

Barnsbury Housing Association Limited

Annual Report and Financial Statements

Year ended 31 March 2018

Cooperative and Community Benefit Society Reg No. 18135R

Homes & Communities Agency Reg No. L2518

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Company Information

Honorary President	Julie Kettle
Chairman	Martyn Waring
Secretary	Susan French
Board Members	Nancy Korman Karl Phillips Fiona Kilminster (resigned 19 April 2018) Charles Culling Patrick Lynch (Tenant) Barbara Sidnell Aaron Elliot Stephane Croce (appointed 21 September 2017) Jonathan Bunt (appointed 21 September 2017)
Chief Executive	Susan French
Registered address	16b Cloudesley Street London N1 0HU Tel: 020 7704 2324 Fax: 020 7607 8710 E-mail: susan@barnsbury.org
Auditor	Mazars LLP Chartered Accountants and Statutory Auditor 45 Church Street Birmingham B3 2RT
Principal Solicitors	Lewis Silkin LLP 5 Chancery Lane London EC4A 1BL
Bankers	Royal Bank of Scotland Plc 60-62 Threadneedle Street London EC2R 8LA
Co-operative and Community Benefit Society Reg No.	18135R
Homes & Communities Agency Reg No.	L2518

Chair's Report

Our audited accounts for the year ended 31 March 2018 demonstrate that Barnsbury Housing Association (BHA) continues to maintain high standards of financial control and probity. We made a surplus for the year of £543,507, which helps us to continue to invest in new developments, and we retain a healthy balance sheet with cash reserves of £441,314.

Review of the year

The last twelve months have been an exciting time for BHA.

The highlights of the year were:

- Undertaking a stock transfer of 40 homes at Highbury View from Crown Simmons HA
- Securing an £8 million loan from Clydesdale Bank plc to support our growth ambitions
- Launching our new website
- Celebrating our 50th Anniversary, including making a film of our history
- Moving to a new office with improved facilities for staff, residents and Board Members
- Commissioning a stock condition survey to inform our comprehensive 30-year asset management plan
- Delivering improvement works to over 90 homes, including 12 new kitchens, 12 new boilers and 24 new bathrooms

Our Purpose and Objectives

The Board reviewed our Mission, Vision and Values at the start of 2017/18. This confirmed our role as a neighbourhood-based housing association working closely with the local community and helping to keep Barnsbury – one of the more expensive areas of London – affordable for local people.

Our Mission

We provide quality affordable rented housing and a quality service

Our Vision

Helping keep Barnsbury affordable and the community thriving

Our Values

We aim to:

- be responsive and caring
- know our residents as individuals
- help build self-reliance in our community
- be open and accessible
- be nimble and creative, willing to try new things
- be a connected and effective partner
- aim high and punch above our weight

Our Ambitions

Our overarching ambitions are:

- 1 To be a great landlord
- 2 To help meet Islington's diverse housing needs
- 3 To be a 'force for good' in Islington
- 4 To be a modern, effective organisation

Our Residents

During 2017/18 we continued our community development programme for residents, which includes events and activities, welfare and debt advice and a bursary scheme. We are also delighted to welcome Thornhill School and other sports groups who use the football pitch for sporting activities, including netball and football practice sessions, at which BHA residents are also welcome.

We continue to benefit from excellent working relations with Islington Council, the local police and Parkguard, who work together with us on community safety issues throughout the year.

Chair's Report

A renewed focus on development

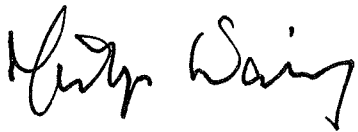
The Board is committed to using our assets to develop more affordable housing in one of the most expensive areas of London and an area of acute housing need. During the year we worked towards implementing our Development Strategy, approved in March 2017.

Development opportunities are few and far between in the area of Islington where we operate, so we are focusing on opportunities including stock transfers from other landlords, Section 106 developments and opportunities to use underused land or resources in our own stock.

We are delighted to have taken transfer of 40 homes at Highbury View from Crown Simmons Housing Association during the year. The scheme lies firmly within our area of operation and, as a mainly sheltered housing scheme, offers opportunities for us to widen our housing offer to Islington's - and our own - residents.

We also brought forward plans to convert a number of underused garages on our main estate to provide seven new accessible homes.

We are delighted that our new scheme in Eden Grove, London N7 is now complete. We have owned the site for many years and we are pleased to have overcome the final hurdles to build four much-needed new homes.



Martyn Waring
Chair

20 September 2018

Report of the Board

The Board of Management present their report and audited financial statements for the year ended 31 March 2018.

Legal Status

The Association is registered under the Co-operative and Community Benefit Society Act 2014 and is a registered social landlord.

Principal activities

The Association's principal activities are the development and management of social housing.

