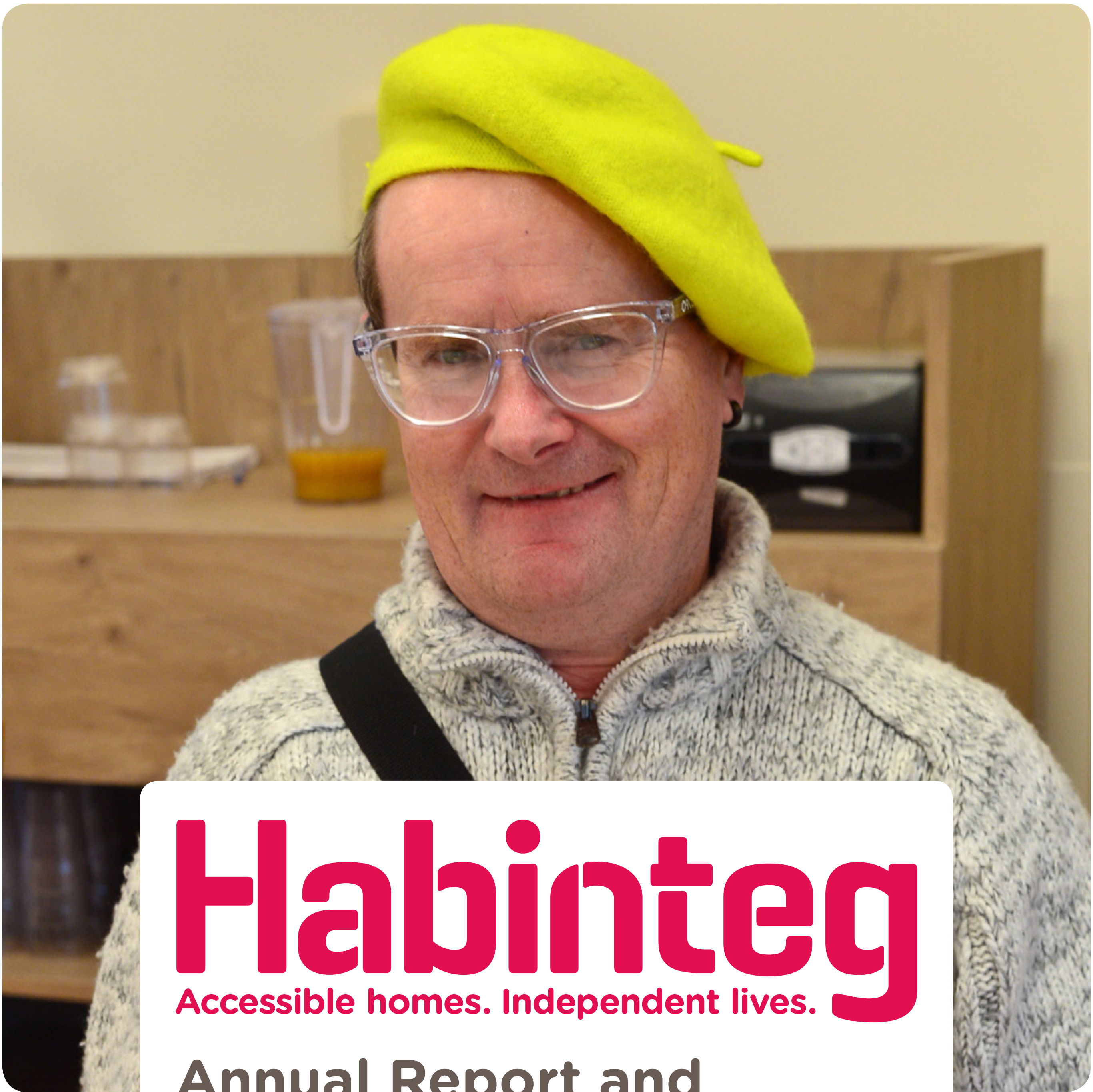


Habinteg

Accessible homes. Independent lives.

Annual Report and Financial Statements

For the year ended 31 March 2018

Contents

Board members, Executive, Advisors and Bankers

Board Members

Manny Lewis	Chair
Andrew Gibson	Vice-Chair
Gwenda Cope	(from January 2018)
Paul Copson	(from January 2018)
Mel Groves	Chair of Appointment and Remuneration Committee
Audrey Fearing	(to October 2017)
Sheila Hyde	
Emma Luddington	
Andy Mack	Chair of Audit, Risk & Assurance Committee
Mee Ling Ng	
Jim Watt	(to September 2017)
Steve White	(from March 2018)

Executive Team

Sheron Carter	Chief Executive (from December 2017) and Company Secretary (from February 2018)
Steve White	Interim Chief Executive (to September 2017)
Suzanne Twerdochlib	Director of Finance & Resources and Company Secretary (to January 2018)
Jo Moore	Interim Director of Finance & Resources (from February 2018)
Chris Furlong	Interim Director of Operations (to November 2017)
Darren Levy	Interim Director of Operations (from November 2017)
Maureen Lapwood	Head of Human Resources
Christina McGill	Head of Communications

Registered Office:
Holyer House
20-21 Red Lion Court
London EC4A 3EB

External Auditors:
BDO LLP
Gatwick
West Sussex RH6 0PA

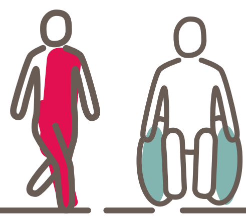
Internal Auditors: (from May 2017)
RSM Risk Assurance Services LLP
The Pinnacle
170 Midsummer Boulevard
Milton Keynes
Buckinghamshire MK9 1BP

Bankers:
National Westminster Bank PLC
Euston Road Branch
350 Euston Road
London NW1 3AX

Principal Solicitors:
Devonshires
Salisbury House
London Wall, London WC2 5QY

Homes England Registration No: LH0459

Financial Conduct Authority Society No:19332R



Message from Chair

At Habinteg I am proud to say that we remain true to our mission. We champion inclusion by providing accessible homes and neighbourhoods that welcome and include everyone. Most of our homes are let at social rents. Absorbing the government's directive to reduce rents by 1% until 2020 has presented impediments to our growth.

