



ROSEBERY

HOUSING ASSOCIATION

LH4026

Report and Financial Statements

For the year ended 31 March 2018

Rosebery Housing Association Limited
Charitable Registered Society under the Co-operative & Community Benefit
Societies Act 2014 No. IP27671R

Registered Office:
Newplan House
41 East Street
Epsom
Surrey
KT17 1BL

ROSEBERY HOUSING ASSOCIATION LIMITED
REPORT AND FINANCIAL STATEMENTS
For the year ended 31 March 2018

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ROSEBERY HOUSING ASSOCIATION LIMITED
REPORT AND FINANCIAL STATEMENTS
For the year ended 31 March 2018

Charitable Registered Society
registration number:

27671R

Registered Provider
registration number:

LH4026

Registered Office:

Newplan House
41 East Street
Epsom
Surrey KT17 1BL

Board:

Christine Turner
Stephen Barklem
Florence Barras
Paul Williams
Mark McJennett
Sukhraj Dhadwar
Mak Akinyemi
Lindsay Todd
Deborah Pike

Chair – Appointed 1 April 2018
Chair – Resigned 31 March 2018

Vice Chair
Resigned 23 May 2018

Appointed 1 April 2018
Executive

Senior Management Team:

Deborah Pike
Ian Kennedy
Graham Oliver
Lesley Hoble

Chief Executive
Operations Director – Resigned 31 Oct 2017
Interim Finance Director – Resigned 26 July 2017
Interim Finance Director – Appointed 4 Sept 2017
Resigned 12 January 2018
Finance Director – Appointed 3 January 2018
Director of Development and New Business

Company Secretary:

Claire Boyer

ROSEBERY HOUSING ASSOCIATION LIMITED**REPORT AND FINANCIAL STATEMENTS**For the year ended 31 March 2018

| | | |
|---------------------------|--|---|
| External Auditors | BDO LLP 2 City Place Beehive Ring Road Gatwick West Sussex RH6 OPA | |
| Internal Auditors | Mazars LLP Tower Bridge House St Katherine's Way London E1W 1DD | |
| Legal Advisors | Trowers and Hamlin Solicitors 3 Bunhill Row London EC1Y 8YZ | Capsticks Solicitors LLP 1 St. George's House East St. George's Road Wimbledon London SW19 4DR |
| | Sharratts (London) Solicitors 1 The Old Yard Rectory Lane, Brasted Westerham Kent TN16 1JP | Cripps Harries Hall LLP Wallside House 12 Mount Ephraim Road Tunbridge Wells TN1 1EG |
| | Devonshires LLP 30 Finsbury Circus London EC2M 7DT | |
| Bankers | National Westminster Bank 115 The High Street Epsom Surrey KT19 8DX | |
| Funders | The Royal Bank of Scotland Level 7, Premier Place 2 ½ Devonshire Square London EC2M 4BA | Santander 2 Triton Square Regents Place London NW1 3AN |
| | M & G Investment Management Ltd 5 Laurence Pountney Hill London EC4R 0HH | |
| Valuers | Jones Lang LaSalle 45 Church Street, Birmingham B3 2RT | |
| Financial Advisors | Centrus Advisors LLP Mermaid House 2 Puddle Dock London EC4V 3DB | |

REPORT OF THE BOARD OF MANAGEMENT

The Board presents its annual report and the audited financial statements for the year ended 31 March 2018.

Principle Activities and Review of the Business

The Association's principal activity is to provide affordable homes and services as a Registered Provider.

Effects of material estimates and judgements upon performance

The main judgements and estimates affecting the performance of the Association relate to:

- The carrying value of properties, where no impairment has been identified during the year
- The estimated useful lives of properties and the components that form part of them, as detailed in Note 2 to the financial statements; and
- The assumptions used to calculate the defined benefit pension liability, details of which are provided in Note 9.

Qualifying third party indemnity provisions

The company has no qualifying third party indemnity provisions in place for the directors of Rosebery Housing Association.

Value for Money (VFM)

Delivering VFM is at the heart of everything we do as a Registered Provider of Social Housing. One of our five core objectives is to provide excellent service at a suitable price, recognising value for money principles. This section on VFM is an abridged version of our full VFM self assessment which can be found on our website or by contacting Customer services on 0800 068 7664 and requesting a hard copy. The self assessment is produced for our residents, stakeholders and staff to set out how we are performing in providing an efficient, cost effective service for all our customers.

What is Value for Money

Value for Money means managing our resources economically, efficiently and effectively to provide quality services and homes – put simply it is business efficiency. We measure VFM in the context of meeting our objectives as detailed above. We aim to fulfil our objectives by implementing the strategic direction outlined in the Corporate Plan with each reflecting our vision '*To make a positive difference*'. The VFM summary score card below is cross referenced to our objectives.

Why is VFM so important

There is a greater emphasis on VFM, due mostly to the need to stretch significantly reduced public funding and so that development can continue and therefore increase the provision of affordable housing. In the current economic environment of increasing costs of funds and the impact of the continuing welfare benefit reforms, VFM has a crucial role to play. It contributes to the headroom required in long-term business plans to enable development to continue, and to improve service standards for our customers to ensure they receive VFM for the rent they pay.

VFM – stakeholder focus

Value for Money has a different emphasis for each of our stakeholders.

- **Residents:** Current residents want their homes properly maintained and an efficient service. New residents want new homes giving them a choice of tenure and house type.
- **Staff:** Staff need to feel valued and motivated in order to reach their potential.
- **Funders:** Funders focus on the overall financial performance and viability of the organisation and also on the condition of the properties on which their loans are secured.
- **Taxpayer:** As we have historically received substantial capital grant from government and also receive Housing Benefit as a substantial part of our rental income, we owe a duty to the taxpayer to ensure that we are maximising this investment both in financial and social terms to enable the provision of new homes.
- **Local Authority partners:** Ensuring delivery of new homes to meet the local housing needs and ensuring existing residents receive quality services

Key VFM achievements 2017-18

We maintain a VFM log which is available for all staff to update and evidence Vfm savings. Staff are encouraged to challenge established methods of working to deliver efficiencies. Two major VFM projects have been:

- Digitalisation – the Board approved investment of c.£300k in 2017-18 in a number of projects to improve our operating efficiency. These include:
 - A new, improved tenant portal where residents can view their account balances, report repairs etc
 - A new, automated rent arrears system to help us to help our residents avoid getting into arrears
 - Investment in mobile working to reduce paperwork and make our staff more effective in their roles
 - A number of back office operating efficiency projects including further automation of rent postings and repairs orders
- Continued success of the implementation of our in-house repairs service first introduced in May 2016. We have been able to save another c.£200k in 2017-18 and customer satisfaction levels rose even further.

We proactively encourage VFM savings and invest for future savings. Both of the projects above enable us to reduce our overall costs but also to provide an improved service which has enhanced our customers' perception of the Vfm they receive from Rosebery.

Key VFM targets 2018-19

The Board set annual targets against a suite of KPI's which measure performance both in terms of satisfaction levels and also costs. Our key VFM project for 2018-19 is our digitalisation programme, designed to make 70% of our transactions electronic, increase mobile working and improve efficiency in a range of back office functions.

VFM metrics

In April 2018, the Regulator of Social Housing introduced a new VFM standard and also a new set of standard metrics, based on the sector scorecard, to enable Housing Associations to monitor performance in a standardised way. Below is a table showing our performance against these metrics.

ROSEBERY HOUSING ASSOCIATION LIMITED
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For the year ended 31 March 2018

| | RHA | RHA | Median - all HA's |
|---|---------|---------|----------------------|
| | 2017-18 | 2016-17 | 2016-17 |
| 1. Reinvestment | 3.85% | 2.93% | 5.62% |
| 2a. New supply delivered (social housing units) | 0.00% | 0.69% | 1.24% |
| 2b. New supply delivered (non-social housing units) | 0.00% | 0.00% | 0.00% |
| 3. Gearing | 58.66% | 59.56% | 48.20% |
| 4. EBITDA MRI interest cover | 147% | 188% | 216% |
| 5. Headline social housing cost per unit | £3,923 | £3,456 | £3,298 |
| 5a. Management cost per unit | £1,450 | £1,308 | £941 |
| 5b. Service charge cost per unit | £373 | £302 | £372 |
| 5c. Maintenance cost per unit | £1,010 | £1,062 | £925 |
| 5d. Major repairs cost per unit | £663 | £487 | £683 |
| 5e. Other social housing costs per unit | £427 | £298 | £241 |
| 6a. Operating margin (social housing lettings) | 36.98% | 39.30% | 34.33% |
| 6b. Operating margin (overall) | 34.22% | 38.86% | 31.16% |
| 7. Return on capital employed | 4.71% | 5.84% | 4.37% |

Note: In the calculation of RHA cost per unit figures above include leaseholder units are included
Definitions of the 7 metrics can be found in the technical note issued by the RoSH
2016-17 benchmark figures for all RP's taken from Placeshapers report

The above figures have not been adjusted for exceptional costs so can be seen as a starting point for discussion only. For a relatively small organisation such as Rosebery, the figures are also affected more significantly by one off exceptional costs.

For example, the headline social housing cost per unit includes capital investment in properties. In 2017-18 Rosebery made a decision to bring forward from 2018-19 c.£500k of capital investment in kitchen and bathroom replacements. It also includes a specific one-off provision of £370k. Adjusting for these exceptional items reduces the headline social housing cost per unit to £3,607. By contrast, the 2016-17 figure included an exceptional credit of £478k. Adding this back increases the headline social housing cost per unit to £3,630.

