of housing properties	-	-	1,377	1,377
	43,223	**(4,123)**	**(17,154)**	**21,946**
Activities other than social housing	2,742	(30)	(1,595)	1,117
Total	**45,965**	**(4,153)**	**(18,749)**	**23,063**

3. Particulars of turnover, cost of sales, operating costs and operating surplus

For the year ended 31 March 2018

Association

	2018 Turnover £000	2018 Cost of sales £000	2018 Operating expenditure £000	2018 Operating surplus £000
Social housing lettings	35,375	-	(19,246)	16,129
Other social housing activities				
Lifeline alarm system	131	-	(128)	3
Shared Ownership	4,958	(2,379)	-	2,579
Supporting people	46	-	-	46
Gain on disposal of housing properties	-	-	1,924	1,924
	40,510	**(2,379)**	**(17,450)**	**20,681**
Activities other than social housing	2,490	-	(1,471)	1,019
Total	**43,000**	**(2,379)**	**(18,921)**	**21,700**

	2017 Turnover £000	2017 Cost of sales £000	2017 Operating expenditure £000	2017 Operating surplus £000
Social housing lettings	34, 628	-	(18,403)	16,225
Other social housing activities				
Lifeline alarm system	152	-	(128)	24
Shared Ownership	8,324	(4,123)	-	4,201
Supporting people	119	-	-	119
Gain on disposal of housing properties	-	-	1,377	1,377
	43,223	**(4,123)**	**(17,154)**	**21,946**
Activities other than social housing	2,516	-	(1,477)	1,039
Total	**45,739**	**(4,123)**	**(18,631)**	**22,985**

3. Particulars of turnover, cost of sales, operating costs and operating surplus

For the year ended 31 March 2018

Group

	2018						2017
	General needs housing £000	Supported housing and housing for older people £000	Key worker housing £000	Care homes £000	Low cost home ownership £000	Total £000	Total £000
Rent receivable net of identifiable service charges	22,884	4,033	272	4,882	1,609	33,680	33,006
Service income	686	711	-	41	257	1,695	1,622
Turnover from social housing lettings	**23,570**	**4,744**	**272**	**4,923**	**1,866**	**35,375**	**34,628**
Expenditure							
Management and other operating expenses	4,080	719	48	870	287	6,004	5,963
Services	978	677	20	43	123	1,841	1,605
Routine maintenance	1,467	688	18	537	26	2,736	3,019
Planned maintenance	2,390	365	73	221	10	3,059	2,599
Bad debts	125	22	1	27	9	184	166
Property lease charges	8	-	-	-	-	8	5
Depreciation of housing properties	3,345	590	40	714	235	4,924	4,595
Other costs	333	59	4	71	23	490	451
Operating expenditure on social housing lettings	**12,726**	**3,120**	**204**	**2,483**	**713**	**19,246**	**18,403**
Operating surplus on social housing lettings	**10,844**	**1,624**	**68**	**2,440**	**1,153**	**16,129**	**16,225**
Void losses	**153**	**264**	**19**	**9**	**4**	**449**	**410**

3. Particulars of turnover, cost of sales, operating costs and operating surplus

For the year ended 31 March 2018

Association

	2018						2017
	General needs housing £000	Supported housing and housing for older people £000	Key worker housing £000	Care homes £000	Low cost home ownership £000	Total £000	Total £000
Rent receivable net of identifiable service charges	22,884	4,033	272	4,882	1,609	33,680	33,006
Service income	686	711	-	41	257	1,695	1,622
Turnover from social housing lettings	**23,570**	**4,744**	**272**	**4,923**	**1,866**	**35,375**	**34,628**
Expenditure							
Management and other operating expenses	4,080	719	48	870	287	6,004	5,963
Services	978	677	20	43	123	1,841	1,605
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Planned maintenance	2,390	365	73	221	10	3,059	2,599
Bad debts	125	22	1	27	9	184	166
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Void losses	**153**	**264**	**19**	**9**	**4**	**449**	**412**