Corporate Governance

The Association ensures full compliance with the Homes and Communities Agency Regulatory Framework as it relates to small social housing providers with fewer than 1,000 homes. The Board has adopted the National Housing Federation Code of Governance (2015 edition) and the National Housing Federation Model Rules 2015 to ensure full compliance. This includes Board self-assessment and independent assessment. The Board has adopted the National Housing Federation Code of Conduct and Board members confirm their compliance with the Code on an annual basis.

We review our compliance with the Code on an annual basis and confirm that we have complied with the Code and the HCA's Governance and Financial Viability Standard in all areas.

Board

BHA's Board comprised ten members during 2017/18, all of whom are non-executive and, for legal purposes, are regarded as directors. Members are recruited externally by a formal interview process and are drawn from a variety of backgrounds. Two new members joined the Board during the year, bringing new skills in housing finance, marketing, customer service as well as sector experience.

The Board is responsible for the overall direction of the Association's affairs which are set out in the Board Terms of Reference. The day-to-day management of the organisation is delegated to the Chief Executive and the team. The Board meets five or six times each year. The average attendance at Board meetings during the year was 80%.

During 2017/18 we implemented the recommendations of the Governance Review carried out the previous year. As well as refreshing our governance documents, we streamlined our committee structure. Under the new structure the Board, meets five or six times a year and is supported by two committees with responsibilities for Audit & Risk and Governance & Remuneration. The Committees report back to the Board after each meeting where their recommendations are considered and approved where appropriate.

We also conduct Board appraisals each year and, in 2018/19 intend to have an external appraisal of Board effectiveness carried out.

Risk Management and Performance

The Board agreed a new risk management framework and risk register during 2017/18, which has been refined during this year. The Board reviews the Risk Register annually with the Audit & Risk Committee reviewing our Top Ten Risks at each meeting and the full register each year.

In order to meet the HCA's Governance and Financial Viability Standard, the Board has conducted stress testing, and continues to review how we manage risk, taking expert and independent advice where necessary. We have collated our information on assets and liabilities in accordance with the HCA's directions.

Value for money

Our approach

In line with the new regulatory standard, our Board have agreed a Value for Money Strategy. This identifies our strengths and weaknesses on VFM and sets out metrics we will use to improve our performance.

Report of the Board

In summary our strategy is “**grow, modernise and streamline**”, acknowledging that our VFM gains will be made by achieving economies of scale through growth, introducing more efficient ways of working (including using new technology) and cutting out waste and duplication in how we work. We have already made good progress in those areas including:

- * having a **growth strategy** which sets out our ambitious targets for growth. We increased our stock by 16% in 2017/18 which has already brought economies of scale and we have plans to develop more new homes, including opportunities within our existing stock
- * agreeing a **Digital Strategy**, based on an understanding of our tenant demographics and which moves us towards greater use of technology in how we work and interact with our tenants. During the year we launched a new website with improved functionality, a web-based gas portal to streamline and better manage gas safety and a web-based Board portal.
- * A programme of **process reviews** to modernise and streamline our key housing management and maintenance processes.

The VFM Strategy also identifies a range of metrics against which we will measure of performance on VFM. As well as the regulatory metrics, we have identified others that focus on those areas of the business where we can make gains and improve performance.

The table below shows our performance for the current and previous year against our immediate peer group and the national smaller housing associations, as well as our targets for 2018/19. Targets in **bold and italics** represent our VFM metrics.

	Barnsbury		BM320 Peer group median	National smaller providers median	
Measure	2016/17	2017/18	2016/17		VFM Target 2018/19
Investment					
New supply delivered (Social housing units)	0	0	0	0	4 new homes
Reinvestment %	8.05	2.42	6.30	4.14	-
Return on Capital Employed (ROCE) %	5.15	3.12		3.40	3.40
Investment in communities	£35,000	£36,768	£35,555	£20	-
Units completed during the period April March; Social Housing	0	0	0	0	
Customer Service					
Satisfaction - overall service	89.0%	89.0%	88.5%	92.5%	Peer group second quartile
Average re-let time (days) - GN	14.7	23.8	25.8	20.0	Peer group second quartile
Occupancy - GN	98.43%	100.00%	99.90%	99.64%	-
Current tenant arrears % - GN & HfOP	4.20%	4.30%	3.83%		Peer group second quartile
% rent collected - GN & HfOP	101.0%	100.6%	100.3%	100.0%	-
Number of responsive repairs per property	3.91	4.06	2.12	n/a	Peer group average
Average end-to-end time for all reactive repairs	n/a	16.00	n/a		-
Ratio of responsive repairs to planned maintenance	0.21	2.15			-
% dwellings with a valid gas safety cert	100.0%	99.7% (note 1)			100%
Financial					
Headline social housing cost per unit	£5,784	£4,329	£4,303	£4,252	Peer group first quartile
Operating margin (overall)	27.6%	25.9%	25.9%	22.3%	Peer group first quartile
Operating margin (social housing lettings)	27.6%	25.7%	25.7%	26.4%	Peer group first quartile
EBITDA MRI (as a percentage of interest) (note 2)	5099%	352%	624%	306%	Peer group inter-quartile range
Gearing (RSH and Scorecard measure)	-12.7%	27.7%	12.0%	19.9%	Peer group inter-quartile range
Management cost per unit	£1,259	£1,357	£1,357	£1,044	Peer group second quartile
Maintenance cost per unit	£619	£802	£879	£723	Peer group second quartile
Major repairs cost per unit	£2,933	£1,031	£893	£716	Under £1,000