Our operating margins continue to exceed the median levels of the sector as a whole which is an indication of efficiency. The fact that our costs per unit are higher than the sector as a whole is a reflection of the area of operation, the South East of England where operating costs are higher than elsewhere. The Board also took decisions to continue its investment programme to ensure the quality of our homes is maintained despite the rent cuts. Similarly, it was considered vital to maintain investment in health and safety compliance and tenancy support. The digitalisation programme has also been considered an essential programme if Rosebery is to be ready to meet future challenges.

Governance Code

In accordance with the Governance Standard under the Regulatory Framework, we are required to adopt a governance code. The Association has adopted and complies with the National Housing Federation's 'Code of Governance 2015 *Promoting Board excellence for housing associations*', with no areas of non-compliance identified this year. The Association complies fully with the provisions of the NHF Code of Governance 2015.

Going Concern

After reviewing the budget for 2018/19, the 2018 30 year Business Plan and the availability of funding for the programme of new development, improvements and repair, the Board has a reasonable expectation that the Association has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the Financial Statements.

Assessment of the effectiveness of Internal Control

The Board has overall responsibility for establishing and maintaining our system of internal control and for reviewing its effectiveness.

The Board recognises that the system of internal control is designed to manage, rather than eliminate risks of failure to achieve our business objectives, and to provide reasonable rather than absolute assurance against material misstatements or losses.

The process for identifying, evaluating and managing the significant risks we face is ongoing and has been in place throughout the year under review, and up to the date of approval of the Report and Financial Statements. The process is regularly reviewed by the Board and managed by the Executive Team. The approach is risk based in relation to internal controls and is consistent with the principles set out in the former Housing Corporation circular 07/07: internal controls assurance. Although this circular is no longer in force, it is still considered to be good practice to follow the guidance it contains.

Not all risk can be entirely avoided, however the Board are committed to the mitigation of risk wherever possible.

The Board has delegated management authority for reviewing the internal controls systems to the Audit and Risk Committee. Minutes of the Audit and Risk Committee are presented to the subsequent Board to keep the Board apprised of progress. The Audit and Risk Committee and Board review policies regularly and a cycle has been established to ensure regular review continues.

Key elements of the control framework include:

Identification and Evaluation of Key Risks

We identify and record risks on the corporate risk register drawing on the experience of staff and Executive members, knowledge of the housing sector trends and local market conditions. Input is received from professionals, which includes internal auditors and Board Members. The evaluation of risks is arrived at by way of a scoring system, which assesses specific risks by considering the potential impact and likelihood of occurrence to arrive at a residual risk value. It is the Board's responsibility to approve the risk management strategy and approve the Risk Register on a regular basis. In addition, risk is reviewed regularly throughout the year at Executive and Senior Management levels. Risks are in turn monitored by the Audit and Risk Committee at each meeting throughout the year and reported to and approved by Board.

Our key risks can be categorised as:

Financial Risk
Legislative Risk

Developmental Risk
Reputational Risk

Operational Risk
Political & Economic Risk

Financial Risk

We manage financial risk by regularly reviewing our financial position and using Business Plan Modelling to identify the impact of potential risks in the future. The model has been used throughout the year to evaluate development opportunities and financial scenarios. We have a robust Business Plan in place, which has been approved by the Board and provides the basis for our annual budgets. A system of budgetary control ensures that Management Accounts are prepared, reported on and reviewed by the Executive Team and Board on a regular basis.

A separate, specialist Investment Committee operates and provides an additional level of control and monitoring. This is supported by our external treasury advisors.

Development Risk

We have redesigned the Development Strategy to reflect reduced future public funding and to realign development aspirations with our core business principles in supporting the local community.

The Business Plan model has been used to assess our financial viability in the context of the development programme to provide adequate assurances.

Operational Risk

Our policies and procedures are regularly reviewed and updated, forming part of on-going service reviews and team plans. There is a commitment for continuous development across the Executive Team, Managers and all staff to minimise future operational risks.

There is an on-going system of Board reporting and Board participation in all decisions. This ensures that new initiatives are reviewed at the highest level before they are progressed.

Legislative Risk

We use the services of reputable legal advisors, keep abreast of sector specific legislative changes and take reasonable steps to ensure that this category of risk is minimised.

Reputational Risk

We have in place a Code of Conduct and Probity Policy for our Board Members and staff. We also have policies covering Anti-Corruption (incorporating provisions of the Bribery Act 2010) and Anti-Money Laundering.

We have established procedures in place for dealing with requests for information from the press. We recognise that we cannot always control our image and therefore act to protect our reputation wherever possible. Procedures are in place to ensure that contact with the media is managed effectively.

We are also aware of the need to maintain our reputation with our partners and clients. If our reputation is threatened, appropriate steps will be taken to minimise damage whilst upholding our integrity in our dealings with external bodies or individuals.

Political & Economic Risk

Recent political decisions which impact on housing associations and their tenants have come into force. This has been influenced by continuing economic challenges. We are aware of the additional or changed requirements upon us in particular:

- The continued impact of the annual 1% rent reduction to be applied until 2020
- The potential impact of the roll out of Universal Credit to existing claimants
- The continued impact of other aspects of Welfare Reform, including the removal of housing benefit for those aged 18-21 (except for some vulnerable groups), a further reduction in the benefit cap to £23k for London and £20k outside of London (which includes our area), the freezing of working age benefits for four years, including tax credits (but disability benefits are exempted) and the fact that tax credits and Universal Credit is to be restricted to two children, affecting those born after April 2017.
- Local Authorities are still coming to terms with the new freedoms to dictate policies on tenure and allocation;
- The potential impact of the UK's decision to leave the UK with effect from March 2019 "Brexit"

Controls and Correction

From the above risk process, Executive Directors are required to ensure a robust control structure is in place to address key risks. Executive Directors are tasked with monitoring and amending the controls in place to ensure they remain appropriate in changing business circumstances. The Board confirms that where problems are identified, necessary action is taken to remedy any significant failings or weaknesses and ensure the control environment meets this requirement. Changes in the risk map are also reviewed regularly by the Board and the Audit and Risk Committee.

Fraud

During the financial year no frauds took place. The Audit and Risk Committee have reviewed the Fraud Register. It is satisfied that high levels of internal control are in place.

We have an Anti-Corruption strategy in place comprising Anti-Bribery, Anti-Fraud & Theft and Money Laundering policies. An Anti-Corruption strategy is essential to ensure that we mitigate exposure to bribery, corruption, money laundering, fraud or theft. The policies are also designed to protect our reputation and that of our stakeholders.

In addition the Whistleblowing Policy and Procedure sets a framework that provides protection for employees and Board Members who disclose confidential information, where they truthfully believe a wrongdoing or malpractice is being or is about to be committed.

Performance Information and Financial Reporting Systems

Systems include a long term financial plan, a detailed budget for the year ahead, detailed management accounts produced on average within 10 days of the month end and detailed performance reports issued to all staff on a monthly basis. The Executive scrutinise these monthly and they are challenged and reviewed by the Board quarterly. Board, Executive, senior management and staff review performance regularly. In addition, performance information is benchmarked, scrutinised and challenged by residents via a Resident Scrutiny Panel and validated by senior staff and residents through a range of reality checks value for money assessments and internal quality checking.

Internal Audit Assurance

The internal audit framework and the risk management process are subject to regular review by internal audit professionals who advise the Board and Executive and report regularly to the Audit and Risk Committee. The internal auditors make an annual report to the Audit and Risk Committee reviewing the effectiveness of the system of internal controls. The Audit and Risk Committee provides an annual report to the Board.

The Board confirms that there is an on-going process for identifying and managing significant risk faced by the Association. This process has been in place throughout the year under review, up to the date of approval of the annual report and accounts.

Board member's responsibilities

The board members are responsible for preparing the report of the board and the financial statements in accordance with applicable law and regulations.

Co-operative and Community Benefit Society law and social housing legislation require the board members to prepare financial statements for each financial year in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

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

- select suitable accounting policies and then apply them consistently;

ROSEBERY HOUSING ASSOCIATION LIMITED

REPORT AND FINANCIAL STATEMENTS

For the year ended 31 March 2018

- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards and the Statement of Recommended Practice: Accounting by registered social housing providers 2014 have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the association will continue in business.

The board members are responsible for keeping adequate accounting records that are sufficient to show and explain the association's transactions and disclose with reasonable accuracy at any time the financial position of the association and enable them to ensure that the financial statements comply 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. They are 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 ensuring that the report of the board is prepared in accordance with the Statement of Recommended Practice: Accounting by registered social housing providers 2014.

Financial statements are published on the association's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the association's website is the responsibility of the board members. The board members' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Annual General Meeting

The Annual General Meeting will be held on 18 September 2018 at Newplan House, Epsom.

Statement of disclosure to the auditor:

- (a) So far as the Board Members are aware, there is no relevant audit information of which the Association's auditors are unaware and
- (b) They have taken all the steps that they ought to have taken as Board Members in order to make themselves aware of any relevant audit information and to establish that the Association's auditors are aware of that information.

BDO LLP have expressed their willingness to continue in office. A resolution for the re-appointment of BDO LLP as auditors of the Association is to be proposed at the forthcoming Annual General Meeting.