3. Particulars of turnover, cost of sales, operating costs and operating surplus

For the year ended 31 March 2018

	Group 2018 £000	Group 2017 £000	Association 2018 £000	Association 2017 £000
Market rent accommodation	617	587	617	587
	617	**587**	**617**	**587**

4. Accommodation in management and development

Group and Association

At the end of the year accommodation in management for each class of accommodation was as follows:

	Group 2018 number	Group 2017 number	Association 2018 number	Association 2017 number
Social housing				
General needs	3,828	3,678	3,828	3,678
Supported housing and housing for older people	573	587	573	587
Low cost home ownership	389	326	389	326
Key worker housing	28	28	28	28
Residential care homes	712	718	712	718
Total owned	**5,530**	**5,337**	**5,530**	**5,337**
Accommodation managed for others	106	101	106	101
Total owned and managed	**5,636**	**5,438**	**5,636**	**5,438**
Non-social housing				
Market rent	78	78	78	78
Total owned and managed	**78**	**78**	**78**	**78**
Accommodation in development at the year end	**280**	**298**	**280**	**298**

The Group manages accommodation for Northborough Housing Co-Operative a registered social landlord.

5. Key management personnel

The members of the Board received remuneration for services provided as Directors of £53,913 (2017 – £45,677). The remuneration paid to the Executive Directors of Housing Solutions Group (defined as the Chief Executive, the Business Director, the Finance Director, the Operations Director and the Group Commercial Director) was:

	2018 £000	2017 £000
Emoluments	413	488
Benefits in kind	-	15
Pension contributions	31	64
	444	567

Emoluments (excluding pension contributions) paid to:		
The highest paid Director (the Chief Executive – current) including all benefits such as car allowance and private health subscriptions	154	85
Pension contributions (current)	6	3
The highest paid Director (the Chief Executive – former) including all benefits such as car allowance and private health subscriptions	-	100
Pension contributions (former)	-	20
	160	208

6. Employee information

The average weekly number of full-time equivalent persons (including directors)

	2018 number	2017 number
Office staff	92	94
Sheltered housing mangers, caretakers and cleaners	5	5
Building maintenance staff	42	43
	139	142

	2018 £000	2017 £000
Staff costs (for the above persons):		
Wages and salaries	5,036	5,386
Social security costs	514	554
Pension costs – Contributions	521	703
Actuarial Adjustments	472	-
	6,543	6,643

The full time equivalent number of staff, including directors, who received emoluments:

	2018 number	2017 number
£70,001 to £80,000	-	1
£80,001 to £90,000	1	1
£90,001 to £100,000	-	1
£100,001 to £110,000	2	2
£150,001 to £160,000	1	-

7. Operating surplus

	Group 2018 £000	Group 2017 £000
Operating surplus is stated after charging/(crediting):		
Depreciation		
- Housing stock	4,924	4,595
- Other assets	346	342
- Surplus on disposal of other tangible fixed assets	-	1
Amortisation of intangible assets	218	204
Operating lease rentals		
- Hire of motor vehicles	29	42
- Office equipment	21	29
Auditor's remuneration		
For audit purposes		
- Parent	28	27
- Subsidiaries	7	7
- Total	**35**	**34**
For non-audit purposes		
- Tax compliance	4	4
Internal Auditor's remuneration	41	36

8. Gain/(Loss) on Sale of Fixed Assets

	Housing properties 2018 £000	Other assets 2018 £000	Housing properties 2017 £000	Other assets 2017 £000
Disposal proceeds	5,356	-	2,400	-
Cost of sales (administration)	(75)	-	(69)	-
Carrying value of fixed assets	(3,357)	(421)	(954)	-
Gain/(Loss) on sale of fixed assets	**1,924**	**(421)**	**1,377**	**-**

9. Interest receivable and other income

	Group 2018 £000	Group 2017 £000	Association 2018 £000	Association 2017 £000
Intercompany interest receivable	-	-	51	51
Interest receivable	245	309	245	309
Surplus on sale of investment	-	530	-	530
	245	**839**	**296**	**890**