Report of the Board

Quartile Ranking	
1	First
2	Second
3	Third
	Fourth

No colour coding means that either the data is not available, or the ranking was not produced by the BM320/NSP.

Note 1: For those properties for which there was no valid gas safety certificate at the year end the correct process was in place for gaining access.

Note 2: EBITDA MRI = Earnings before interest, tax, depreciation and amortisation (major repairs included).

Strategy for delivering new homes

The Board recently approved a new development strategy, which sets out our ambition to seek opportunities to develop new homes in our chosen area of north London. We will leverage our strong balance sheet to maximise our development potential over the next five years. During the year we acquired 40 units from another housing association and we are currently actively seeking other opportunities.

Conclusion

In the light of the above, the conclusion drawn is that the Association can demonstrate its compliance with the regulatory standard on value for money.

Internal Financial Controls

The Board acknowledges its responsibility for ensuring we have in place a system of controls appropriate to the environment in which we operate. These controls are designed to give reasonable assurance with respect to:

- The reliability of financial information used within the Association or for publication;
- The maintenance of proper accounting records;
- The safeguarding of assets against unauthorised use or disposition;
- Bribery and money laundering legislation.

It is the Board's responsibility to establish and maintain systems of internal financial accountability. Such systems can only give reasonable and not absolute assurance against material misstatement or loss. Key elements include ensuring that:

- Formal financial regulations are in place, including rules relating to the delegation of authorities, which allow the monitoring of controls and restrict the unauthorised use of the Association's assets;
- Forecasts and budgets are prepared which allow the Board to monitor the key business risks and financial objectives and progress towards financial plans set for the year;
- Quarterly management accounts are prepared promptly, providing relevant up to date financial and other information. Significant variances from budget are investigated as appropriate;
- All significant new initiatives, major investment commitments and investment projects are subject to formal authorisation procedures through the Board;
- An external accountant provides an internal audit service and advises both the Audit & Risk Committee and the Board.

No weaknesses in financial control were found by the Board, which resulted in material losses, contingencies, or uncertainties, which would require disclosure in the financial statements or in the external auditors' report. Our Financial Regulations underwent a major review and update in 2016/17, and have been further updated during 2017/18.

In order to provide the Board with assurance, we commissioned an Internal Controls Review by Beever & Struthers and the recommendations from that report will be actioned during 2018/19. The review found no fundamental weaknesses.

Report of the Board

Statement of the responsibilities of the Board

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

Co-operative and Community Benefit Societies Act 2014 and registered social housing legislation require the Board to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". Under the Co-operative and Community Benefit Societies Act 2014 the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and surplus or deficit of the Association for that period. In preparing these financial statements, the directors are required to:

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

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

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

Disclosure of information to auditor

Each of the Board members at the time when this Report of the Board is approved has confirmed that:

- so far as that Board member is aware, there is no relevant audit information of which the Association's auditor is unaware, and
- that Board member has taken all the steps that ought to have been taken as a Board member in order to be aware of any relevant audit information and to establish that the Association's auditor is aware of that information.

Statement of Viability

The Board is confident that the future prospects for the Association are sound. With continued focus on cost control and debt management, we expect to continue to realise annual surpluses in future, which will assist us to meet our goal of building more new homes.

This report of the Board was approved on 20 September 2018 and signed by order of the Board.



S French
Secretary

Independent Auditors' Report to the Members of Barnsbury Housing Association Limited

Opinion

We have audited the financial statements of Barnsbury Housing Association Limited (the 'association') for the year ended 31 March 2018 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Reserves and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the association's affairs as at 31 March 2018 and of its surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015.

Basis for opinion

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

Conclusions relating to going concern

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

- the Board's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Board has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the association's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Board is responsible for the other information. The other information comprises the information included in the Chair's report, 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

Independent Auditors' Report to the Members of Barnsbury Housing Association Limited

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 in relation to which the Co-operative and Community Benefit Societies Act 2014 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specific by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of the Board

As explained more fully in the Statement of the Board's responsibilities set out on page 8, 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 association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board either intends to liquidate the association or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

Use of the audit report

This report is made solely to the association's members as a body in accordance with Part 7 of the Co-operative and Community Benefit Societies Act 2014 and Chapter 4 of Part 2 of the Housing and Regeneration Act 2008. Our audit work has been undertaken so that we might state to the association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume

Independent Auditors' Report to the Members of Barnsbury Housing Association Limited

responsibility to anyone other than the association and the association's members as a body for our audit work, for this report, or for the opinions we have formed.