Overall it has been a year of consolidation. We started the year with the challenge to improve our governance. We have steered Habinteg towards a more streamlined but effective governance structure. We have effected changes at Board and executive director level. We have strengthened the board with the appointments of Steve White, Paul Copson and Gwenda Pope as non-executive directors. The Board was also delighted to secure the appointment of Sheron Carter as Chief Executive.

Our focus has been a positive drive for continuous improvement to strengthen controls and maintain good performance. The Board established a task and finish group that has successfully managed a significant improvement programme. We have strengthened controls and are working to embed them. We have made good progress on articulating and providing strong oversight of our strategic risks. We performed well across a range of our key performance indicators, but we are cognisant of the need to further improve our repairs performance.

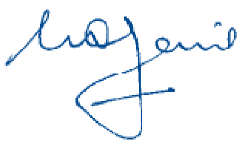
In this change period we retendered internal and external auditors. We were pleased to appoint new internal auditors, RSM and to reappoint our external auditors, BDO.

Our financial outturn was positive, resulting in a £2.4m surplus. We have substantial liquidity, low gearing, significant headroom against all covenants and over 1000 homes unencumbered.

We have ended the year feeling good about the future. It was great to be acknowledged for our 2017 #ForAccessibleHomes campaign. For this we received the prestigious Chartered Institute of Public Affairs award for the best public affairs campaign, the UKHA award for outstanding approach to communication (under 10,000 homes) and the Diversity in Housing Communications Award. We were also pleased to receive the diversity in Housing 'Best New-Build Accessible Scheme' for our new development, Goodrich Court in Hounslow.

We move forward with a clear corporate plan in place that will enable us to build new homes, invest in our stock, reduce our costs, provide better services and expand the impact of our campaigns. We have been able to kick start our development programme by working closely with local authorities in Leeds and Hull. We are building strong strategic partnerships to support our ambitious agenda. We value these partnerships as they enable us to do more by working together.

I would like to thank our board, our staff and our tenants for their support throughout the year.



Manny Lewis
Chair


Development case study
Raynville Crescent
Habinteg
The Habinteg perspective...
Habinteg

Report of the Board

(including the Strategic Report)

Corporate governance

The Board presents its Report of the Board and Habinteg's audited financial statements for the year to 31 March 2018.

Habinteg is a registered society under the Co-operative and Community Benefit Societies Act 2014 and is registered with the Financial Conduct Authority (FCA). Habinteg is also a Registered Provider (RP) of social housing and is regulated by the Social Housing Regulator. The Association's principal activities relate to the development, acquisition and management of affordable general needs housing.

The Regulator assesses registered providers annually against the Governance and Financial Viability Standard and for the 2017/18 financial year, Habinteg maintained a V1 (financial viability) and G2 (governance) rating.

The Board consists of 10 remunerated members. The present Board members together with those that have served during the financial year are set out on page three. Board members are drawn from a wide background of experience bringing together professional and technical skills as well as commercial and housing experience. The Board meets at least six times per financial year and is responsible for setting the Association's mission, its strategic objectives and for overall direction and control of the Association.

Certain scrutiny responsibilities have been delegated by the Board to sub-committees. The Audit, Risk and Assurance Committee (ARAC) assists the Board to fulfil its corporate governance and compliance responsibilities in relation to Habinteg's financial reporting, internal controls, risk management and internal and external audit functions by ensuring adequate assurance. ARAC met four times during the financial year 2017/18.

The Appointment & Remuneration Committee (ARC) considers and ensures that remuneration arrangements support Habinteg's strategic aims and enables the appointment, motivation and retention of the Executive Team, Board members and staff, whilst complying with the regulatory requirements. ARC also oversees the organisation's governance arrangements and reviews the appraisal and personnel arrangements for Habinteg Directors and Board. This committee met three times during the year.

The Board has also established a number of 'task and finish' groups which have overseen the Executive Team's review of financial controls, organisational compliance, and preparation for in-depth assessment by the Regulator of Social Housing.

The Association strives for best practice in corporate governance and applies the National Housing Federation's (NHF) Code of Governance. Habinteg has complied with this code during the reporting year.

Board members

Manny Lewis
Chair

Andrew Gibson
Vice Chair

Mel Groves
Chair of Appointment & Remuneration Committee

Andy Mack
Chair of Audit, Risk & Assurance Committee

Mee Ling Ng

Audrey Fearing

Emma Luddington

Sheila Hyde

Jim Watt

Gwenda Cope

Paul Copson

Steve White

Executive Team

Sheron Carter
Chief Executive

Darren Levy
Director of Operations

Joanne Moore
Director of Finance and Resources

Christina McGill
Head of Communications

Maureen Lapwood
Head of HR

External environment

The social housing sector has been defined by two key themes this reporting year. The tragic fire at Grenfell Tower in June 2017 has put a spotlight on quality standards and safety practices, as well as the way in which social landlords engage with and listen to tenants.

At the same time the Government continues to focus on the delivery of new homes as the key goal of its housing strategy, with home ownership remaining a central theme.

This strategy has impacted on the availability of grant for the delivery of affordable new rented homes. The government is looking to the sector to be more commercial and innovative in delivering new supply of affordable homes for rent.

The sector has become increasingly reliant on tenure diversification to provide the much-needed subsidy to continue to deliver affordable rented products. This exposure to market sales has led to a number of associations receiving a downgrade in their financial viability ratings.

The UK housing market overall has seen a slow-down with modest growth compared to the previous few years but there are regional differences. The Midlands, North and South West continuing to see significant growth, but the London market has actually seen a slight decline in house prices compared to the previous 12 months.

Continued growth in the sector relies on housing associations being able to borrow and, more importantly, to be able to meet the resulting interest costs of servicing that debt.

The Bank of England raised the base rate from 0.25% to 0.5% in November 2017 and further increases are forecast. Whilst many associations use variable rate debt linked to Libor, which does not necessarily correlate with the base rate movements, the trend is likely to be aligned.

This comes at a time when margins continue to be squeezed for some associations. Revenue in the sector continues to be impacted by the Government's annual 1% rent reduction policy which is in place until 2020, when the policy will return to CPI +1% (as announced in October 2017). The sector also continues to be impacted by cuts to Supporting People funding which are a result of sustained cuts to local authority funding.