10. Interest and financing costs

	Group 2018 £000	Group 2017 £000	Association 2018 £000	Association 2017 £000
Loans and bank overdrafts	6,630	13,086	14,275	4,836
Interest payable to Group companies	8,299	-	-	8,250
Interest payable capitalised on housing properties under construction	(1,482)	(1,482)	(828)	(1,482)
Defined benefit pension charge	572	530	572	530
	14,019	**12,134**	**14,019**	**12,134**
Capitalisation rate used to determine the finance costs capitalised during the period	4.4%	4.2%	4.4%	4.2%

11. Tax on surplus on ordinary activities

	Group 2018 £000	Group 2017 £000	Association 2018 £000	Association 2017 £000
Current tax				
UK corporation tax on surplus for the year	-	-	-	-
Adjustments in respect of prior years	-	-	-	-
Total current tax	-	-	-	-
Deferred tax				
Net origination and reversal of timing differences	7	36	-	-
Total deferred tax	7	36	-	-
Total tax on results on ordinary activities	7	36	-	-

11. Tax on surplus on ordinary activities continued

Analysis of charge in period

The tax assessed for the year is lower than the standard rate of corporation tax in the United Kingdom at 19% (2017: 20%)

The differences are explained as follows:

	Group 2018 £000	Group 2017 £000	Association 2018 £000	Association 2017 £000
Total tax reconciliation				
Surplus on ordinary activities before tax	6,686	1,798	6,642	1,772
Expected tax at 20% (2017: 20%)	1,270	359	1,262	354
Effects of:				
Income not taxable for tax purposes	(1,262)	(354)	(1,262)	(354)
Adjust closing deferred tax to average rate	(5)	(3)	-	-
Adjust opening deferred tax to average rate	4	34	-	-
Total tax charge for the period	7	36	-	-

12. Tangible fixed assets – properties

Group

	Housing properties and mobile homes £000	Housing properties under construction £000	Shared ownership properties £000	Shared ownership properties under construction £000	Total £000
Cost or Valuation at 1 April 2017	424,584	9,711	33,089	3,048	470,432
Completed	12,115	(12,115)	2,881	(2,881)	-
Additions	7,520	4,340	2,133	3,188	17,181
Disposals	(1,405)	-	(1,036)	(2,379)	(4,820)
Works to existing properties	1,917	-	-	-	1,917
Revaluation	15,520	-	624	-	16,144
At 31 March 2018	**460,251**	**1,936**	**37,691**	**976**	**500,854**
Depreciation at 1 April 2017	(45,581)	(702)	(2,346)	-	(48,629)
Depreciation charged in year	(3,871)	-	(321)	-	(4,192)
Revaluation depreciation	(769)	-	37	-	(732)
Depreciation charged in the year	4,640	-	284	-	4,924
Eliminated on revaluation	(4,640)	-	(284)	-	(4,924)
At 31 March 2018	**(50,221)**	**(702)**	**(2,630)**	**-**	**(53,553)**
Net book value as at 31 March 20187	**410,030**	**1,234**	**35,061**	**976**	**447,301**
Net book value as at 31 March 2017	**379,003**	**9,009**	**30,743**	**3,048**	**421,803**

Completed housing properties are stated at Existing Use Value for Social Housing (EUV-SH), including notional directly attributable acquisition costs, as at 31 March 2018. The Group's housing properties have been valued by Jones Lang LaSalle, professional external valuers. The full valuation of all properties was undertaken, in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors (RICS) as follows:

	£000
Completed properties at valuation (including investment properties)	-
Housing Solutions Limited	465,279
	465,279

In valuing investment properties, a discounted cash flow methodology was adopted with key assumptions:

Discount rate	5.5%
Annual inflation rate, after first two years	-1% to 2020
Level of long-term annual rent increase	CPI + 1%