Mazars LLP

Mazars LLP
Chartered Accountants and Statutory Auditor
45 Church Street
Birmingham
B3 2RT

Date: 21/9/2018

Statement of Comprehensive Income

For the year ended 31 March 2018

	Note	2018 £	2017 £
Turnover	3	2,143,910	2,043,298
Operating costs	3	(1,443,432)	(1,474,893)
		<hr/>	<hr/>
Operating surplus	5	700,478	568,405
Interest receivable and other income	6	1,523	2,539
Interest payable and similar charges	7	(158,494)	(9,302)
		<hr/>	<hr/>
Surplus and total comprehensive income for the financial year		<hr/> <hr/> 543,507	<hr/> <hr/> 561,642

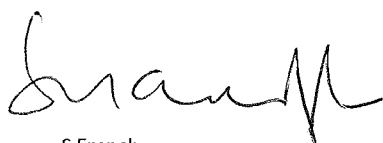
The results relate wholly to continuing operations.

The accompanying notes form part of these financial statements.

These financial statements were approved by the Board on 20 September 2018.



M Waring
Chairman



S French
Secretary



J Bunt
Board Member

Statement of Changes in Reserves

	Total £
Balance at 1 April 2016	6,970,043
Total comprehensive income for the year ended 31 March 2017	561,642
	<hr/>
Balance at 31 March 2017	7,531,685
Total comprehensive income for the year ended 31 March 2018	543,507
	<hr/>
Balance at 31 March 2018	8,075,192
	<hr/>


All reserves are income and expenditure reserves.


Statement of Financial Position

At 31 March 2018

	Note	2018 £	2017 £
Tangible fixed assets			
Housing properties	11	17,354,618	9,777,590
Other tangible fixed assets	12	66,477	61,662
		<u>17,421,095</u>	<u>9,839,251</u>
Current assets			
Debtors	13	74,902	66,938
Short term deposits	14	195,465	1,015,465
Cash and cash equivalents		245,849	652,286
		<u>516,216</u>	<u>1,734,689</u>
Creditors: Amounts falling due within one year	15	<u>(514,515)</u>	<u>(625,328)</u>
Net current assets		<u>1,701</u>	<u>1,109,361</u>
Total assets less current liabilities		<u>17,422,796</u>	<u>10,948,612</u>
Creditors: Amounts falling due after more than one year	16	<u>9,347,587</u>	<u>3,416,900</u>
Total net assets		<u>8,075,208</u>	<u>7,531,712</u>
Capital and reserves			
Non-equity share capital	19	17	28
Income and expenditure reserves		8,075,191	7,531,684
		<u>8,075,208</u>	<u>7,531,712</u>
Total capital and reserves		<u>8,075,208</u>	<u>7,531,712</u>

These financial statements were approved by the Board on 20 September 2018 and signed on its behalf by:


M Waring
Chairman


S French
Secretary


J Bunt
Board Member

The accompanying notes form part of these financial statements.

Statement of Cash Flows

For the year ended 31 March 2018

	Note	2018 £	2017 £
Net cash generated from operating activities	20	830,232	921,298
Cash flow from investing activities			
Purchase of tangible fixed assets		(6,395,070)	(473,809)
Grants received		-	99,002
Interest received		1,523	2,539
Net cash flow from investing activities		(6,393,547)	(372,268)
Cash flow from financing activities			
Repayment of borrowings		(454,632)	(72,222)
New loans		4,950,000	-
Interest paid		(158,494)	(9,302)
Share capital received		2	0
Net cash flow from financing activities		4,336,876	(81,524)
Net change in cash and cash equivalents		(1,226,438)	467,506
Cash and cash equivalents at the beginning of the year		1,667,752	1,200,246
Cash and cash equivalents at the end of the year		441,314	1,667,752

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

1 Legal status

The association is registered under the Co-operative and Community Benefit Society Act 2014 and is registered with the Homes and Communities Agency as a Registered Provider of social housing in England. The registered address is shown on page 3.

2 Accounting policies

Basis of accounting

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and to the preceding year.

The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value, in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council and comply with the Statement of Recommended Practice for registered social housing providers 2014 (SORP), the Housing and Regeneration Act 2008 and the Accounting Direction for private registered providers of social housing 2015. Barnsbury Housing Association Limited is a public benefit entity, as defined in FRS 102 and applies the relevant paragraphs prefixed 'PBE' in FRS 102.

These financial statements are presented in sterling (£).

Statement of Compliance

Barnsbury Housing Association Limited has prepared its financial statements in accordance with FRS 102 for both the current and preceding financial years.

Going concern

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

On this basis, the Board has a reasonable expectation that the society 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.