The report of the Board Members was approved by the Board on 31 July 2018 and signed on its behalf by:



Christine Turner
Chair

31 July 2018

OBJECTIVES AND STRATEGY

Overview

Rosebery exists to provide a choice of quality homes to those that find the open market beyond their reach. It also delivers a wide range of services and ensures that those services to both current and future customers are efficient, effective and achieve standards of excellence. The Association delivers sustainable communities through healthy and positive partnerships with an aim to provide solutions to local problems and challenges.

The Association is committed to working in partnership with stakeholders in its areas of operation, but predominantly recognise Epsom and Ewell as the 'heartland'. Epsom and Ewell is a relatively affluent area with pockets of inequality and as the major landlord in the area Rosebery is committed to working with partners to reduce those inequalities.

Its core purpose is to provide a range of affordable, quality homes, deliver an excellent service at a suitable price and add value to the communities where we work.

The identification and evaluation of the risks are set out in the Assessment of effectiveness of Internal Control (page 6).

Profile

The Association is a charitable Registered Provider (RP), registered with and regulated by the Homes & Communities Agency (HCA). The Association was formed in February 1994 as a result of the stock transfer from Epsom & Ewell Borough Council. It owns and manages 2,753 properties and 565 garages, predominantly in and around Epsom and Ewell with 280 of the properties located across 6 other Boroughs in Surrey and West Sussex.

Business Objectives

There are five priorities driving business activity:

1. Choice: to provide a range of affordable, quality homes
2. Cost: To provide excellent service at a suitable price recognising value for money principles.
3. Creativity: To add value to the communities where we work.
4. Communication: To develop clear and precise communications.
5. People: To develop our people to achieve our and their potential.

Our Values

We care about our customers – defined as anyone who touches our business in any way, at any time. Ours is a performance culture focused on four core areas:-

- Excellence in customer care
We will listen and positively include our customers in the design of some features of their homes, so they have a direct say in shaping services and ensuring choice where achievable at a price that is competitive and good value.
- Communication
We will actively listen, communicate effectively and positively – 'can do' creating credibility and trust.
- Achievement
We will set ourselves challenging targets, compare ourselves with others and continually improve our individual skills and collective performance.
- Respect and diversity
We believe that strengths are not only in the similarities but in the differences, providing equality of opportunity, ensuring that individuals, groups and communities are valued and that differences are embraced

Business Strategy

Development & Performance throughout the financial year and position at end of the end of the financial year.

Financial Position

The result for the year, shown in the Statement of Comprehensive Income is a retained surplus of £2.4m compared to £3.2m in 2016/17. The reduction in surplus from the previous year is due to lower levels of sales of Shared Ownership properties and other property disposals but still reflects a sound and efficient operating model.

Rents

On 8 July 2015, the Summer Budget included the announcement that the Government will reduce rents in social housing in England by 1% per year for four years from April 2016. The Government indicated this will result in a 12% reduction in average rents by 2020/21, compared to current forecasts. Our policy is to reduce rent levels annually by 1% until 2020/21 in line with the Government Rent Restructuring rules.

Cashflows

We generated an operating cash inflow of £9.2m (2017: £10.7m) which, after net interest payments of £4.0m (2017: £3.9m), early loan repayment of nil (2017: £nil) and other movements left a cash inflow of £0.4m (2017: inflow of £3.1m) in the year. The development programme, cyclical major repairs and refinancing costs were the most significant outflows in the year, partly offset by proceeds from staircasing sales and asset management sales.

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For the year ended 31 March 2018

Financial Performance and Position Summary**For the year ended 31 March**

| | 2018 | 2017 |
|---|--------------|--------------|
| | £'000 | £'000 |
| Statement of Comprehensive Income | | |
| Total turnover | 17,396 | 17,971 |
| Income from Social Housing Lettings | 15,943 | 15,785 |
| Operating surplus before property sales | 5,953 | 6,983 |
| Surplus for the year | 2,388 | 3,963 |
| Statement of Financial Position | | |
| Housing properties net of depreciation | 130,037 | 128,005 |
| Other fixed assets | 252 | 409 |
| Fixed assets net of depreciation | 130,289 | 128,414 |
| Net current assets | 5,259 | 5,511 |
| Total assets less current liabilities | 135,548 | 133,925 |
| Creditors: due after more than one year (Incl Grant) | 109,771 | 110,591 |
| Reserves | 25,777 | 23,334 |
| | 135,548 | 133,925 |
| Accommodation figures | | |
| Total housing stock (excluding garages) in management at year end | 2,753 | 2,747 |
| Owned Stock (excluding garages) | 2,696 | 2,690 |
| Statistics | | |
| Operating surplus for the year as a % of turnover | 34.22% | 38.86% |
| Surplus for the year as a % of turnover | 13.73% | 22.05% |
| Surplus for the year as a % of income from lettings | 14.98% | 25.11% |
| Interest cover | 1.4 | 1.5 |
| Total reserves per home owned | 9,561 | 8,675 |

Maintenance and Asset Management

Our asset management strategy sets out how we will deliver quality affordable homes by efficient property management incorporating the needs of our residents and other stakeholders, and reflecting both the financial and social return of our homes.

Our homes are well maintained with 100% meeting decent homes standards and an average energy efficiency (SAP) rating of 73.2.

Health and Safety

We have prepared detailed health and safety policies and provide regular Board and staff training and education on health and safety matters. A Health & Safety group oversees compliance with all Health and Safety requirements. Our aims are to comply with the Health and Safety at Work Act 1974 and all regulations made under it. No breaches were identified during the year.

Environmental Policy

We recognise our duty in relation to minimising the effect of our activities on the environment and in supporting our communities to do the same.

Employees

Our strength lies in the quality of all of our employees. In particular, our ability to meet our objectives and commitments to residents in an efficient and effective manner depends on their contribution. Information on employees is set out in Notes 9 and 10 of the financial statements.

Our employment policies are aimed at ensuring appropriate staffing levels, training opportunities, benefits and salaries. The employment of disabled people is supported both in recruitment and retention of employees who become disabled whilst in our employment.

Policies take positive steps in line with the requirements of the Equality Act 2010. We encourage local employment initiatives and opportunities. Professional and skilled support is provided by Mentor both in relation to Human Resources and Health and Safety.

Staffs are actively encouraged to participate in decision making at all levels, from business planning to service delivery, policies and procedures. This is achieved through team meetings, monthly staff briefings, appraisals, an intranet updated by staff and via interactive staff briefings. This is also recognised externally with the Investors in People Silver Award (IIP).

Future prospects

Historically development commitments had been determined on the basis of a predictable sustainable increase in rents. The introduction by the Government of a 1% decrease in rents until 2020 has forced Rosebery to reconsider these commitments so as to operate within the revised rental income forecast.

The 1% rental reductions have focused Rosebery's attention on being more efficient with our assets and focus on Value for Money (VFM). We have taken much more direct control of our operations with the creation of Rosebery Repairs and the recruitment of an in-house IT team. We are now using this control to reduce costs while increasing customer satisfaction with our services.

Rosebery operates in an area where land prices are currently very high. This, combined with the uncertainty arising from our economic and political future once the United Kingdom leaves the European Union, has made development of new homes very difficult. Our future growth will depend on our ability to find ways of overcoming these obstacles, create subsidy for affordable homes and create innovative ways of reducing costs of both operation and investment.

Principle risks and uncertainties being faced

The principle risks which might impact on the achievement of Rosebery's objectives are:

- The impact of government policies, particularly regarding housebuilding, welfare and the economy generally;
- The potential for future cost inflation, particularly at a time when rental income is scheduled to reduce;
- The difficulty of implementing our digital strategy to increase the efficiency of our operations; and
- The potential impact of the UK's decision to leave the European Union in 2019.

HCA Governance and Financial Viability Standard

The Association's Board is satisfied that all reasonable steps have been taken to ensure compliance with the requirements of the Governance & Financial Viability Standard in all material aspects at all times during the financial year 2017/18.

GOVERNANCE

Board Members and Executive Directors

The Association's Board consists of seven Board Members, being six Non-Executive Board Members recruited for their skills, knowledge and experience and one Executive Board Member, namely the Chief Executive.

Our Board members are drawn from a background of professional, and commercial experience, providing a skills mix appropriate to the business and its vision.

Board members are remunerated and remuneration levels have been externally validated and benchmarked by an independent Board remuneration consultant and are subject to independent triennial review.

The senior management team are listed on Page 3. These executive officers hold no interest in the shares and act as executives within the authority delegated by the Board. Rosebery is committed to resident involvement, and is currently reviewing the means by which we ensure that residents' voices are heard at the Board. This includes the use of social media to gain residents' views on key areas of operation.

Funding and Treasury Management

The primary function of treasury management is to manage liquidity, funding, investment and the Association's financial risk, including risk from volatility in interest rates. Treasury Policies are reviewed by the Association's Investment Committee and approved by the Board. It is current policy to manage interest rate risk by maintaining between 70% and 90% of the borrowings at a fixed rate of interest. At 31 March 2018 the percentage of borrowings at fixed interest rates was 100%; taking advantage of the current low level of fixed interest rates to manage future interest risks.

As at 31 March 2018 borrowing stood at £77.4m.