12. Tangible fixed assets – properties

Association

	Housing properties and mobile homes £000	Housing properties under construction £000	Shared ownership properties £000	Shared ownership properties under construction £000	Total £000
Cost or Valuation at 1 April 2016	424,584	9,711	33,089	3,048	470,432
Completed	12,115	(12,115)	2,881	(2,881)	-
Additions	7,520	4,340	2,133	3,188	17,181
Disposals	(1,405)	-	(1,036)	(2,379)	(4,820)
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Net book value as at 31 March 2017	**410,030**	**1,234**	**35,061**	**976**	**447,301**
Net book value as at 31 March 2016	**379,003**	**9,009**	**30,743**	**3,048**	**421,803**

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	£000
Completed properties at valuation (including investment properties)	-
Housing Solutions Limited	465,279
	465,279

In valuing investment properties, a discounted cash flow methodology was adopted with key assumptions:

Discount rate	5.5%
Annual inflation rate, after first two years	-1% to 2020
Level of long-term annual rent increase	CPI + 1%

12. Tangible fixed assets – properties

The carrying value of housing properties that would have been included in the financial statements had the assets been carried at historical cost less capital grants and depreciation is as follows:

	Group 2018 £000	Group 2017 £000	Association 2018 £000	Association 2017 £000
Housing properties at historical cost	409,717	392,341	409,717	392,341
Depreciation and impairment	(53,556)	(48,632)	(53,556)	(48,632)
Social Housing Grant	(60,247)	(59,564)	(60,247)	(59,564)
	295,914	**284,145**	**295,914**	**284,145**
Expenditure on works to existing properties				
Improvement works capitalised	37	1,103	37	1,103
Components capitalised	1,880	1,107	1,880	1,107
Amounts charged to income and expenditure	5,795	5,620	5,795	5,620
	7,712	**7,830**	**7,712**	**7,830**
Finance costs				
Aggregate amount of finance costs included in the cost of housing properties	843	1,482	843	1,482
	843	**1,482**	**843**	**1,482**

12. Tangible fixed assets – other

Group

	Plant & machinery £000	Other freehold property £000	Motor vehicles £000	Furniture and equipment £000	Free/ leasehold improvements £000	Computer equipment £000	Total £000
Cost at 1 April 2017	2,047	7,145	32	440	1,158	696	11,518
Additions	-	-	-	177	1,601	117	1,895
Disposals	(84)	-	(32)	(80)	(1,084)	(28)	(1,308)
At 31 March 2018	**1,963**	**7,145**	**-**	**537**	**1,675**	**785**	**12,105**
Depreciation at 1 April 2017	(407)	(544)	(31)	(218)	(676)	(562)	(2,438)
Charge for Year	(77)	(46)	-	(79)	(66)	(78)	(346)
Disposals	-	-	31	75	676	20	802
At 31 March 2018	**(484)**	**(590)**	**-**	**(222)**	**(66)**	**(620)**	**(1,982)**
Net book value as at 31 March 2018	**1,479**	**6,555**	**-**	**315**	**1,609**	**165**	**10,123**
Net book value as at 31 March 2017	**1,640**	**6,601**	**1**	**222**	**482**	**134**	**9,080**

12. Tangible fixed assets – other

Association

	Other freehold property £000	Motor vehicles £000	Furniture and equipment £000	Free/ leasehold improvements £000	Computer equipment £000	Total £000
Cost at 1 April 2016	7,145	32	440	1,158	696	9,471
Additions	-	-	177	1,601	117	1,895
Disposals	-	(32)	(80)	(1,084)	(28)	(1,224)
At 31 March 2017	**7,145**	**-**	**537**	**1,675**	**785**	**10,142**
Depreciation at 1 April 2016	(544)	(31)	(218)	(676)	(562)	(2,031)
Charge for Year	(46)	-	(79)	(66)	(78)	(269)
Disposals	-	31	75	676	20	802
At 31 March 2017	**(590)**	**-**	**(222)**	**(66)**	**(620)**	**(1,498)**
Net book value as at 31 March 2017	**6,555**	**-**	**315**	**1,609**	**165**	**8,644**
Net book value as at 31 March 2016	**6,601**	**1**	**222**	**482**	**134**	**7,440**