The implementation of Universal Credit is ongoing and the impact on income collection remains a major focus for all social landlords with most predicting a directly attributable decrease in collection performance.

Business review

Following the governance downgrade to G2 in February 2017, the 2017-18 financial year saw a strategic focus on improving the governance control frameworks within the organisation and the appointment of a new Executive Team to assist the Board in developing a new three-year corporate plan. This new plan has three strategic themes:

Providing homes and services

We will build, manage and maintain accessible homes for disabled people and non-disabled people to share and enjoy.

Influencing decisions

We will promote excellence and innovative solutions for inclusive design in housing that make places better for more people and promote the rights of disabled people to participate in community life.

Maintaining business health

We will work to build a resilient organisation that can weather the storm in an ever-changing environment.

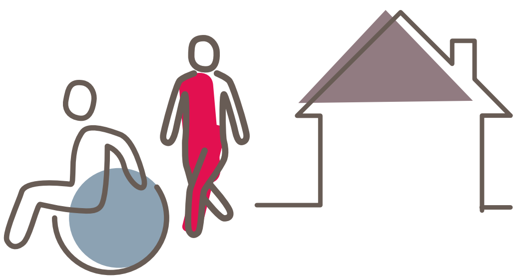
In laying the foundations for this new strategic plan, resources were set aside to fund to the organisation's change management programme and a number of initiatives were approved by the Board.

A 100% stock condition survey was commissioned which will enable the Association to formulate an informed and robust stock investment programme and inform the new Asset Management Strategy.

The Board also approved development tenure diversification. External consultants were commissioned to undertake a review of development opportunities, appropriate to the Association, to underpin a new Development Strategy. This is scheduled for Board approval in the summer of 2018.

Although no new homes were delivered in the financial year, a 14-unit scheme in North Leeds was well underway, with completion due early in 2018/19. This scheme also meets the design requirements set out in the new Optional Access standards with 11 houses meeting the accessible adaptable standard and three bungalows being wheelchair accessible homes.

A small number of pipeline schemes were also sourced and appraised and, in the year ahead, we will continue to explore partnership opportunities with local authorities where a need for accessible affordable homes has been identified and the development is aligned with the Association's business model.



Our social impact

“Influencing” remains a key strategic objective for the Board and Habinteg has continued to have a significant impact.

This year saw The Select Committee for Housing, Communities and Local Government conduct an inquiry into older people’s housing during 2017. Having visited a Habinteg housing scheme and taken oral evidence from our Vice Chair Andrew Gibson, the committee’s report recommended that all new homes be built to Building Regulations Part M4 (2) Category 2 standard, a major win for Habinteg’s influencing strategy.

Our #ForAccessibleHomes campaign ran for the second year in 2017 and included engagement with a number of MPs including the then Minister of State for Disabled People. The campaign built effectively on the first year helping to focus sector attention on the need for more accessible housing.

Having provided immersion training to staff at the Equality and Human Rights Commission ahead of their inquiry into the housing experience of disabled people we successfully bid to produce two toolkits commissioned in response to their findings. This funded partnership, delivering one toolkit for Local Authorities in England and another for Elected Members in Scotland, extends the reach of Habinteg’s message to a wide network of practitioners.

Habinteg also contributed to several policy consultations in the reporting year including the Department for Communities and Local Government consultation on ‘Planning for the right homes in the right places’ and the Housing White Paper ‘Fixing our broken housing market’

In the coming year we will complete a detailed analysis of Local Plans in England in order to assess the overall level of commitment to deliver accessible new homes and identify authorities where our influence and support might enable more ambitious local plan requirements. We will continue to track and comment on the revised National Planning Policy Framework and develop our sector profile and relationships within Westminster and the regions in order to emphasise the critical role of local authorities in delivering more accessible homes.

Habinteg’s technical team, the Centre for Accessible Environments continues to generate income through training and consultancy services to housing sector clients and the built environment profession as a whole.

During the reporting year the team completed 47 consultancy projects in environments as diverse as railway stations, universities, fast food restaurants, housing developments, public facilities and leisure locations. Clients range in size from local to national, and include major brands such as the BBC, Channel 4, McDonalds and Taylor Wimpey.

Demand for CAE’s bespoke training courses increased, with 17 courses delivered during the year, three of which were training in housing specific topics. CAE also ran eight open access/ public courses for a total of 104 trainees on the topics of Access Auditing and the Equality Act and Wheelchair Accessible Housing.

The third edition of the Wheelchair Housing Design Guide, produced by Habinteg, in partnership with the Royal College of Occupational Therapists Specialist Section - Housing (RCOTSS-Housing), was published via RIBA in April 2018 and at the time of writing has sold over 300 copies.

In the coming year we will review and refresh CAE’s business plan and market position, taking into account the current challenges and opportunities in the professional access market at the current time and aiming to increase the proportion of income derived from housing related activity and achieving break even at the year end.


We're #ForAccessibleHomes because we love our community.
Join the campaign
www.habinteg.org.uk/ForAccessibleHomes
@Habinteg | @Habinteg
#For Accessible Homes

Risk management

The Board recognises that effective risk management is fundamental to the achievement of its strategic objectives. During the course of the year a new Risk and Compliance Manager was appointed to undertake a comprehensive review of the risk management framework.

By the end of the financial year, a new Risk Management Strategy and framework was approved, and new governance processes introduced. Key strategic risks are monitored at every Board meeting and operational risks will be monitored by the Senior Management Team and the Audit, Risk & Assurance Committee.