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For the year ended 31 March 2018

TREASURY

| DRAWDOWN LOANS | 2018 | 2017 |
|--------------------------|-------------|-------------|
| | £'m | £'m |
| Fixed | | |
| RBS | 22.5 | 22.5 |
| Santander | 12.4 | 12.4 |
| M&G | 42.5 | 42.5 |
| Total Fixed | 77.4 | 77.4 |
| Variable | | |
| RBS | 0.0 | 0.0 |
| Santander | 0.0 | 0.0 |
| Total Variable | 0.0 | 0.0 |
| TOTAL DRAWN LOANS | 77.4 | 77.4 |

UNDRAWN LOANS

| | | |
|-------------------------------------|------|------|
| Variable | | |
| Santander (Rolling Credit Facility) | 20.0 | 20.0 |

Our exposure to price risk is limited to regulatory rent changes and inflationary movements from suppliers' both have been taken into account whilst preparing the long term plan and budget. Credit risk will move in line with the Housing Association sector only affecting us on refinancing. On the basis of existing corporate strategy we have no plans to comprehensively refinance. Liquidity and cash flow risk is minimised due to long term planned operational surpluses and financing already in place.

We comply with our funding covenants, with no breaches during 2017/18.

The Strategic Report was approved by the Board on 31 July 2018 and signed on its behalf by:



Christine Turner
Chair

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ROSEBERY HOUSING ASSOCIATION LIMITED

Opinion

We have audited the financial statements of Rosebery Housing Association ("the Association") for the year ended 31 March 2018 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in reserves, the cash flow statement 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 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 Association's affairs as at 31 March 2018 and of the Association's surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- 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 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 members use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the board members have 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 are responsible for the other information. Other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information 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 including the financial review and board report and strategic report 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 we are required by the Co-operative or Community Benefit Societies Act 2014 or the Housing and Regeneration Act 2008 to report to you if, in our opinion:

- the information given in the Report of the Board for the financial year for which the financial statements are prepared is not consistent with the financial statements;
- adequate accounting records have not been kept by the Association; or
- a satisfactory system of control has not been maintained over transactions; or
- the Association financial statements are not in agreement with the accounting records and returns; 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 board members responsibilities statement set out on pages 10-11, 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 members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Use of our report

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



BDO LLP
Statutory Auditor
Gatwick, United Kingdom
BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

21 August 2018.

ROSEBERY HOUSING ASSOCIATION LIMITED
REPORT AND FINANCIAL STATEMENTS
For the year ended 31 March 2018

STATEMENT OF COMPREHENSIVE INCOME

| | | 2018 | 2017 |
|---|-------------|--------------|--------------|
| | Note | £'000 | £'000 |
| TURNOVER | 3 | 17,396 | 17,971 |
| Cost of Sales | 3 | (233) | (630) |
| Operating expenditure | 3 | (11,210) | (10,358) |
| OPERATING SURPLUS BEFORE PROPERTY DISPOSAL | | 5,953 | 6,983 |
| Surplus on sale of fixed assets | 6 | 434 | 874 |
| OPERATING SURPLUS | | 6,387 | 7,857 |
| Interest receivable | 7 | 12 | 15 |
| Interest payable | 8 | (4,011) | (3,909) |
| SURPLUS BEFORE TAX | | 2,388 | 3,963 |
| Tax | | - | - |
| SURPLUS FOR THE FINANCIAL YEAR | | 2,388 | 3,963 |
| Actuarial gain/(loss) in respect of Pension Schemes | 9 | 55 | (768) |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR | | 2,443 | 3,195 |

All amounts relate to continuing activities.

The notes on pages 24 to 49 form part of these financial statements.

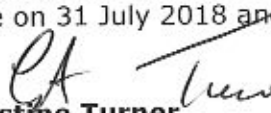
ROSEBERY HOUSING ASSOCIATION LIMITED
REPORT AND FINANCIAL STATEMENTS
For the year ended 31 March 2018

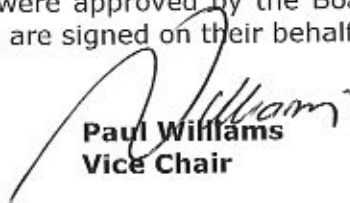
STATEMENT OF FINANCIAL POSITION

| | Note | £'000 | 2018 £'000 | 2017 £'000 |
|--|------|--------------|----------------|----------------|
| Tangible fixed assets | | | | |
| Housing properties | 12 | | 130,037 | 128,005 |
| Other tangible fixed assets | 13 | | 252 | 409 |
| | | | <u>130,289</u> | <u>128,414</u> |
| Current assets | | | | |
| Properties for sale | 14 | 352 | | 108 |
| Debtors | 15 | 595 | | 633 |
| Cash and cash equivalents | | 8,901 | | 8,428 |
| | | <u>9,848</u> | <u>9,169</u> | |
| Creditors: amounts falling due within one year | 16 | (4,589) | (3,658) | |
| | | | <u>5,259</u> | <u>5,511</u> |
| Net current assets | | | 5,259 | 5,511 |
| Total assets less current liabilities | | | 135,548 | 133,925 |
| Creditors: amounts falling due after more than one year | 17 | | (106,635) | (107,121) |
| RCGF | 19 | | (674) | (725) |
| Pension liabilities | 9 | | (2,462) | (2,745) |
| | | | <u>25,777</u> | <u>23,334</u> |
| TOTAL NET ASSETS | | | 25,777 | 23,334 |
| CAPITAL AND RESERVES | | | | |
| Non equity share capital | 22 | | - | - |
| Revenue reserve | | | 25,777 | 23,334 |
| | | | <u>25,777</u> | <u>23,334</u> |

The notes on pages 24 to 49 form part of these financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on 31 July 2018 and are signed on their behalf by:


Christine Turner
Chair


Paul Williams
Vice Chair


Claire Boyer
Secretary

STATEMENT OF CHANGES IN RESERVES

| | 2018 | 2017 |
|--|----------------|----------------|
| | Revenue | Revenue |
| | Reserve | Reserve |
| | £'000 | £'000 |
| Opening total funds | 23,334 | 20,139 |
| Surplus for the year | 2,388 | 3,963 |
| Other comprehensive income for the year: | | |
| Actuarial gain/(loss) in respect of defined benefit scheme | 55 | (768) |
| | <u>25,777</u> | <u>23,334</u> |

The notes on pages 24 to 49 form part of these financial statements.

STATEMENT OF CASH FLOWS

| | | £'000 2018 | £'000 2017 |
|---|----|-----------------------|-----------------------|
| Cash and cash equivalents at the start of the year | | <u>8,428</u> | <u>5,344</u> |
| Cash flows from operating activities | 23 | 9,199 | 10,722 |
| Cash flow from investing activities | | | |
| Purchase and construction of housing properties | 12 | (4,656) | (3,747) |
| Purchase of other fixed assets | 13 | (71) | (131) |
| Interest received | 7 | 12 | 15 |
| Grants received | 12 | - | 134 |
| Cash flow from investing activities | | <u>(4,715)</u> | <u>(3,729)</u> |
| Cash flow from financing activities | | | |
| Interest paid | 8 | (4,011) | (3,909) |
| Total cash flow from financing activities | | <u>(4,011)</u> | <u>(3,909)</u> |
| Net change in cash and cash equivalents | | <u>473</u> | <u>3,084</u> |
| Cash and cash equivalents at the end of the year | | <u>8,901</u> | <u>8,428</u> |

The notes on pages 24 to 49 form part of these financial statements.

1. Legal Status

Rosebery Housing Association is incorporated under the Co-operative and Community Benefit Societies Act 2014 and is defined as a public benefit entity.

2. Principal Accounting Policies

Basis of accounting

The financial statements have been prepared in accordance with FRS 102 the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland, the Statement of Recommended Practice (SORP), and "Accounting by registered social housing providers" 2014, the Accounting Direction for Private Registered Providers of Social Housing 2015.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the accounting policies.

Turnover

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) of goods and services supplied in the year, revenue grants receivable in the year and Social Housing Grant amortised during the year.

Revenue recognition

Income is measured at the fair value of the consideration received or receivable. Rental income is recognised from the point when properties under development reach practical completion or otherwise become available for letting. Income from first tranche sales and sales of properties built for sale is recognised at the point of legal completion of the sale. Revenue grants are receivable when the conditions for receipt of agreed grant funding have been met.

Value added tax

The Association 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 Association 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.

Interest payable

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

Pensions

The Association participates in two funded multi-employer defined benefit schemes, the Social Housing Pension Scheme (SHPS) and the Surrey County Council Superannuation Scheme (SCCS). The Association also participates in a defined contribution scheme provided by SHPS for new employees, where contributions are accounted for as they fall due.

SHPS Annual Adjustment

The scheme has confirmed that it is unable to provide information relating to individual employers.

The Association therefore accounts for these schemes as if they were defined contribution schemes with the income and expenditure account charged with the contributions payable for the year.

The obligation to make future payments to meet the deficit on past contributions has been recognised as a liability in the Statement of Financial Position, the calculation of

the SHPS liability is based on the present value of future payments, i.e. discounted cash flows. Future payment will be offset against this liability.

Surrey County Council Superannuation Scheme

The SCCS Scheme is also a multi-employer defined benefit scheme where the Association's share of assets and liabilities can be allocated to the Association.

The Association's share of the surplus or deficit is recognised in full in the Association balance sheet, with assets measured at market value and liabilities measured using the projected credit method. Actuarial gains and losses are recognised in the Statement of Changes in Equity. Current and past service costs are recognised as an operating expense. The unwinding of the discount on scheme liabilities along with the difference between the actual and expected return on scheme assets is included in the Statement of Comprehensive Income account as 'other finance expense/income'.