Significant management judgements

Preparation of the financial statements requires management to make significant judgements and estimates. The following are the significant judgements made in applying the accounting policies of the Association that have the most significant effect on the financial statements.

Impairment

With effect from 1 April 2016 our rents were reduced by 1% per annum until 31 March 2020. This is considered to be a potential impairment indicator and therefore a review for impairment has been carried out. We estimated the recoverable amount of our housing properties as follows:

- (i) We determined the level (the cash generating unit) at which the recoverable amount is to be assessed. The CGU was determined to be an individual scheme or block of properties.
- (ii) We assessed the recoverable amount of the CGU.
- (iii) We calculated the carrying amount of the CGU.
- (iv) We compared the carrying amount to the recoverable amount to determine if impairment has occurred.

The recoverable amount was determined by calculating a discounted cash flow. Based on this assessment, no impairment charge was deemed necessary.

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.

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 changes to Decent Homes Standards, which may require more frequent replacement of key components. Accumulated depreciation at 31 March 2018 was £6,212,504.

Turnover

Turnover comprises:

- a) rental income from tenants receivable in the period;
- b) amortisation of capital grants received over the useful life of the asset funded by the grant;
- c) revenue grants (if received);
- d) service charges, and
- e) commercial rents.

Rental income is recognised from the point where properties become available for letting. Revenue grants are receivable when the conditions for the receipt of agreed grant funding have been met.

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 historic cost model.

Debtors

Short term debtors are measured at transaction price, less any impairment. Where deferral of payment terms have been agreed, and where material, the balance is shown at the present value, discounted at a market rate.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short term, highly liquid investments that are readily convertible into known amounts of cash and are subject to an insignificant risk of changes in value.

Financial assets carried at amortised cost

Financial assets carried at amortised cost comprise rent arrears, trade and other receivables and cash and cash equivalents. Financial assets are initially recognised at fair value plus directly attributable transaction costs. After initial recognition, they are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. If there is objective evidence that there is an impairment loss, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced accordingly.

A financial asset is derecognised when the contractual rights to the cash flows expire, or when the financial asset and all substantial risks and reward are transferred.

If an arrangement constitutes a financing transaction, the financial asset is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial liabilities carried at amortised cost

These financial liabilities include trade and other payables and interest bearing loans and borrowings. Non-current debt instruments which meet the necessary conditions in FRS 102, are initially recognised at fair value adjusted for any directly attributable transaction cost and subsequently measured at amortised cost using the effective interest method, with interest-related charges recognised as an expense in finance costs in the Statement of Comprehensive Income. Discounting is omitted where the effect of discounting is immaterial.

A financial liability is derecognised only when the contractual obligation is extinguished, that is, when the obligation is discharged, cancelled or expires.

Creditors

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

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.

Pensions

The Association operates a defined contribution pension scheme. The pension costs for that scheme represent contributions payable by the Association in the year.

Housing Properties

Housing properties are properties held for the provision of social housing. They are principally properties available for rent and are stated at cost less accumulated depreciation and impairment losses. Cost includes the cost of acquiring land and buildings, development costs, interest charges incurred during the development period and expenditure incurred in respect of improvements.

Improvements are works which result in an increase in the net rental income, such as a reduction in future maintenance costs, or result in a significant extension in the useful economic life of the property in the business. Only the direct overhead costs associated with new developments or improvements are capitalised. Land donated by local authorities and others is added to cost at the market value of the land at the time of the donation.

Depreciation of Housing Properties

Freehold land and properties held for development are not depreciated. Depreciation is charged to write down the net book value of housing properties to their estimated residual value, on a straight line basis, over their estimated useful economic lives in the business. Refurbishment or replacement of the major components is capitalised and depreciated over the estimated useful economic life of the component. The depreciable amount is arrived at on the basis of original cost less residual value.

For the acquisition of 40 units at Highbury View, we have allocated 46% of the total cost to land, which is not depreciated. This amount is based on the NHF depreciation matrix. We accounted for components other than structure at the cost and net book value at which those components were carried in the books of the transferor housing association, and the balance of the purchase price we have allocated to structure.

The Association depreciates the major components at the following annual rates.

Structure	2%
Kitchens and bathrooms	5%
Boilers	7%
Lifts	4%
Windows	4%

Impairment

Annually housing properties are assessed for impairment indicators. Where indicators are identified, and assessment for impairment is undertaken comparing the scheme's carrying amount to its recoverable amount. Where the carrying amount of a scheme is deemed to exceed its recoverable amount, the scheme is written down to its recoverable amount. Any such write down would be charged to income and expenditure.

Government Grants

Government grants include grants receivable from the Homes and Communities Agency, local authorities, and other government organisations. Such grants are recognised in income over the useful life of the housing property structure and, where applicable, its individual components (excluding land) under the accruals model. Grants relating to revenue are recognised in income and expenditure over the same period as the expenditure to which they relate, as long as all conditions for receiving the grant have been fulfilled.