The Regulator's review of the sector's risk profile has been reviewed and helped to inform the Strategic Risk Register. From this register, five key risks have been identified as requiring focus in the forthcoming year:

Risk area	Key risks	Mitigation
Development	Risks to development include the financial risks associated with land price and build cost inflation, the cost of borrowing, and funding sources paired with possible challenges to availability of labour, build quality and the possibility of contractor failure. Tenure diversification carries risk in itself, and there are inherent risks around planning applications, partnerships and other legal matters	• New development procedures including approvals and financial scrutiny • Options appraisals • Scheme appraisals • JCT Design and Build Contracts • Pre-qualification of contractors • Social housing warranty e.g. Premier, NHBC • Accessibility audits • Housing market analysis • Treasury advice • Pre-planning enquiries • Stakeholder engagement
Market sales	Developing homes for market sale brings with it the inherent risks of market downturn and consumer confidence along with the inherent affordability of properties and availability of mortgages. Poor marketing may also represent a risk as we enter this tenure for the first time. Profit margin can be affected by any of these issues.	• Market research • Small scale development • Phasing • Fixed priced contracts • Out-sourcing sales • Tax efficient delivery vehicles • Off-plan sales • Conversion to alternative tenure

Cyber security	The risk of cyber-attack is one that Habinteg shares with all organisations, along with the risk of failure in our own IT network. Business continuity may also be compromised by other major events that impact our IT infrastructure	• Network Access and Use Policy Mimecast and MS Office 365 scan all emails • Symantec anti-virus software • update BCP and undertake penetration testing
Stock investment	We have identified the quality of information we hold about our stock as an area for improvement which carries with it risk around the cost of repair and replacement of key components and improvements to accessibility that may be required. We have undertaken to mitigate this specific risks in-year with the 100% stock condition survey mentioned above	• Stock condition survey • Stock evaluation assessment planned • Asset Management Strategy (to be updated) • Component lifecycle schedule
Value for Money	The risks associated with delivering value for money include the potential for reduced service quality and the impact of any historic under-investment or inconsistencies in procurement that may lead to higher costs.	• Review of VFM Strategy • Performance targets and performance reporting • Procurement Strategy, policies and procedures (updates required) • Service re-design and staff training

Operating and financial review

Operating performance

Overall, our operating performance is good. We have steadily improved performance over the last five years.

Operational Key performance indicators

	2014	2015	2016	2017	2018
% of current rent collected	100.1	101.0	101.4	100.1	101.4
% of current rent arrears*	4.3	4.0	4.0	3.6	3.4
% former tenant arrears**	1.2	1.2	1.2	1.5	1.3
% rent loss through voids	0.6	0.7	0.6	0.5	0.4
Average re-let time (days)	26	27	25	23	20.2
% Gas servicing complete in year	99.9	100.0	100.0	99.96	100.0
% Overall tenant satisfaction***	-	-	84	-	84
% Emergency Repairs completed within target time	99.6	98.9	99.1	97.8	98.4
% of urgent repairs completed within target	98.3	98.4	98.0	95.4	94.1
% of routine repairs completed within target	98.3	98.6	97.3	95.1	93.1

* outstanding rent due from tenants as a percentage of the annual rent roll

** outstanding rent on the accounts of former tenants as a percentage of the annual rent roll

*** bi-annual external survey

Current rent collection performance remained strong and performance on current tenant arrears improved. With increased focus we aim to improve the collection of former tenant arrears.

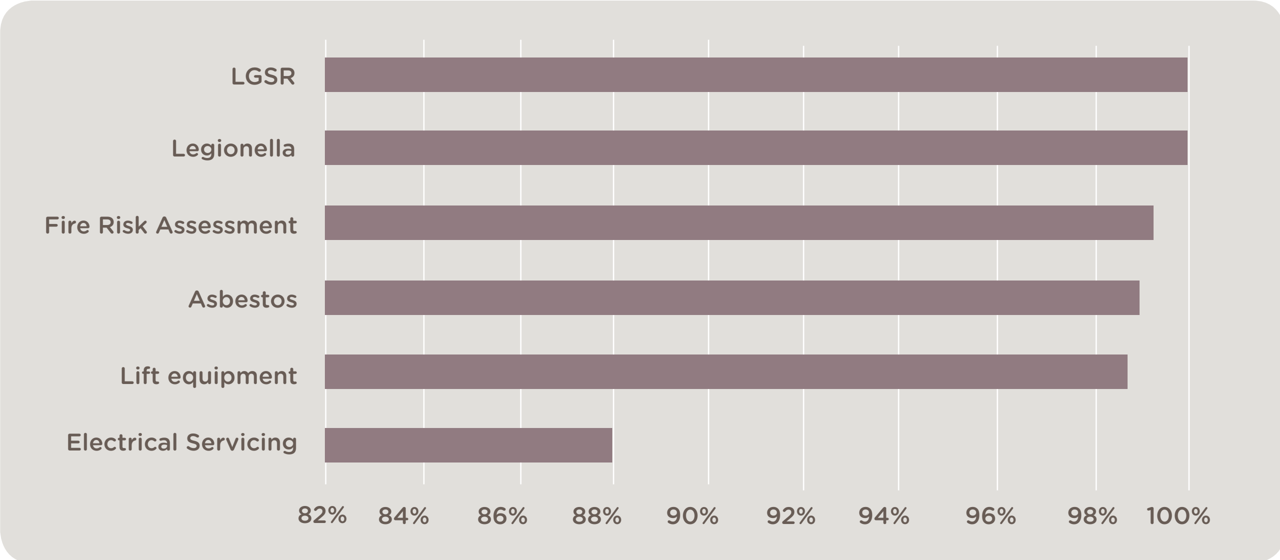
Re-let performance improved considerably during the financial year and has improved significantly over the previous five years. This has reduced rent lost from having homes vacant.

Whilst tenant satisfaction has remained high, we recognise that there are regional variations in satisfaction and over the next three years, we aim to steadily improve satisfaction with the aim of achieving 88% by the end of 2021.