Further details in respect of all schemes are given in note 9.

Housing properties

Housing properties are principally properties available for rent and are stated at cost less depreciation. Cost includes the cost of acquiring land and buildings, development costs, interest charges and associated development overheads incurred during the development period and expenditure incurred in respect of improvements.

Works to existing properties which extend their useful economic life or 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.

Shared ownership properties are split proportionally between current and fixed assets based on the element relating to expected first tranche sales. The first tranche proportion is classified as a current asset and related sales proceeds included in turnover and the remaining element is classified as a fixed asset and included in housing properties at cost, less any provisions needed for depreciation or impairment. Subsequent tranches sold ('staircasing sales') are disclosed in the Statement of Comprehensive Income as a surplus or deficit on sale of fixed assets.

Social Housing Grant

Social Housing Grant (SHG) is receivable from the Homes and Communities Agency and is utilised to subsidise the capital costs of constructing and purchasing housing properties, including land costs. SHG due from the HCA or received in advance is included as a current asset or liability.

Housing properties accounted for at cost recognise related government grants using the accrual model. Grants are recognised as income in the Statement of Comprehensive Income on a straight line basis over the expected useful life of the structure.

SHG received in respect of revenue expenditure is credited to the Statement of Comprehensive Income in the same period as the expenditure to which it relates.

Recycled capital grant fund

On the occurrence of certain relevant events, primarily the sale of dwellings, the HCA can direct the Association to recycle capital grants or to make repayments of the recoverable amount. The Association adopts a policy of recycling, for which a separate fund is maintained. If unused within a three year period, it will be repayable to the HCA with interest. Any unused recycled capital grant held within the recycled capital grant fund, which it is anticipated will not be used within one year is disclosed in the balance sheet under "creditors due after more than one year". The remainder is disclosed under "creditors due within one year".

ROSEBERY HOUSING ASSOCIATION LIMITED

REPORT AND FINANCIAL STATEMENTS

For the year ended 31 March 2018

Depreciation of housing properties

In order to reflect the different constituent elements of housing properties, where a property comprises two or more major components with substantially different useful economic lives, each component is accounted for separately and depreciated over its useful economic life. Expenditure relating to the subsequent replacement or renewal of components is capitalised as incurred. Depreciation is charged on a straight line bases over the assets' expected useful economic lives. The useful economic lives for the identified components are as follows:

| | |
|-----------------|-----------------|
| Land | Not depreciated |
| Structure | 100 Years |
| Roof | 70 Years |
| Boiler | 15 Years |
| Windows & Doors | 30 Years |
| Electrics | 30 Years |
| Bathrooms | 30 Years |
| Kitchens | 20 Years |
| Lifts | 30 Years |

Properties held on leases are amortised over the life of the lease or their estimated useful economic lives in the business, if shorter.

Impairment

Housing properties which are depreciated over a period in excess of 50 years are subject to impairment reviews annually. Other assets are reviewed for impairment if there is an indication that impairment may have occurred.

Where there is evidence of impairment, fixed assets are written down to their recoverable amount. Any such write down is charged to operating surplus.

Other tangible fixed assets

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 buildings | 2% |
| Long leasehold property | Over life of lease |
| Furniture, fixtures and fittings | 25% |
| Computers and office equipment | 33.3% |
| Motor vehicles | 25% |

Leased assets

Rosebery does not hold any assets under finance leases.

Operating lease rentals are charged to the Statement of Comprehensive Income on a straight line basis over the period of the lease.

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.

Right to Buy

Under the terms of the transfer agreement, proceeds from right to buy sales are shared with Epsom & Ewell Borough Council. On completion of a right to buy sale contract only proceeds attributable to the Association are credited to the Statement of Comprehensive Income.

Holiday Pay Accrual

A liability is recognised to the extent of any unused holiday pay entitlement which has accrued at the balance sheet date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the balance sheet date.

Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements, the Board have made the following judgements:

Development Analysis being based on the following assumptions

The anticipated costs to complete on a development scheme are based on anticipated construction cost, effective rate of interest on loans during the construction period, legal costs and other costs. Based on the costs to complete, they then determine the recoverability of the cost of properties developed for outright sale and/or land held for sale. This judgement is also based on the Board's best estimate of sales value based on economic conditions within the area of development.

Allocation of costs

Costs are allocated to the appropriate tenure where it is possible to specify which tenure the expense relates to. Where it is not possible to relate costs to a specific tenure costs are allocated on a floor area or unit basis depending on the appropriateness for each scheme.

Financial liabilities and equity

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations rather than the financial instruments' legal form.

Cash and Cash equivalents

Cash and cash equivalents consist of cash at bank, in hand, deposits and short term investments with an original maturity of three months or less.

OTHER KEY SOURCES OF ESTIMATION UNCERTAINTY

Tangible fixed assets (see note 12 and 13)

Tangible fixed assets, other than investment properties, are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

For housing property assets, the assets are broken down into components based on management's assessment of the properties. Individual useful economic lives are assigned to these components.

Rental and other trade receivables (debtors) (see note 15)

The estimate for receivables relates to the recoverability of the balances outstanding at year end. A review is performed on an individual debtor basis to consider whether each debt is recoverable.

Defined Benefit Pension Scheme liabilities (see note 9)

The estimates for the defined benefit pension scheme Liabilities are based on critical underlying assumptions in relation to the estimate of the pension defined benefit scheme obligation such as standard rates of inflation, mortality, discount rate and anticipated future salary increases. Variations in these assumptions have the ability to significantly influence the value of the liability recorded and annual defined benefit expense. The assumptions used in these accounts are reported in note 9.

ROSEBERY HOUSING ASSOCIATION LIMITED**REPORT AND FINANCIAL STATEMENTS**

For the year ended 31 March 2018

3. Turnover, cost of sales, operating costs and operating surplus

| 2018 | | | | |
|--|-----------------|----------------------|------------------------|--------------------------|
| | Turnover | Cost of Sales | Operating Costs | Operating Surplus |
| | £'000 | £'000 | £'000 | £'000 |
| Social housing lettings | 15,943 | - | (10,047) | 5,896 |
| Other social housing activities | | | | |
| Shared ownership sales | 380 | (233) | (1) | 146 |
| Other | 691 | - | (960) | (269) |
| Garage and intermediate lettings | 382 | - | (202) | 180 |
| | 1,453 | (233) | (1,163) | 57 |
| | 17,396 | (233) | (11,210) | 5,953 |
| 2017 | | | | |
| | Turnover | Cost of Sales | Operating Costs | Operating Surplus |
| | £'000 | £'000 | £'000 | £'000 |
| Social housing lettings | 15,785 | - | (9,582) | 6,203 |
| Other social housing activities | | | | |
| Shared ownership sales | 1,108 | (630) | (4) | 474 |
| Other | 682 | - | (587) | 95 |
| Garage and intermediate lettings | 396 | - | (185) | 211 |
| | 2,186 | (630) | (776) | 780 |
| | 17,971 | (630) | (10,358) | 6,983 |

3. Turnover, Cost of Sales, Operating Costs and Operating Surplus (Continued)

| | 2018 | | | 2017 | | |
|--|------------------------------|---|---------------------------------|--------------------------------|--------------|--------------|
| | General Needs Housing | Supported Housing & Housing for Older People | Temporary Social Housing | Low Cost Home Ownership | Total | Total |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Rent receivable net of identifiable service charge | 10,543 | 994 | 1,831 | 1,090 | 14,458 | 14,427 |
| Service charge income | 396 | 227 | 104 | 438 | 1,165 | 1,055 |
| Government grant taken to income | 254 | 10 | - | 56 | 320 | 303 |
| Turnover from social housing lettings | 11,193 | 1,231 | 1,935 | 1,584 | 15,943 | 15,784 |
| Management | (2,964) | (238) | (486) | (302) | (3,994) | (3,592) |
| Service charge costs | (592) | (162) | (114) | (159) | (1,027) | (829) |
| Routine maintenance | (1,296) | (14) | (26) | (6) | (1,342) | (1,241) |
| Planned maintenance | (1,086) | (124) | (226) | (2) | (1,438) | (1,675) |
| Bad debts | (33) | (5) | (49) | (7) | (94) | (181) |
| Property lease charges | - | - | (215) | - | (215) | (232) |
| Depreciation of housing properties | (1,327) | (105) | (172) | (159) | (1,763) | (1,705) |
| Accelerated Depreciation on components | (175) | - | - | - | (175) | (127) |
| Operating costs on social housing lettings | (7,473) | (648) | (1,288) | (635) | (10,047) | (9,582) |
| Operating surplus on social housing lettings | 3,720 | 583 | 647 | 949 | 5,896 | 6,202 |
| Rent losses from Voids | 31 | 2 | 40 | 10 | 83 | 86 |

ROSEBERY HOUSING ASSOCIATION LIMITED
REPORT AND FINANCIAL STATEMENTS
For the year ended 31 March 2018

4. Accommodation in management and development

| | 2018 No. | 2017 No. |
|--|---------------------|---------------------|
| Social housing | | |
| General housing | 1,704 | 1,709 |
| Supported housing | 6 | 6 |
| Housing for older people | 185 | 185 |
| Low cost home ownership | 217 | 219 |
| Temporary social housing | 132 | 120 |
| | <hr/> | <hr/> |
| Total social housing | 2,244 | 2,239 |
| | | |
| Leasehold properties | 433 | 431 |
| Garage lettings | 565 | 565 |
| Intermediate and other | 19 | 20 |
| | <hr/> | <hr/> |
| Total owned | 3,261 | 3,255 |
| Accommodation managed for others | 57 | 57 |
| | <hr/> | <hr/> |
| Total managed | 3,318 | 3,312 |
| | <hr/> | <hr/> |
| Accommodation in development at the year end | 11 | 11 |
| | <hr/> | <hr/> |

The Association manages accommodation for Guildford Borough Council.