Group and Association

13. Intangible fixed assets

	Computer software £000
Cost at 01 April 2017	2,046
Additions	198
At 31 March 2018	**2,244**
Amortisation at 1 April 2017	(1,484)
Charge for Year	(218)
At 31 March 2018	**(1,702)**
Net book value as at 31 March 2018	**542**
Net book value as at 31 March 2017	**562**

14. Investment properties non-social housing properties held for letting

	Group 2018 £000	Group 2017 £000	Association 2018 £000	Association 2017 £000
At 1 April	19,223	17,065	19,223	17,065
Increase in value	967	2,158	967	2,158
At 31 March	**20,190**	**19,223**	**20,190**	**19,223**

Investment properties were valued as at 31 March 2018. The Group's investment properties have been valued by Jones Lang LaSalle, professional external valuers. The full valuation of all properties was undertaken, in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors (RICS).

15. Investment in subsidiaries

As required by statute, the financial statements consolidate the results of HSG Property Service Limited, Housing Solutions Capital PLC and Housing Solutions Development Limited which are all subsidiaries of the Association. The Association has the right to appoint members to the Boards of the subsidiaries and thereby exercises control over them.

	% Shareholding	Country of incorporation	Principal activity
HSG Property Services Limited	100	England	Provides photo voltaic panels and other energy saving solutions to save costs and creates revenue for the Group
Housing Solutions Capital PLC	100	England	Facilitates capital market funding for the Group
Housing Solutions Development Limited	100	England	Facilitates the design and build of properties for the Group (dormant)

16. Long term investment

	Group 2018 £000	Group 2017 £000	Association 2018 £000	Association 2017 £000
Investment in Housing Solutions Development Limited	-	-	-	-
Investment in Housing Solutions Capital PLC	-	-	50	50
Investment in Glassford LLP	2,427	2,427	2,427	2,427
	2,427	2,427	2,477	2,477

17. Properties for sale

	Group 2018 £000	Group 2017 £000	Association 2018 £000	Association 2017 £000
Shared ownership – completed properties	3,414	4,224	3,414	4,224
General needs property awaiting sale	-	914	-	914
	3,414	5,138	3,414	5,138

18. Debtors

	Group 2018 £000	Group 2017 £000	Association 2018 £000	Association 2017 £000
Due within one year				
Rent and service charge receivable	1,662	1,297	1,662	1,297
Less provision for bad and doubtful debts	(796)	(682)	(796)	(682)
	866	**615**	**866**	**615**
Prepayments and accrued income	926	429	926	429
Amounts owed by Group undertakings	-	-	1,080	1,015
Other debtors	1,858	1,479	1,589	1,427
	3,650	**2,523**	**4,461**	**3,486**

19. Creditors: amounts falling due within one year

	Group 2018 £000	Group 2017 £000	Association 2018 £000	Association 2017 £000
Debt (Note 22)	6,797	2,465	6,797	2,465
Trade creditors	2,116	1,662	2,113	1,659
Rent received in advance	1,111	954	1,111	954
Other tax and social security	167	173	167	173
Fixed asset creditors	1,688	2,058	1,688	2,058
Accrued interest	1,806	1,517	1,012	723
Other creditors	443	381	370	331
Recycled capital grant fund (Note 20)	538	663	538	663
Holiday pay accrual	129	127	129	127
Accruals	1,807	861	1,759	831
	16,602	**10,861**	**15,684**	**9,984**

20. Recycled capital grant fund

	Group 2018 £000	Group 2017 £000	Association 2018 £000	Association 2017 £000
As at 1 April 2017	663	433	663	433
Grants recycled	55	-	55	-
Withdrawals	(180)	(94)	(180)	(94)
Additions	-	324	-	324
At 31 March 2017	**538**	**663**	**538**	**663**