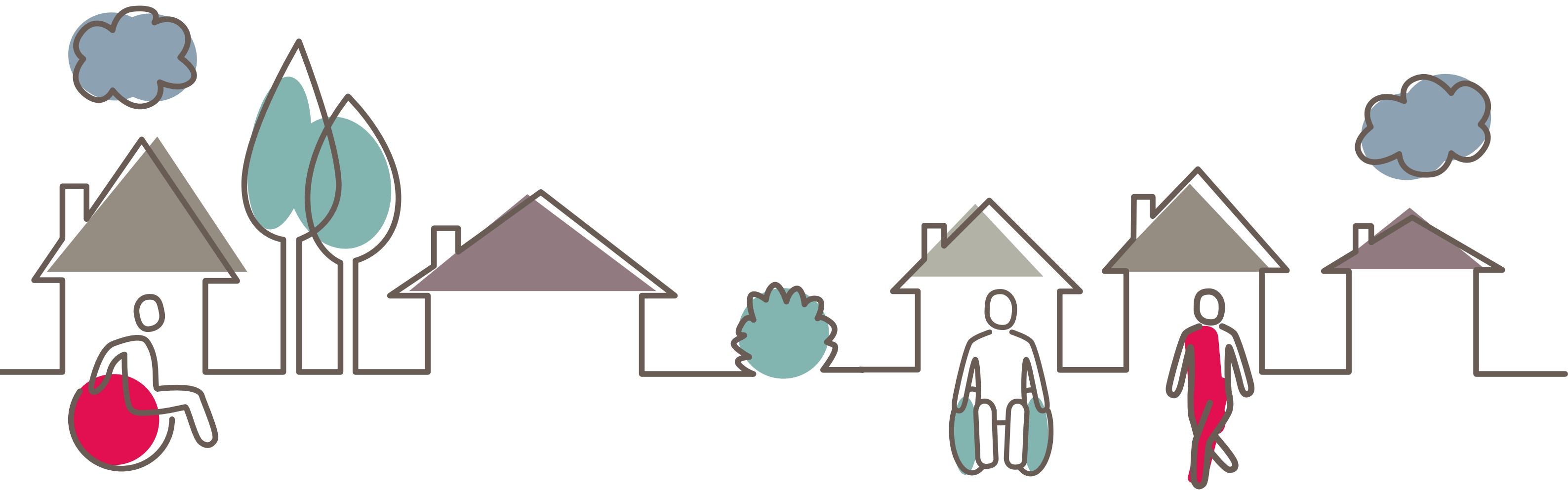
Repairs performance is bucking the trend. The completion of emergency repairs is good, but we have seen some deterioration in performance for urgent and routine repairs. Delivering an efficient and effective repairs service is our biggest challenge. The geographical spread of our homes has tested our ability to achieve good repairs performance at a reasonable cost. In the next 12 months we are reviewing delivery and re-tendering the repairs contracts. We anticipate there may be a further dip in performance whilst going through this change but anticipate improvement once embedded.

During the year we introduced the reporting of statutory health & safety performance. By year end, all homes had a landlord's gas safety certificate and in date legionella inspection. In the coming year we aim to achieve automation to enable reporting on the implementation of recommended actions at a granular level.

Statutory Health & Safety In-Date Inspections/Certification



For the new financial year, the Board has approved a suite of corporate KPIs and targets to be achieved over the life of the new three-year plan and these will be monitored regularly by the Board.



Financial performance

Despite the application of the 1% rent reduction, Habinteg achieved an operating margin of 22.33% (2017: 23.85%) primarily as a result of operating costs only increasing by 0.6% to £17.683m (2017: £17.573m). Lower average interest costs and a surplus achieved on the sale of surplus land led to an overall margin of 10.55% broadly in line with the previous year (11%).

However, Habinteg recognises that these margins are significantly below sector averages. Part of the reason for this is the uniqueness of Habinteg with its size, geographical spread and the services its tenants require but a significant review of its operating model will be undertaken during the next financial year to provide critical challenge to our costs and their drivers to improve efficiency.

The Association's overall financial revenue performance for the last five years is set out in the table below.

Statement of Comprehensive Income

	2018	2017	2016	2015	2014
Turnover	22,769	23,077	22,811	20,575	21,190
Operating Costs	(17,683)	(17,573)	(17,746)	(14,445)	(15,095)
Surplus/Deficit on sale of fixed assets	71	-	20	-	78
Operating Surplus	**5,157**	**5,504**	**5,085**	**6,130**	**6,172**
Interest Receivable	3	12	69	-	113
Interest payable	(2,722)	(2,933)	(2,636)	(3,106)	(3,106)
Surplus on ordinary activities before taxation	**2,438**	**2,583**	**2,518**	**3,024**	**3,180**
Taxation	(34)	(44)	(114)	(493)	(493)
Surplus and total comprehensive income	**2,404**	**2,539**	**2,404**	**2,531**	**2,686**

The balance sheet position remains strong with net assets increasing to £52.92m (£50.54m 2017) and cash balances remained healthy at £5.667m compared to £5.419m at the prior year. Net current liabilities increased to £1.752m (£1.087m: 2017) but is not a cause for concern as this is largely as a result of the reclassification of the long-term grant creditor to short-term. This represents the amount to be released to income over the next financial year but will not result in an outflow of cash.

Long term creditors stood at £149.690m (£153.700m: 2017) which consisted of £43.479m owing to lenders and £104.613m in respect of deferred capital grant. During the year, the Association repaid £2.2m of loans but has low gearing compared to the sector with historic cost gearing of 23%. The total of the capital grant creditor (short and long-term) is reflected as a contingent liability in Note 26 to the Financial Statements.

Whilst there were no new developments completed during the financial year, there were 14 units under construction at the year-end. These were included within the £1.891m of assets under construction value as set out in Note 15.

The table below shows the Statement of Financial Performance for the past five years:

The table below shows the Statement of Financial Performance for the past five years:

Statement of Financial Position

	2018	2017	2016	2015	2014
Fixed Assets					
Fixed Assets - Housing Properties	197,397	198,241	197,705	82,175	81,450
Other Fixed Assets	6,961	7,082	6,435	4,584	3,966
	204,358	**205,323**	**204,140**	**86,759**	**85,415**
Current Assets					
Debtors	1,188	1,457	1,688	1,508	1,476
Cash and Cash Equivalents	5,667	5,419	5,799	10,714	10,489
	6,855	**6,876**	**7,487**	**12,222**	**11,965**
Creditors falling Due within one year	(8,607)	(7,963)	(9,114)	(5,925)	(4,999)
Net Current Assets/(Liabilities)	**(1,752)**	**(1,087)**	**(1,627)**	**6,297**	**6,966**
Creditors falling due after one year	(149,690)	(153,700)	(154,516)	51,790	54,046
Net Assets	**52,916**	**50,536**	**47,997**	**144,846**	**146,427**
Capital and reserves					
Restricted reserves	-	29	29	-	-
General reserves	52,916	50,507	47,968	41,266	38,335
Reserves Total	**52,916**	**50,536**	**47,997**	**41,266**	**38,335**

Capital structure and treasury

Habinteg is financed by a combination of retained reserves, loan facilities and social housing grant. Total outstanding loan balances at 31 March 2018 were £45.873m compared to £48.189m at the end of the previous year and there were no new loan facilities entered into during the year. The Association has a number of loans with different lenders, with different interest rates and maturity profiles as highlighted in the table below.