Government grants are subordinated to the repayment of loans by agreement with the HCA. 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.

Other grants

These include grants from other organisations. Grants in respect of revenue expenditure are credited to income and expenditure account in the same period as the expenditure to which they relate.

Other tangible fixed assets and depreciation

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:

Freehold offices	10%
Furniture, fixtures and fittings	10%
Computers and office equipment	25%
Plant and equipment	20%

Cyclical repairs and maintenance

The Association's cyclical repairs and maintenance costs are charged to the income and expenditure account, as incurred.

Provisions for liabilities

Provisions are recognised when there is a present obligation as a result of a past event, and it is probable the settlement of that obligation will be required, and a reliable estimate of the obligation can be made. 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.

The Association 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 twelve months. The provision is measured at the salary cost payable for the period of absence.

3 Particulars of turnover, operating costs and operating surplus

2018	Turnover	Operating costs	Operating surplus
	£	£	£
Social housing lettings	2,137,480	(1,443,432)	694,048
Non-social housing activities	6,430	-	6,430
	<u>2,143,910</u>	<u>(1,443,432)</u>	<u>700,478</u>
	<u><u>2,143,910</u></u>	<u><u>(1,443,432)</u></u>	<u><u>700,478</u></u>
2017			
Social housing lettings	2,036,868	(1,474,893)	561,974
Non-social housing activities	6,430	-	6,430
	<u>2,043,298</u>	<u>(1,474,893)</u>	<u>568,404</u>
	<u><u>2,043,298</u></u>	<u><u>(1,474,893)</u></u>	<u><u>568,404</u></u>

Income and expenditure from social housing lettings

	General needs housing	
	2018	2017
	£	£
Rent receivable net of identifiable service charge	1,849,507	1,806,390
Service charge income	113,806	88,246
Amortisation of government and other grants	174,326	142,231
	<u>2,137,480</u>	<u>2,036,868</u>
	<u><u>2,137,480</u></u>	<u><u>2,036,868</u></u>
Management	400,345	321,026
Service charge costs	164,829	126,669
Routine maintenance	182,808	157,782
Cyclical maintenance	35,996	357,963
Major repairs	113,979	93,645
Housing property depreciation	404,583	335,730
Development	135,355	77,924
Other costs	5,537	4,155
	<u>1,443,433</u>	<u>1,474,893</u>
	<u><u>1,443,433</u></u>	<u><u>1,474,893</u></u>
Operating cost on social housing lettings	1,443,433	1,474,893
	<u>694,048</u>	<u>561,974</u>
	<u><u>694,048</u></u>	<u><u>561,974</u></u>
Operating surplus on social housing lettings	694,048	561,974
	<u>19,809</u>	<u>14,833</u>
	<u><u>19,809</u></u>	<u><u>14,833</u></u>
Void losses	19,809	14,833
	<u>19,809</u>	<u>14,833</u>
	<u><u>19,809</u></u>	<u><u>14,833</u></u>

4 Accommodation in management and development

	2018	2017
General housing		
Social rent	295	255
	<hr/>	<hr/>
Accommodation in development at the year-end	4	4
	<hr/>	<hr/>

5 Operating surplus

	2018	2017
	£	£
Operating surplus is arrived at after charging/(crediting):		
Amortisation of government and other grants	(174,326)	(142,231)
Depreciation of housing properties	404,583	335,730
Depreciation of other tangible fixed assets	15,647	13,439
Auditors' remuneration (excluding VAT):		
- for audit services	8,665	7,851
	<hr/>	<hr/>

6 Interest receivable and similar income

	2018	2017
	£	£
Interest receivable from cash deposits	1,523	2,539
	<hr/>	<hr/>

7 Interest payable and similar charges

	2018	2017
	£	£
Interest on loans	36,587	9,302
Costs of obtaining new loan and other charges	121,907	-
	<hr/>	<hr/>
	158,494	9,302
	<hr/>	<hr/>

8 Employees

Average monthly number of employees expressed in full-time equivalents (calculated based on a standard working week of 35 hrs):

	2018 No.	2017 No.
Administration	2	2
Development	1	1
Housing, support and care	6	4
	<hr/> 9	<hr/> 7
	<hr/>	<hr/>
Employee costs:	£	£
Wages and salaries	256,237	245,337
Social security costs	19,658	22,230
Other pension costs	19,361	19,291
	<hr/> 295,256	<hr/> 286,858
	<hr/>	<hr/>

There were no employee (2017: none), with remuneration in excess of £60,000 during the year.

9 Key management personnel

Key management personnel are those people having authority and responsibility for planning, directing, and controlling the Association's activities, either directly or indirectly. This includes the Board of Directors and the Chief Executive. The Chief Executive works part time.