21. Creditors: amounts falling due after more than one year

	Group 2018 £000	Group 2017 £000	Association 2018 £000	Association 2017 £000
Debt (Note 22)	290,599	303,696	290,599	273,696
Pension liability (Note 27)	20,667	20,624	20,667	20,624
	311,266	**324,320**	**311,266**	**294,320**

22. Debt

Creditors	Group 2018 £000	Group 2017 £000	Association 2018 £000	Association 2017 £000
Debt	297,396	306,161	297,396	276,161
	297,396	306,161	297,396	276,161

Debt Analysis

Borrowings	Group 2018 £000	Group 2017 £000	Association 2018 £000	Association 2017 £000
Due within one year				
Bank loans	6,797	2,465	6,797	2,465
Other loans	-	-	-	-
	-	2,465	-	2,465
Due after more than one year				
Bank loans	119,072	132,535	119,072	132,535
Other loans	171,527	171,161	171,527	141,161
	290,599	303,696	290,599	273,696
Total loans	297,396	306,161	297,396	276,161

Security

Housing loans are secured by specific charges on the housing properties and by a first fixed charge on HSL's bank accounts.

Terms of repayment and interest rates

The Syndicated bank loan as at 31 March 2018 was replaced by two Bilateral Loans on 5 April 2018. The new loans have substantially different covenants, margins and repayment schedule, therefore the new loans have been treated on an actual cost basis as per FRS102 and AIS39. Both Bilateral loans are being repaid over different periods, one with quarterly payments and the other with annual payments. Final instalments ranging from April 2022 to June 2037 depending on the Tranches. Interest is both variable and fixed, with rates ranging from 1.30% to 6.16% during the year. Other loans include annual repayments from March 2023 and bullet repayments in 2034 and 2054. Fixed interest rates range from 4.75% to 6.16%. The loan with repayments starting in 2023 currently has an interest rate of 4.41% which is RPI linked.

At 31 March 2018 the Group has undrawn facilities of £36.7m (2017: £30.0m).

Based on the lender's earliest repayment date, borrowings are repayable as follows:

	Group 2018 £000	Group 2017 £000	Association 2018 £000	Association 2017 £000
Within one year or on demand	6,797	2,465	6,797	2,465
One year or more but less than two years	7,532	6,797	7,532	6,797
Two years or more but less than five years	25,458	22,845	25,458	22,845
Five years or more	257,609	274,054	257,608	244,054
	297,396	306,161	297,396	276,161

23. Non-equity share capital

	Association 2018 Number	Association 2017 Number
Shares of £1 each issued and fully paid		
At 1 April 2016 and as at 31 March 2017	10	10
	10	9

24. Leasing commitments

The future minimum lease payments of leases are as set out below. Leases relate to motor vehicles and office equipment.

The Association and Group's future minimum operating lease payments are as follows:

	2018 £000	2017 £000
Within one year	46	71
Between one and five years	4	-
	50	71

25. Capital commitments

	Group 2018 £000	Group 2017 £000	Association 2018 £000	Association 2017 £000
Capital expenditure that has been contracted for but has not been provided for in the financial statements	42,328	20,312	42,328	20,312
Capital expenditure that has been authorised by the Board but has not been contracted for	26,430	16,320	26,430	16,320

The total amount contracted for at 31 March 2018 relates to approved schemes for which grant approval has been received, private finance arranged or which will be met from the Group's own resources.