5. Operating surplus

The operating surplus is arrived at after charging :

| | 2018 | 2017 |
|---|--------------|--------------|
| | £'000 | £'000 |
| Depreciation of housing properties | 1,867 | 1,762 |
| Accelerated Depreciation of replaced components | 143 | 134 |
| Depreciation of other tangible fixed assets | 228 | 228 |
| Impairment of housing properties | - | - |
| Operating lease rentals | | |
| - land and buildings | 127 | 127 |
| - office equipment and computers | 12 | 12 |
| - Vans | 32 | 47 |
| Stock Expensed | 233 | 630 |
| Auditors' remuneration (excluding VAT) | | |
| - for audit services | 20 | 20 |
| - other | 2 | - |
| | <hr/> | <hr/> |

6. Surplus on sale of fixed assets – housing properties

| | Property fixed assets | Shared Ownership staircasing sales | 2018 | 2017 |
|-----------------------------------|-----------------------------|---|---------------------|-----------------------|
| | £'000 | £'000 | £'000 | £'000 |
| Disposal proceeds | 646 | 751 | 1,397 | 3,013 |
| Carrying value of Fixed assets | (162) | (425) | (587) | (1,394) |
| Sales Expenses | <hr/> (1) <hr/> 483 | <hr/> (4) <hr/> 322 | <hr/> (5) <hr/> 805 | <hr/> (8) <hr/> 1,611 |
| Abortive Cost | (150) | - | (150) | - |
| Less Council's share | (221) | - | (221) | (737) |
| | <hr/> 112 <hr/> | <hr/> 322 <hr/> | <hr/> 434 <hr/> | <hr/> 874 <hr/> |

7. Interest receivable and other income

| | 2018 | 2017 |
|--|--------------|--------------|
| | £'000 | £'000 |
| Interest receivable and similar income | 12 | 15 |
| | <u>12</u> | <u>15</u> |

8. Interest Payable and similar charges

| | 2018 | 2017 |
|---|--------------|--------------|
| | £'000 | £'000 |
| Loans and bank overdrafts | 3,950 | 3,892 |
| Cancellation charges - Loans | - | - |
| Finance charges on defined benefit pension scheme | 61 | 17 |
| | <u>4,011</u> | <u>3,909</u> |

No interest was capitalised during the year

9. Employees

Average monthly number of employees expressed as full time equivalents:

| | 2018 | 2017 |
|---------------------------|-------------|-----------|
| | No. | No. |
| Administration | 15 | 18 |
| Development | 1 | 1 |
| Housing, support and care | 23 | 18 |
| Repairs | 9 | 8 |
| | <u>48</u> | <u>45</u> |

Employee costs:

| | 2018 | 2017 |
|-----------------------|--------------|--------------|
| | £'000 | £'000 |
| Wages and salaries | 1,488 | 1,540 |
| Social Security Costs | 156 | 158 |
| Pension Costs | 168 | 197 |
| | <u>1,812</u> | <u>1,895</u> |

The number of employees whose earnings fell above £60k band:

| | 2018 | 2017 |
|---------------------|-------------|----------|
| £60,000 - £69,999 | 1 | 2 |
| £70,000 - £79,999 | 1 | - |
| £120,000 - £129,999 | <u>1</u> | <u>1</u> |

9. Employees (Continued) - Defined Benefit Pension Schemes

Rosebery Housing Association participates in two pension schemes – the Social Housing Pension Scheme (SHPS) and the Surrey County Council Superannuation Scheme (SCC). SCC is currently closed to new members as is the SHPS Defined Benefit scheme. The default scheme for employees is the SHPS Defined Contribution scheme.

Social Housing Pension Scheme (SHPS)

Rosebery Housing Association participates in the Social Housing Pension Scheme (the Scheme), a multi-employer scheme which provides benefits to some 500 non-associated employers. The Scheme is a defined benefit scheme in the UK. It is not possible for the company to obtain sufficient information to enable it to account for the scheme as a defined benefit scheme. Therefore it accounts for the scheme as a defined contribution scheme.

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

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

The Trustee commissions an actuarial valuation of the Scheme every three years. The main purpose of the valuation is to determine the financial position of the Scheme in order to determine the level of future contributions required, in respect of each benefit structure, so that the Scheme can meet its pension obligations as they fall due.

The last full valuation for the Scheme was carried out with an effective date of 30 September 2014. This actuarial valuation was certified on 23 November 2015 and showed assets of £3,123m, liabilities of £4,446m and a deficit of £1,323m, equivalent to a past service funding level of 70%. To eliminate this funding shortfall, the trustees and the participating employers have agreed that additional contributions will be paid, in combination from all employers, to the scheme as follows:-

Deficit Contributions:

| | |
|--|--|
| Tier 1 From 1 April 2013 to 30 September 2020 | £40.6m per annum (payable monthly and increasing by 4.7% per annum each 1 April) |
| Tier 2 From 1 October 2020 to 30 September 2023 | £28.6m per annum (payable monthly and increasing by 4.7% per annum each 1 April) |
| Tier 3 From 1 April 2013 to 30 September 2026 | £32.7m per annum (payable monthly and increasing by 3% per annum each 1 April) |
| Tier 4 From 1 April 2013 to 30 September 2026 | £31.7m per annum (payable monthly and increasing by 3% per annum each 1 April) |

9. Employees (Continued) – Defined Benefit Pension Schemes

Note: the scheme's previous valuation was carried out with an effective date of 30 September 2011; this valuation was certified on 17 December 2012 and showed assets of £2,062m, liabilities of £3,097m and a deficit of £1,035m. To eliminate this funding shortfall, payments consisting of the Tier 1, 2 and 3 deficit contributions were agreed.

Where the scheme is in deficit and where the company has agreed to a deficit funding arrangement, the company recognises a liability for this obligation. The amount recognised is the net present value of the deficit reduction contributions payable under the agreement that relates to the deficit. The present value is calculated using the discount rate detailed in these disclosures. The unwinding of the discount rate is recognised as a finance cost.

In accordance with Financial Reporting Standard 102, the association has recognised a liability of £736,000 (2017: £846,000) within pension liabilities due within and greater than one year equal to the present value of agreed past service deficit funding obligation. The total value of amounts recognised in the Statement of Financial Position is as follows:

Reconciliation of opening and closing provisions:

| | £000 |
|--|------------|
| At 1 April 2017 | 846 |
| Unwinding of discount | 10 |
| Payment during the year | (110) |
| Remeasurements – change in assumptions | (10) |
| At 31 March 2018 | <u>736</u> |

Income and expenditure impact:

| | £000 |
|------------------|----------|
| Interest expense | 10 |
| Remeasurements | (10) |
| Net | <u>-</u> |

Assumptions

Rate of discount at 31 March 2018 1.72% (2017: 1.33%). The discount rate is the equivalent single discount rates which, when used to discount the future recovery plan, would give the same results as using a full AA corporate bond yield curve to discount the same recovery plan contributions.

Surrey County Council Superannuation Scheme (SCC)

Rosebery Housing Association Limited participates in the Surrey County Council Superannuation Scheme which is part of the Local Government Pension Scheme Regulations 1997. The SCC scheme is a multi-employer scheme, and is a defined benefit scheme. The most recent formal actuarial valuation was completed as at 31 March 2013 and rolled forward, allowing for the different financial assumptions required under FRS102, to 31 March 2018 by a qualified independent actuary.

The employers' contributions to the SCC scheme by the Association for the year ended 31 March 2018 were £14,112 (2017: £13,591) at a contribution rate of 22.4% of pensionable salaries, set until the next funding valuation. Estimated employers' contributions to the SCC scheme during the accounting period commencing 1 April 2019 are £14,112.

9. Employees (Continued) – Defined Benefit Pension Schemes

Member contributions to the SCC scheme were 6.5% based on their whole-time equivalent pensionable pay.