Debt Maturity Profile

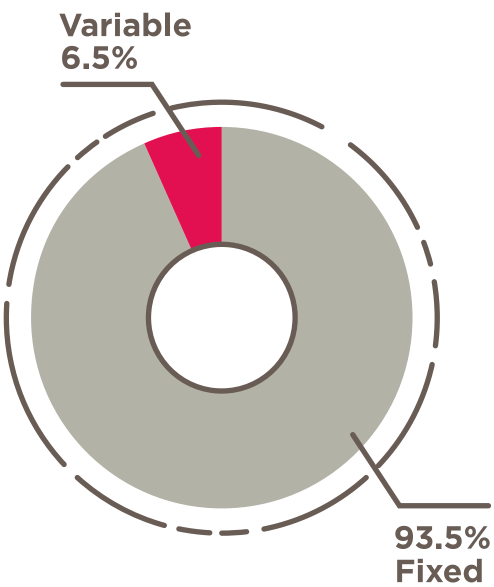
Maturity of debt	2018 £'000	2017 £'000
0 - 1 year	2,394	2,317
1 - 2 years	2,478	2,394
2 - 5 years	14,035	10,725
More than 5 years	26,966	32,753
Total Housing Loans	**45,873**	**48,189**

Habinteg has a Revolving Credit Facility in place of £20m, of which £3m was already drawn down at 1 April 2017 and no additional calls were made on this facility during the 2017/18 financial year. At 31 March 2018, £17m therefore remained as undrawn cash facilities.

Of the outstanding loan balance, £2.394m was due for repayment within the next 12 months and therefore the Association is not currently exposed to any refinancing risk over the short term.

The Association manages its exposure to fluctuations in interest rates by achieving a prescribed balance between fixed and floating rate debt at an acceptable level of cost as determined by its Treasury Management Policy. The policy was complied with during the course of the financial year and the ratio at 31 March 2018 was as follows:

2018 - Housing Loans



Lender loan covenants are primarily based on interest cover, gearing and asset cover ratios and these are monitored regularly during the course of the year. These covenants were comfortably met throughout the financial year and there are no anticipated breaches going forward.

Lender key covenants 2014–2018

	2014 UK GAAP	2015 UK GAAP	2016 FRS102	2017 FRS102	2018 FRS102	2017 HE Global Accounts	Lender Requirement
Interest Cover (times)	2.73	2.83	2.73	3.01	3.17	1.70	>1.30
Gearing ratio (%)	27%	25%	24%	30%	29%	50%	<60%

Value-for-Money

As a Registered Provider the Association is required to comply with the Value-for-Money (VFM) Standard as determined by the Regulator of Social Housing. A new VFM Standard was introduced from 1 April 2018 which must be complied with for the 2017/18 Annual Report and Accounts.

The new standard replaces the previous narrative approach with an objective metrics-based performance measurement standard and Habinteg's performance against these metrics for 2017/18 is set out below.

VFM Standard 2018 performance metrics

Value for Money metric	2018	Sector scorecard median 2017*
Reinvestment %	1.5%	-
New supply delivered (Social) %	-	-
New supply delivered (Non-social) %	-	-
Gearing %	20.4%	47.8%
EBITDA MRI %	220%	223.8%
Headline social housing cost per unit	£4,193	£3,256
Operating margin (social housing lettings) %	22.94%	34.5%
Operating margin (overall) %	22.33%	32.6%
Return on capital employed %	2.5%	4.2%

*national and rounded

Note: the calculation basis for these ratios is the Housing England VFM metrics technical note (April 2018), which may differ from similar ratios reported elsewhere in the report.

As can be seen from the table left, Habinteg has a low level of debt and significant headroom in terms of surpluses covering its annual interest debt servicing costs. Going forward, we will be using this capacity to leverage our assets and embark on an increased development programme to deliver new social housing assets.

At the same time, we will be looking to undertake a tenure diversification strategy although this will be with a cautious, risk managed approach.

As our business model is predominantly based on social housing, the continued application of the -1% government rent reduction policy has been a significant factor in our operating margin performance.

However, we recognise that Habinteg's costs are high, with the overall cost per unit of £4,193 being above the sector median, but this is comparable to distinct categories taking into account our geographic spread and the nature of our housing offer. Around 22% (719) of our properties are in London where the median cost per unit stood at £4,995. Just under 48% of our properties are classified as supported housing including 39% wheelchair accessible homes, 1.1% care home units and 7.4% homes for older people. Associations managing a large proportion of supported housing properties recorded a median cost per unit of £5,154.

Habinteg has a new three-year Corporate Plan which sets out clear actions and targets to improve our Business Health and lay strong foundations to build resilience in an ever-challenging financial environment. Our key objectives will be to:

- Build and retain financial strength;
- Refine our processes and invest in technological advancements that enable us to deliver services effectively and efficiently;
- Underpin the plan with robust operational strategies.

To ensure that our costs are justified and represent value-for-money given the levels of services we provide, in the coming year, we will be conducting a review of our operating model to ensure that our offer is optimised. We also want to ensure that we are able to invest and plan in a balanced way to sustain the levels of investment required to maintain and improve our homes.

With the continued application of the 1% rent reduction in the forthcoming year, our latest business plan currently anticipates a 21.44% operating margin. However, we will seek to out-perform this plan, continuously challenging ourselves to make in-year gains, to increase our operating margin to 24%. Some specific actions will be to:

- Commission an external review of corporate expenditure to highlight options for centralised procurement savings;
- Hold a HouseMark in-depth workshop to understand cost performance and drivers to underpin service reviews;
- Review support team structures and key processes.