26. Cash flow from operating activities

	Association 2018 £000	Association 2017 £000
Surplus/(deficit) for the year	6,686	5,151
Adjustments for non-cash items:		
Depreciation of tangible fixed assets	5,270	4,907
Amortisation of intangible fixed assets	218	204
Decrease in valuation of housing properties	187	6,617
Decrease / (increase) in stock	1724	(3,059)
Decrease / (increase) in trade and other debtors	(1,127)	(215)
Decrease / (increase) in trade and other creditors	1,383	(208)
Pension costs less contributions payable	462	574
Surplus on sale of tangible fixed assets	(1,924)	(1,377)
Adjustments for investing or financing activities:		
Interest payable	14,019	12,134
Interest receivable	(245)	(360)
Net cash generated from operating activities	26,653	24,368

27. Pensions

Royal County of Berkshire pension scheme (Group and Association)

The RCBPS is a multi-employer scheme, administered by The Royal Borough of Windsor and Maidenhead under the regulations governing the Local Government Pension Scheme, a defined benefit scheme. The most recent formal actuarial valuation was completed as at 31 March 2016 by a qualified independent actuary.

The employer's contributions to the RCBPS by the Association for the year ended 31 March 2018 were £437,000 (2017: £677,000) at a contribution rate of 18.2% of pensionable salaries. The employer's contribution rate for the year ending 31 March 2019 has been set at 18.2%. Estimated employer's contributions to the RCBPS during the accounting period commencing 1 April 2019 are £645,000.

Principal actuarial assumptions Financial assumptions

	31 March 2018 % per annum	31 March 2017 % per annum	31 March 2016 % per annum
Discount rate	**2.55%**	2.8%	3.7%
Future salary increases	**3.3%**	3.6%	3.3%
Future pension increases	**2.3%**	2.7%	2.4%
Inflation assumption	**3.3%**	3.6%	3.3%

27. Pensions continued

Mortality assumptions

The post-retirement mortality assumptions adopted to value the benefit obligation at March 2016 and March 2015 are based on the PA92 series.

The assumed life expectations on retirement at age 65 are:

	2018 No. of years	2017 No. of years	2016 No. of years
Retiring today:			
Males	**23.1**	23.0	22.9
Females	**25.2**	25.0	26.2
Retiring in 20 years:			
Males	**25.3**	25.1	25.2
Females	**27.5**	27.4	28.6

Amounts recognised in surplus or deficit

	2018 £000	2017 £000	2016 £000
Current service cost	**(899)**	(711)	(930)
Administrative expenses	**(10)**	(10)	(11)
Amounts charged to operating costs	**(909)**	**(721)**	**(941)**

Net interest	**(572)**	(530)	(447)
Amounts charged to other finance costs	**(572)**	**(530)**	**(447)**

Reconciliation of opening and closing balances of the present value of scheme liabilities

	2018 £000	2017 £000	2016 £000
Opening scheme liabilities	36,148	28,107	28,804
Current service cost	899	624	930
Interest cost	1,003	1,029	974
Remeasurements	(921)	7,591	(2,297)
Benefits paid	(870)	(835)	(568)
Contributions by scheme participants	177	235	268
Experience loss on defined benefit obligation	-	(605)	-
Change in demographic assumptions	-	(81)	-
Past service costs	-	87	-
Unfunded pension payments	(4)	(4)	(4)
Closing scheme liabilities	**36,432**	**36,148**	**28,107**

27. Pensions continued

Reconciliation of opening and closing balances of the fair value of plan assets

	2018 £000	2017 £000	2016 £000
Opening fair value of plan assets	15,525	13,451	15,297
Interest income	431	499	527
Return on plan assets (in excess of interest)	79	1,586	(781)
Other actuarial losses	-	(74)	(1,965)
Administration expenses	(10)	(10)	(11)
Contributions by employer	437	677	688
Contributions by scheme participants	177	234	268
Benefits paid	(874)	(839)	(572)
Closing fair value of plan assets	**15,765**	**15,524**	**13,451**

	2018 £000	2017 £000	2016 £000
Pension Liability	**20,667**	**20,624**	**14,656**

Major categories of plan assets as a percentage of total plan assets

	2018 %	2017 %	2016 %
Equities	48.0%	49.0%	45.0%
Gilts	N/A	N/A	1.0%
Bonds	15.0%	15.0%	14.0%
Properties	13.0%	14.0%	12.0%
Cash	15.0%	10.0%	5.0%
Other	9.0%	12.0%	23.0%
Total	**100%**	**100%**	**100%**