The Chief Executive's emoluments (highest paid employee) include:

	2018 £	2017 £
Basic salary	59,236	46,751
	<hr/>	<hr/>
Pension contributions	3,925	1,225
	<hr/>	<hr/>

No emoluments were paid to other Board directors during the year (2017: £nil).

No expense allowances were paid during the year to members of the Board (2017: £nil)

There are no special pension arrangements for the Chief Executive, who is an ordinary member of the defined contribution pension scheme.

10 Taxation

The association has charitable status and benefits from various exemptions from taxation afforded by the tax legislation and is not therefore liable to corporation tax on income or gains falling within these exemptions. The association is not registered for Value Added Tax.

11 Tangible fixed assets – housing properties

	Freehold properties held for development £	Freehold housing properties held for letting £	Total £
Cost			
At 1 April 2017	486,704	14,723,542	15,210,246
Works to existing properties	-	244,436	244,436
Disposal of components	-	(12,670)	(12,670)
Additions	613,412	7,262,129	7,875,541
	<hr/>	<hr/>	<hr/>
At 31 March 2018	1,100,117	22,217,437	23,317,554
	<hr/>	<hr/>	<hr/>
Depreciation			
At 1 April 2017	-	5,432,656	5,432,656
On additions	-	139,265	139,265
Charge for the year	-	335,730	335,730
On disposals	-	(1,167)	(1,167)
	<hr/>	<hr/>	<hr/>
At 31 March 2018	-	5,963,835	5,963,835
	<hr/>	<hr/>	<hr/>
Net book value			
At 31 March 2018	1,100,117	16,253,602	17,353,718
	<hr/>	<hr/>	<hr/>
At 31 March 2017	486,704	9,290,886	9,777,590
	<hr/>	<hr/>	<hr/>

Expenditure on works to existing properties

	2018	2017
	£	£
Improvement works capitalised	81,664	84,393
Components capitalised	162,773	216,993
	<hr/>	<hr/>
Total works on existing properties capitalised	244,436	301,386
Amounts charged to the statement of comprehensive income	334,345	389,278
	<hr/>	<hr/>
	578,782	690,664
	<hr/>	<hr/>

Social housing assistance

	2018	2017
	£	£
Total accumulated social housing grant received or receivable at 31 March:		
Recognised in the Statement of Comprehensive Income	5,069,317	4,894,991
Held as deferred income	4,571,913	3,141,499
	<hr/>	<hr/>
	9,641,230	8,036,491
	<hr/>	<hr/>
Capital grant received	8,815,283	7,210,544
Revenue grant received	825,947	825,947
	<hr/>	<hr/>
	9,641,230	8,036,491
	<hr/>	<hr/>

No finance costs have been capitalised.

Impairment

We consider individual schemes to be separate Cash Generating Units when assessing for impairment, in accordance with the requirements of FRS 102 and SORP 2014.

No impairment is considered necessary as at 31 March 2018.

12 Tangible Fixed Assets - Other

	Freehold offices £	Furniture, fixtures & fittings £	Computers & office equipment £	Total £
Cost				
At 1 April 2017	174,034	12,502	108,150	294,686
Additions	-	13,638	6,823	20,462
At 31 March 2018	174,034	26,141	114,973	315,148
Depreciation				
At 1 April 2017	116,593	9,142	107,289	233,024
Charge for the year	11,238	1,842	2,566	15,647
At 31 March 2018	127,831	10,984	109,855	248,670
Net book value				
At 31 March 2018	46,203	15,157	5,117	66,477
At 31 March 2017	57,441	3,360	861	61,662

13 Debtors

	2018 £	2017 £
Arrears of rent and service charges	105,562	99,138
Less: provision for bad and doubtful debts	(54,003)	(54,003)
	51,559	45,135
Prepayment and accrued income	23,343	21,802
	74,902	66,938

The difference between the net present value of arrears balances with a payment plan is not materially different from the actual balances. Therefore, no adjustment has been made in these financial statements.

14 Short term deposits

	2018	2017
	£	£
Money market deposits	195,465	1,015,465
	<u> </u>	<u> </u>

15 Creditors: amounts falling due within one year

	2018	2017
	£	£
Rent and service charges received in advance	43,949	30,055
Trade creditors	178,157	204,862
Deferred grant income (note 17)	174,326	142,231
Other taxation and social security	6,873	8,523
Accruals and deferred income	107,832	164,236
Other creditors	3,379	1,762
Debt (note 18)	-	73,660
	<u> </u>	<u> </u>
	514,515	625,328
	<u> </u>	<u> </u>

The balance above includes an accrual for holiday leave pay of £4,782 (2017: £13,565), which represents holiday balances accrued as a result of services rendered in the current period and which employees are entitled to carry forward. The accrual is measured as the salary cost payable for the period of absence.