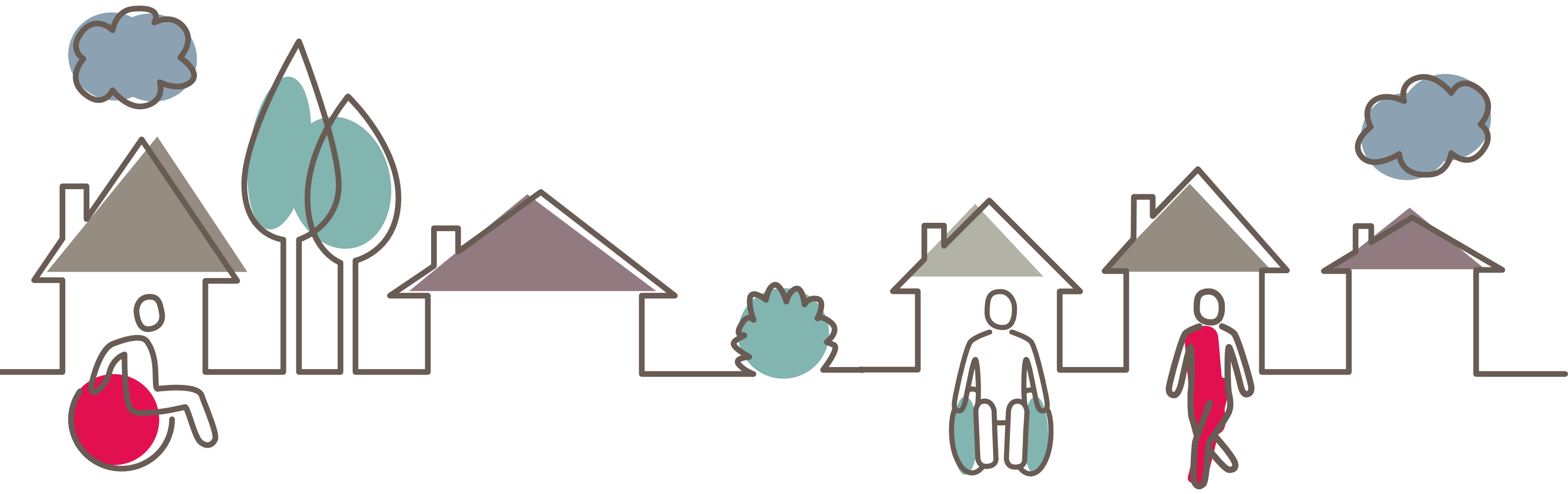
Statement of board responsibilities

The members of the board 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 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). The Board must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the association and of the surplus or deficit of the association for that period.

In preparing these financial statements the Board has:

- selected suitable policies and applied them consistently;
- made judgements and accounting estimates that are reasonable and prudent;
- stated whether applicable UK accounting standards have been followed subject to any material departures disclosed and explained in the financial statements; and
- prepared 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.

The Board is also responsible for ensuring 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 and that the report of the Board is prepared in accordance with the Statement of Recommended Practice: Accounting by registered social housing providers (Update 2014).

Habinteg's 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, safeguarding the assets of the association and taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of internal controls

The Board has received and considered reports from the Executive Team on risk management and control arrangements during the course of the year, both directly and through its committee structure. The Board gains its assurance on the robustness of the Association's internal controls using the standard practice three lines of defence model to ensure risk is well managed:

- Internal and external auditing
- Clear and well managed controls
- Regular and reliable performance monitoring

Following the governance downgrade in 2017, a comprehensive review of the Association's internal controls was undertaken by an external organisation and a number of actions were recommended. In its judgement, the Regulator of Social Housing also identified a number of areas for improvement and a comprehensive action plan was formulated.

These action plans along with the new internal auditor's recommendations from their various internal audits undertaken during the year have been closely and regularly monitored by both the Board and the Audit, Risk & Assurance Committee.

These were in addition to the Audit Highlights Report from Habinteg's external auditor, BDO LLP, and an annual report on Internal Control and Going Concern from the Chief Executive.

The processes by which key risks to Habinteg are identified and managed are an integral part of the internal control environment and are highlighted in the Risk Management section above.

A system of internal controls including the process of identifying, evaluating and managing the significant risks faced by Habinteg has been in place for the year under review and up to the date of approval of the report and financial statements. These controls include preparation of detailed budgets for the year ahead and forecasts for subsequent years which are reviewed and approved and monitored throughout the year by the Board. The Board receives regular performance reports, including key performance indicators, and reports on progress towards the Association's objectives and outcomes.

The CEO provides regular reporting on risk and controls using the three lines of defence model to the Board. This is supplemented by regular reviews by Habinteg's internal auditor, (RSM) who provides independent assurance to the Board via the Audit, Risk and Assurance Committee. This includes notification of any aspects of control that would benefit from being strengthened.

These reviews are conducted within a three-year audit programme, designed to test key areas of risk identified and the soundness of operational and accounting processes. The Audit, Risk and Assurance Committee is also responsible for ensuring that corrective action is taken in relation to any significant control issues.

For the year ended 31 March 2018 there were no breakdowns in internal control resulting in material loss to the Association.

Fraud

Habinteg's procedures deal specifically with fraud and similar risks, its Probity Policies include a specific Anti-Fraud Policy. Internal separation of duties is rigorously enforced to minimise the risk of fraud. Any known or suspected instances of fraud are recorded in a Fraud Register, in accordance with the Regulator of Social Housing's requirements, and reported via the Audit, Risk and Assurance Committee to the Board. There were no reported fraudulent activities in the reporting year.

The Association is required to submit an annual Fraud Return to the Regulator of Social Housing and will be submitting a nil return for the 2017/18 financial year.

Going concern

The Board has satisfied itself that the Association has adequate resources to continue in operational existence for the foreseeable future. For this reason, it continues to adopt the going concern basis in preparing the Association's Financial Statements.

The Board approves the Association's financial plan annually and its outputs are submitted annually to the Regulator in the form of a Financial Forecast Return (FFR) regulatory return. The Board is, to the best of its knowledge, satisfied that the latest FFR supports the statement of going concern.

Statement of compliance

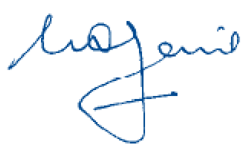
The Strategic Report has been prepared in accordance with applicable reporting standards and legislation. The Board can also confirm that the Association has complied with the HCA's Governance and Financial Viability Standard.