Sensitivity analysis

Adjustment to mortality age rating assumption

	+1 Year £000	None £000	-1 Year £000
Present value of total obligation	37,770	36,432	35,144
Projected service cost	886	859	832

Adjustment to discount rate

	Increase by 0.1%	None	Decrease by 0.1%
Present value of total obligation	35,703	36,432	37,178
Projected service cost	838	859	880

28. Related parties

Tenant members of each Association are charged normal policy rents and receive no favourable treatment in any respect as a result of their membership of the Association.

Ross McWilliams is a member of the Housing Solutions Board and is a councillor of the Royal Borough of Windsor and Maidenhead Council. All transactions with the Royal Borough of Windsor and Maidenhead Council are made at arm's length on normal commercial terms.

Transactions between the company and its 100% owned subsidiaries, which are related parties, have been eliminated on consolidation for the Group

HSG Property Services Limited charged the parent Housing Solutions £11,085 (2017: £11,150) for electricity generated by the photo voltaic panels on residents' roofs and Housing Solutions charged HSG Property Services Limited £10,537 (2017: £9,518) for the rental of residents' roofs. Housing Solutions charged HSG Property Services Limited interest £50,767 (2017: £50,857).

Housing Solutions Capital PLC was charged £8,299,300 (2017: £9,411,691) for interest on the Note Purchase Agreement loan and received £8,299,300 (2017: £9,411,691) in interest from the parent Housing Solutions, for its loan to the parent company.

29. Legislative provisions

The Association is incorporated under the Co-Operative and Community Benefit Societies Act 2014, Registration No. 27876R and is a Registered Social Landlord under the Housing Act 1974, Registration No. L4073.

30. Principal activities of subsidiaries and joint venture

HSG Property Services Limited provides photo voltaic panels on residents' roofs providing residents with an efficient source of energy and creates revenue for the Group through the Feed In Tariff programme.

Housing Solutions Capital PLC is set up to facilitate capital market funding for the Group.

Housing Solutions Development is set up to facilitate the design and build of properties for the Group.

Glassford LLP is a joint venture with The Royal County of Berkshire Pension Fund which owns and manages 40 market rent properties.

31. Contingent liability

At 31 March 2018 the Group and Association had received a claim by a contractor for costs incurred due to the overrun of a major refurbishment programme. This is currently in dispute and subject to adjudication.

32. Financial assets and liabilities

The Board policy on financial instruments is explained in the Board Report as are references to financial risks.

Categories of financial assets and financial liabilities

	2018 £000	2017 £000
Loan Commitments measured at cost less impairment	295,868	305,000
Total	**295,868**	**305,000**

	2018 £000	2017 £000
The difference between the financial liability's carrying amount and the amount the entity would be contractually obliged to pay at maturity	1,527	1,161

Financial assets

Other than short-term debtors, financial assets held are equity instruments in other entities and cash at bank.

	2018 £000	2017 £000
Financial assets on which no interest is earned	2,427	2,427
	2,427	**2,427**

The remaining financial asset is a government gilt attracting interest at a fixed rate.

Financial liabilities excluding trade creditors – interest rate risk profile

The Group's financial liabilities are sterling denominated. The interest rate profile of the Group's financial liabilities at 31 March was:

	2018 £000	2017 £000
Fixed rate	236,800	236,800
	236,800	**236,800**

The fixed rate financial liabilities have a weighted average interest rate of 4.71% (2017: 4.71%) and the weighted average period for which it is fixed is 18.8 years (2017: 18.8 years)

The debt maturity profile is shown in note 21.

Borrowing facilities

The Group has undrawn committed borrowing facilities. The facilities available at 31 March in respect of which all conditions precedent have been met were as follows:

	2018 £000	2017 £000
Expiring in more than two years	36,667	30,000
	36,667	**30,000**