At the balance sheet date there were 2 active members of the SCC scheme employed by the Association. The annual pensionable payroll in respect of these members was £63,000.(2017: £60,658)

Mortality assumptions (SCC scheme)

The post-retirement mortality assumptions adopted to value the benefit obligations as at 31 March 2010 are based on the CMI 2010 model assuming the current rate for improvements has peaked and will converge to a long term rate of 1.25% pa.. The assumed life expectations on retirement at age 65 are:

| | 2018 | 2017 |
|-----------------------|---------------------|---------------------|
| | No. of years | No. of years |
| Retiring today: | | |
| Males | 22.5 | 22.5 |
| Females | 24.6 | 24.6 |
| Retiring in 20 years: | | |
| Males | 24.1 | 24.5 |
| Females | 26.4 | 26.9 |

Movement in Pension Liabilities (SCC scheme)

| | 2018 | 2017 |
|-----------------------------------|--------------|--------------|
| | £'000 | £'000 |
| Value of Liabilities at 1st April | 4,789 | 3,768 |
| Service Cost | 34 | 18 |
| Interest Cost | 114 | 126 |
| Benefits Paid | (131) | (129) |
| Contributions by members | 4 | 4 |
| Actuarial gain/(losses) | - | 1,002 |
| | <u>4,810</u> | <u>4,789</u> |

9. Employees (Continued) – Defined Benefit Pension Schemes

Movement in fair value of assets (SCC scheme)

| | 2018 | 2017 |
|--|----------------|----------------|
| | £'000 | £'000 |
| Market value of assets | 2,572 | 2,136 |
| Expected return on scheme assets | 63 | 75 |
| Actuarial gain/(losses) | 45 | 234 |
| Employer Contributions | 208 | 252 |
| Employee Contributions | 4 | 4 |
| Benefits Paid | (131) | (129) |
| | <u>2,761</u> | <u>2,572</u> |
| | 2018 | 2017 |
| | £ '000 | £ '000 |
| Fair value of the assets related to the Association | 2,761 | 2,572 |
| Value placed on liabilities related to the Association | (4,810) | (4,789) |
| | <u>(2,049)</u> | <u>(2,217)</u> |
| Net pension liability | | |

Analysis of the amount chargeable to operating surplus (SCC scheme)

| | 2018 | 2017 |
|--------------------------|---------------|---------------|
| | £ '000 | £ '000 |
| Current service cost | 34 | 18 |
| Contributions by members | 4 | 4 |
| | <u>38</u> | <u>22</u> |

Analysis of the amount chargeable to finance costs (SCC scheme)

| | 2018 | 2017 |
|--|---------------|---------------|
| | £ '000 | £ '000 |
| Expected return on pension scheme assets | 63 | 75 |
| Interest on pension scheme liabilities | (114) | (126) |
| | <u>(51)</u> | <u>(51)</u> |

Analysis of the amount recognised in the Statement of recognised surpluses and deficits (SCC scheme)

| | 2018 | 2017 |
|-----------------------|---------------|---------------|
| | £ '000 | £ '000 |
| Actuarial gain/(loss) | 45 | (768) |

9. Employees (Continued) – Pension Schemes

Analysis of the movements in net pension liability (SCC scheme)

| | 2018 | 2017 |
|--|----------------|----------------|
| | £ '000 | £ '000 |
| Share of scheme liabilities at the beginning of the year | (2,217) | (1,632) |
| Current service costs | (34) | (18) |
| Contributions | 208 | 252 |
| Past service cost | - | - |
| Other finance costs | (51) | (51) |
| Actuarial gain/(loss) | 45 | (768) |
| Share of scheme liabilities at the end of the year | <u>(2,049)</u> | <u>(2,217)</u> |

Defined Contribution Pension Scheme:

Rosebery Housing Association operates a defined contribution personal pension scheme, SHPS DC, for new employees and any existing employees who may elect to transfer.

The scheme currently operates a three tier approach to contributions whereby member contributions at rates of 2%, 5% or 7% are matched by employer contributions of 3%, 7.5% and 10.5% respectively.

Pension Costs: - All schemes

The total pension costs charged for the year represent the total employer's pension contributions payable across all three schemes. These amounted to £168,000 (2017: £196,691), none of which were capitalised with Development team salaries. At 31 March 2018 total employer pension contributions amounting to £16,890 (2017: £67,862) payable to the fund were included in creditors.

Pension Liabilities – All schemes

| | 2018 | 2017 |
|-----------------------------|--------------|--------------|
| | £'000 | £'000 |
| SHPS | 736 | 846 |
| SCCSS | 2,049 | 2,217 |
| | <u>2,785</u> | <u>3,063</u> |
| Split: | | |
| Amounts due within one year | 323 | 318 |
| Amounts due after one year | 2,462 | 2,745 |
| Total | <u>2,785</u> | <u>3,063</u> |

10. Board Members and Executive Directors

| | Basic salary | Benefits in Kind | Employers Pension Contributions | 2018 Total £'000 | 2017 Total £'000 |
|-----------------------------|--------------|------------------|---------------------------------|------------------------|------------------------|
| | £'000 | £'000 | £'000 | | |
| M Akinyemi | 3 | - | - | 3 | 3 |
| S Barklem | 7 | - | - | 7 | 7 |
| F Barras | 4 | - | - | 4 | 4 |
| S Dhadwar | 3 | - | - | 3 | 3 |
| M McJennett | 4 | - | - | 4 | 3 |
| J Milburn | - | - | - | - | 2 |
| P Williams | 6 | - | - | 6 | 6 |
| Non Executive Board Members | 27 | - | - | 27 | 28 |
| Executive | 158 | 3 | 14 | 175 | 139 |
| | 185 | 3 | 14 | 202 | 167 |

| | | |
|---|-----|-----|
| Payments to third parties for Executive Directors' services | 301 | 420 |
|---|-----|-----|

| Payments to third parties for Executive Directors services falling above £60k band: | 2018 | 2017 |
|---|------|------|
| £70,000 - £79,999 | 1 | - |
| £110,000-£114,999 | - | 1 |
| £140,000-£149,999 | 1 | - |
| £150,000 - £159,999 | - | 2 |

The emoluments for the Chief Executive, the highest paid director excluding pension contributions were £126k (2017: £124k). She is an ordinary member of the defined contribution personal pension scheme and no enhanced or special terms apply. The Association does not make any further contribution to an individual pension arrangement for the Chief Executive.

The Executive Directors are made up of the Chief Executive, the Finance Director, the Development and New Business Director and Operations Director.

None of the Board are a member of any of the pension schemes and they receive no pension contributions from the Association.

11. Tax on surplus on ordinary activities

Rosebery Housing Association Limited was given charitable status on 8 February 1999 and is exempt from tax on its charitable activities. No charge to Corporation tax arises on the results of the year (2017: Nil).

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12. Tangible fixed assets – housing properties

| | GENERAL NEEDS HOUSING PROPERTIES | | LOW COST HOME OWNERSHIP | | OTHER PROPERTIES | TOTAL |
|--|---|---|---|---|---|----------------|
| | Completed Properties £'000 | Under Construction £'000 | Completed Properties £'000 | Under Construction £'000 | Completed Properties £'000 | £'000 |
| Cost | | | | | | |
| At 1 April 2017 | 117,244 | 1,259 | 25,337 | 50 | 730 | 144,620 |
| Construction costs | - | 596 | - | 829 | - | 1,425 |
| Purchase of Properties for Development | - | 1,757 | - | - | - | 1,757 |
| Replaced Components | 1,826 | - | - | - | - | 1,826 |
| Schemes completed | 2,394 | (2,394) | - | - | - | - |
| Reclassified to Properties for sale | - | - | - | (352) | - | (352) |
| Replaced Components | (418) | - | - | - | - | (418) |
| Staircasing Sales | - | - | (469) | - | - | (469) |
| Right To Buy Sales | (31) | - | - | - | - | (31) |
| Right to Acquire Sales | (148) | - | - | - | - | (148) |
| At 31 March 2018 | 120,867 | 1,218 | 24,868 | 527 | 730 | 148,210 |
| Depreciation | | | | | | |
| At 1 April 2017 | 15,328 | - | 1,183 | - | 104 | 16,615 |
| Charge for the year | 1,700 | - | 158 | - | 9 | 1,867 |
| Eliminated on Disposals: | | | | | | |
| Replaced Components | (275) | - | - | - | - | (275) |
| Staircasing Sales | - | - | (16) | - | - | (16) |
| Right To Buy Sales | (6) | - | - | - | - | (6) |
| Right to Acquire Sales | (12) | - | - | - | - | (12) |
| At 31 March 2018 | 16,735 | - | 1,325 | - | 113 | 18,173 |
| Net Book Value | | | | | | |
| At 31 March 2018 | 104,132 | 1,218 | 23,543 | 527 | 617 | 130,037 |
| At 1 April 2017 | 101,916 | 1,259 | 24,154 | 50 | 626 | 128,005 |

12. Tangible fixed assets – housing properties (Continued)

Expenditure on works to existing properties

| | 2018 | 2017 |
|---|--------------|--------------|
| | £'000 | £'000 |
| Amounts capitalised | 1,826 | 1,338 |
| Amounts charged to the income and expenditure account | 2,831 | 2,939 |
| | <u>4,657</u> | <u>4,277</u> |

Social housing grant

| | 2018 | 2017 |
|--|---------------|---------------|
| | £'000 | £'000 |
| Total accumulated social housing grant received or receivable at 31 March: | | |
| Opening balance | 33,904 | 34,062 |
| Transfer to RCGF | (216) | (458) |
| Transfer from RCGF | - | 166 |
| New grant received during the year | - | 134 |
| | <u>33,688</u> | <u>33,904</u> |

Finance costs

| | 2018 | 2017 |
|---|--------------|--------------|
| | £'000 | £'000 |
| Aggregate amount of capitalised interest included in the cost of housing properties | - | - |
| | <u>-</u> | <u>-</u> |

Housing properties book value, net of depreciation

| | 2018 | 2017 |
|-----------------------------------|----------------|----------------|
| | £'000 | £'000 |
| Freehold land and buildings | 104,106 | 102,368 |
| Long leasehold land and buildings | 25,931 | 25,637 |
| | <u>130,037</u> | <u>128,005</u> |

Property Valuations

The estimated value of the housing properties as at 31st March 2018 was £168.16m (2017 £168.5m).