16 Creditors: amounts falling due after more than one year

	2018	2017
	£	£
Debt (note 18)	4,950,000	417,632
Deferred grant income (note 17)	4,397,587	2,999,268
	<u> </u>	<u> </u>
	9,347,587	3,416,900
	<u> </u>	<u> </u>

17 Deferred grant income

	2018 £	2017 £
At 1 April	3,141,499	3,184,728
Released to income in the year	(174,326)	(142,231)
Grant received	-	99,002
Grant assumed on transfer of housing properties	<u>1,604,739</u>	<u>-</u>
	4,571,913	3,141,499
At 31 March	<u>4,571,913</u>	<u>3,141,499</u>
	2018 £	2017 £
Amounts to be released within one year	174,326	142,231
Amounts to be released in more than one year	<u>4,397,587</u>	<u>2,999,268</u>
	4,571,913	3,141,499

18 Debt analysis

	2018 £	2017 £
Due within one year		
THFC (First Variable) Limited	-	73,660
	<u>-</u>	<u>73,660</u>
Due after more than one year		
THFC (First Variable) Limited	-	417,632
Clydesdale Bank plc	4,950,000	-
	<u>4,950,000</u>	<u>417,632</u>
Within one year	-	73,660
Between one and two years	-	73,883
Between two and five years	-	227,116
After five years	4,950,000	116,633
	<u>4,950,000</u>	<u>491,292</u>

The loan from Clydesdale Bank plc is secured by fixed and floating charges on individual properties. The loan from THFC (First Variable) Limited was repaid in full during the year, and is secured by fixed and floating charges on individual properties.

This loan is a ten year £8m facility, fully revolving for the first five years, with capital repayments thereafter. The loan is interest only for the first five years. Interest on the Clydesdale loan is paid quarterly at 1.45% over three-month LIBOR. The loan from THFC (First Variable) Limited was a repayment mortgage and was repayable by half yearly instalments. Interest was charged on the loan at a rate of six-month LIBOR plus 35pts.

No adjustments have been made to the carrying value of this loan.

19 Non-equity share capital

	2018 £	2017 £
Number of members		
At 1 April	28	28
Joining during the year	2	-
Cancelled during the year	(13)	-
	<hr/>	<hr/>
At 31 March	17	28
	<hr/>	<hr/>

The shares provide members with the right to vote at general meetings, but do not provide any rights to dividends or distributions on winding up. Each member agrees to contribute £nil in the event of winding up.

20 Cash flow from operating activities

	2018 £	2017 £
Surplus for the year	543,508	561,642
Depreciation of tangible fixed assets	420,230	349,169
Amortisation of government grants	(174,326)	(142,231)
(Increase)/decrease in debtors	(7,964)	4,321
Increase/(decrease) in trade and other creditors	(108,186)	141,634
Interest payable	158,494	9,302
Interest receivable	(1,523)	(2,539)
	<hr/>	<hr/>
Cash generated from operations	830,233	921,298
	<hr/>	<hr/>

21 Financial commitments

Capital commitments are as follows.

	2018 £	2017 £
Expenditure contracted for but not provided in the accounts	417,000	1,029,988
Expenditure approved by the Board but not contracted	-	5,750,000
	<hr/> 417,000	<hr/> 6,779,998

In June 2015 the Board approved the development of four new units at the Association's property in Eden Grove. In March 2017 a contract was signed for this development for approximately £1.2m, of which £783,000 had been spent as at 31 March 2018. This development is being funded by a mixture of grant and cash reserves and is expected to be completed around September 2018. The expenditure contracted for but not provided in the accounts at 31 March 2018 relates entirely to this development.

The expenditure contracted for but not provided in the accounts at 31 March 2017 represented the proposed development of four units at Eden Grove. This development is now under way. As at 31 March 2018, as noted above, £783,000 had been spent, which is reflected in fixed assets.

The expenditure approved by the Board but not contracted for at 31 March 2017 represented approval to bid for a forty unit scheme at Highbury Terrace, from another Housing Association, for £5.5m plus associated costs, totalling approximately £5.75m. This purchase was completed in October 2017, and was funded partly by a new loan from Clydesdale Bank plc and partly from existing cash reserves.

Operating lease commitments.

	2018 £	2017 £
Payments due		
Within one year	40,000	-
Between two and five years	160,000	-
After five years	198,034	-
	<hr/> 398,034	<hr/> -

During the year the Association entered a new ten-year lease of office premises. The annual rent is £40,000. The rent recognised as expense in the year was £1,966.

22 Related parties

During the year there were two tenant members of the Board, Patrick Lynch and Maggie Rees. Their tenancies were on normal commercial terms and they were not able to use their position to their advantage.

Maggie Rees resigned from the Board on 21 September 2017 and is no longer a resident.

At 31 March 2018 the balance on the rent account for Mr Lynch was £438 in arrears.

Mr Lynch's arrears were entirely as a result of the timing of his Housing Benefit payments.

The rent they were each charged during the year was Patrick Lynch £7,493 and Maggie Rees £1,747.