Housing properties were valued on the basis of existing use value - social housing (EUV-SH) or Market Value subject to Tenancy as appropriate.

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13. Tangible fixed assets – others

| | Furniture & equipment £'000 | Office Improvements £'000 | Computer equipment £'000 | Motor Vehicles £'000 | Total £'000 |
|-------------------------|--|--|---|-------------------------------------|------------------------|
| Cost | | | | | |
| At 1 April 2017 | 430 | 251 | 869 | - | 1,550 |
| Additions | - | - | 71 | - | 71 |
| Disposals | - | - | - | - | - |
| At 31 March 2018 | 430 | 251 | 940 | - | 1,621 |
| Depreciation | | | | | |
| At 1 April 2017 | 373 | 144 | 624 | - | 1,141 |
| Charged in the year | 34 | 50 | 144 | - | 228 |
| Write off | - | - | - | - | - |
| At 31 March 2018 | 407 | 194 | 768 | - | 1,369 |
| Net book value | | | | | |
| At 31 March 2018 | 23 | 57 | 172 | - | 252 |
| At 31 March 2017 | 57 | 107 | 245 | - | 409 |

14. Properties for sale

| | 2018 £'000 | 2017 £'000 |
|-------------------------------------|-----------------------|-----------------------|
| Shared ownership properties: | | |
| Stock | 352 | 108 |
| | 352 | 108 |

15. Debtors

| | 2018 | 2017 |
|--|--------------|--------------|
| | £'000 | £'000 |
| Due within one year | | |
| Rent and service charges receivable | 609 | 503 |
| Less: provision for bad and doubtful debts | (457) | (384) |
| | <hr/> | <hr/> |
| | 152 | 119 |
| Other debtors | 87 | - |
| Prepayments and accrued income | 356 | 514 |
| | <hr/> | <hr/> |
| | 595 | 633 |
| | <hr/> | <hr/> |

16. Creditors: amounts falling due within one year

| | 2018 | 2017 |
|--|--------------|--------------|
| | £'000 | £'000 |
| Trade creditors | 349 | 460 |
| Rent and service charges received in advance | 138 | 143 |
| Recycled capital grant fund (note 19) | 267 | 200 |
| Deferred Social Housing Grant (note 17) | 337 | 324 |
| Pension Liability (note 21) | 323 | 318 |
| Other taxation and social security | 112 | 111 |
| Other creditors | 226 | 1 |
| Accruals and deferred income | 2,837 | 2,101 |
| | <hr/> | <hr/> |
| | 4,589 | 3,658 |
| | <hr/> | <hr/> |

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

| | 2018 | 2017 |
|--|----------------|----------------|
| | £'000 | £'000 |
| Debt (note 20) | 76,281 | 76,241 |
| Deferred Social Housing Grant | 30,474 | 31,014 |
| Amortisation due in less than one year | (337) | (324) |
| Leaseholder sinking fund | 217 | 190 |
| | <u>106,635</u> | <u>107,121</u> |

Deferred Capital Grant: Reconciliation

| | 2018 | 2017 |
|--------------------------------------|----------------|----------------|
| | £'000 | £'000 |
| Opening Balance | 33,904 | 34,062 |
| Accumulated Amortisation | <u>(2,890)</u> | <u>(2,583)</u> |
| | 31,014 | 31,479 |
| Amortisation charged during the year | (324) | (307) |
| Transfer to RCGF | (216) | (458) |
| Transfer from RCGF | - | 166 |
| New grant received during the year | - | 134 |
| | <u>30,474</u> | <u>31,014</u> |

18. Financial Instruments

Debtors and creditors

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the Statement of Comprehensive Income in other operating expenses

Loans, Investments and short term deposits

All loans, investments and short term deposits held by the Association are classified as basic financial instruments in accordance with FRS 102. These instruments are initially recorded at the transaction price less any transaction costs (historic cost), FRS 102 requires that basic financial instruments are subsequently measured at amortised cost, however the Association has calculated that the difference between the historic cost and amortised cost basis is not material and so these financial instrument are stated in the Statement of Financial Position at historic cost. Loans and investments that are payable or receivable within one year are not discounted.

Cash and cash equivalents

Cash and cash equivalents in the Statement of Financial Position consists of cash at bank, in hand, deposits and short term investments with an original maturity of three months or less.

The Association has also identified some investments, which meet the definition of cash and cash equivalents but are restricted in their use; these investments have been classified as restricted cash equivalents.

19. Recycled capital grant fund

| | 2018 | 2017 |
|---|--------------|--------------|
| | £'000 | £'000 |
| At 1 st of April | 925 | 633 |
| Additions in the year | 216 | 458 |
| Interest Accrued | - | - |
| Utilised in Development of property | - | (166) |
| Amount repaid to the HCA/GLA | (200) | - |
| | <hr/> | <hr/> |
| At 31 March | 941 | 925 |
| | <hr/> | <hr/> |
| Due in less than one year | 267 | 200 |
| Due in more than one year and less than three years | 674 | 725 |
| Due in more than three years | - | - |
| | <hr/> | <hr/> |
| | 941 | 925 |

20. Debt analysis

| | 2018 | 2017 |
|-------------------------------------|--------------|--------------|
| | £'000 | £'000 |
| Due after more than one year | | |
| Bank loans | 77,400 | 77,400 |
| Loan issue costs | (1,119) | (1,159) |
| | <hr/> | <hr/> |
| | 76,281 | 76,241 |
| | <hr/> | <hr/> |

Security

The bank loans are secured by fixed charges on the Association's individual properties. At 31 March 2018 2,053 (2017: 2,057) homes are charged as security to lenders valued at £146m (2017: £145.13m) (based on a mix of EUV-SH and market values subject to tenancies (MV-T)).

Terms of repayment and interest rates

The bank loans are repaid at the end of the term on which the loan is secured, at fixed and variable rates of interest ranging from 0.81% to 5.31%.

At 31 March 2018 the Association had undrawn loan facilities of £20m (2017: £20m).

20 Debt analysis (continued)

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

| | 2018 | 2017 |
|--|---------------|---------------|
| | £'000 | £'000 |
| 5 years or less | 14,900 | 10,000 |
| 6 years to 10 years | 10,000 | 14,900 |
| 10 years to 20 years | 10,000 | 10,000 |
| 10 equal instalments from 2042 to 2051 | 42,500 | 42,500 |
| | <u>77,400</u> | <u>77,400</u> |

21. Pension liability

| | 2018 | 2017 |
|---------------------------|--------------|--------------|
| | £'000 | £'000 |
| Pension liability | 2,785 | 3,063 |
| Due in less than one year | <u>(323)</u> | <u>(318)</u> |
| Due in more than one year | <u>2,462</u> | <u>2,745</u> |

22. Non-equity share capital

| | 2018 | 2017 |
|--|-------------|-------------|
| | £ | £ |
| Shares of £1 each issued and fully paid | | |
| At 1 April 2017 | 9 | 11 |
| Shares issues during the year | - | - |
| Shares surrendered during the year | - | (2) |
| | <u>9</u> | <u>9</u> |
| At 31 March 2018 | <u>9</u> | <u>9</u> |

The shares provide members with the right to vote at general meetings of the Association, but do not provide any rights to dividends or distributions on a winding up.

Each Member of the Association holds one share of £1. The shares are non-transferable and non-redeemable and carry no rights to receive either income or capital repayments.

23. Cash flows from operating activities

| | 2018 | 2017 |
|--|--------------|---------------|
| | £'000 | £'000 |
| Operating surplus | 6,387 | 7,857 |
| Depreciation of tangible fixed assets | 2,095 | 1,990 |
| Change in stock | (244) | 202 |
| Change in debtors | 38 | 250 |
| Change in creditors | 651 | (669) |
| Change in Sinking Fund | 27 | 28 |
| Amortisation of Grant | (324) | (307) |
| Amortisation of loan fees | 40 | 5 |
| (Decrease)/Increase in pension provision | (283) | 521 |
| Actuarial gain/(loss) on Pension Schemes | 55 | (768) |
| Carrying value of disposed property | 757 | 1,613 |
| Net Cash Inflow | <u>9,199</u> | <u>10,722</u> |

24. Capital Commitments

| | 2018 | 2017 |
|---|-------------------|-------------------|
| | £'000 | £'000 |
| Capital expenditure | | |
| Purchase of Fixed Assets | 71 | 131 |
| Expenditure contracted for but not provided in the accounts | 1,096 | 2,441 |
| | <u> </u> | <u> </u> |

The above commitments will be financed from current cash reserves.

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25. Leasing Commitments

As at 31 March, the Association had minimum lease commitments under non-cancellable operating leases as set out below:

| | 2018 | | | 2017 | | |
|--------------------|-----------------------|---|-------|-----------------------|---|-------|
| | Land and Buildings | Office equipment and computers | Vans | Land and Buildings | Office equipment and computers | Vans |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| 1 year or less | 127 | 12 | 32 | 127 | 25 | 39 |
| 1 to 5 years | - | 43 | | 127 | 7 | 39 |
| Later than 5 Years | - | - | | - | - | |
| | 127 | 55 | 32 | 254 | 32 | 78 |

26. Related Parties

There were no tenant members of the Board during the year.

Disclosures relating to key management personnel and the pension schemes are given in note 9. No other related party transactions have been identified.

No other related party transactions have been identified.