Auditor

The current Board members have taken the steps that they ought to have taken to ensure that they are aware of any information needed by the external auditor for the purposes of their audit, and to establish that the auditor is aware of that information. The Board members are not aware of any relevant audit information which has not been disclosed to the auditor.

BDO LLP have expressed their willingness to continue as the Association's auditor. Accordingly, a resolution will be passed at the September Board meeting to reappoint them as auditor.

By order of the Board



Manny Lewis
Chair of the Board


Habinteg
Sheron Carter
Habinteg
Habinteg
Manny Lewis
Habinteg

Independent auditor's report to the members of Habinteg Housing Association Limited

Opinion

We have audited the financial statements of Habinteg Housing Association Limited ("the Association") for the year ended 31 March 2018 which comprise the statement of comprehensive income, the statement of financial position, the cash flow statement, the statement of changes in reserves and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including 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 Message from the Chair and Chief Executive, the Strategic Report, Statement of Corporate Governance and Internal Controls 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 Statement of board members responsibilities statement 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

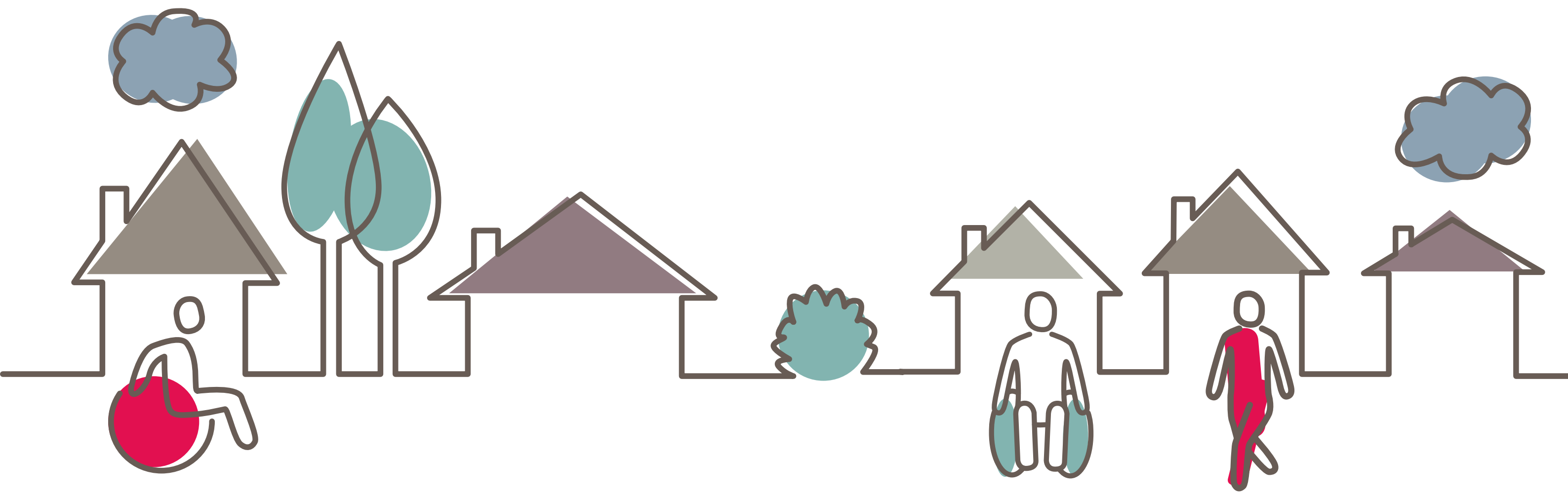
This report is made solely to the members of the Association, as a body, in accordance with in accordance with the Housing and Regeneration Act 2008 and the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the Association's members those 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

BDO LLP
Statutory Auditor
Gatwick

Date: 28 September 2018

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).



Statement of comprehensive income for the year ended 31 March 2018

	Note	2018 £'000	2017 £'000
Turnover	4	22,769	23,077
Operating costs		(17,683)	(17,573)
Operating surplus	7	**5,086**	**5,504**
Gain on sale of housing properties	11	71	-
Interest receivable and similar income	12	3	12
Interest payable and similar charges	13	(2,722)	(2,933)
Surplus on ordinary activities before taxation		**2,438**	**2,583**
Taxation	14	(34)	(44)
Surplus and total comprehensive income		**2,404**	**2,539**

All amounts relate to continuing activities.

The notes on pages 26 to 47 form part of these financial statements.

Statement of financial position for the year ended 31 March 2018

	Note	2018 £'000	2017 £'000
Fixed Assets			
Tangible Fixed Assets – housing properties	15	**197,397**	**198,241**
Tangible Fixed Assets – Other	16	6,961	7,082
		204,358	**205,323**
Current assets			
Debtors	17	1,188	1,457
Cash and cash equivalents	18	5,667	5,419
		6,855	**6,876**
Creditors falling due within one year	19	(8,607)	(7,963)
Net current (liabilities)		**(1,752)**	**(1,087)**
Creditors falling due after one year	20	**(149,690)**	**(153,700)**
Net Assets		**52,916**	**50,536**
Capital and reserves			
Non-equity share capital	25	-	-
Restricted reserves		-	29
General reserves		52,916	50,507
		52,916	**50,536**

The notes on pages 26 to 47 form part of these financial statements.

The financial statements were approved and authorised for issue by the Board on 24 September 2018 and signed on their behalf by:

Manny Lewis
Chair

Sheron Carter
Company Secretary

Cashflow statement for the year ended 31 March 2018

STATEMENT OF CASHFLOWS	Note	2018 £'000	2017 £'000
Cash flows from operating activities			
Surplus for the financial year		2,404	2,539
Adjustments for:			
Depreciation of fixed assets - housing properties	5	3,370	3,094
Depreciation of fixed assets – replaced components	5	163	193
Depreciation of fixed assets - other	16	431	448
Amortised grant	5	(1,336)	(1,328)
Interest payable and finance costs	13	2,722	2,933
Amortised interest costs		(48)	(244)
Interest received	12	(3)	(12)
Tax		-	44
Surplus on the sale of fixed assets - housing properties	11	(71)	-
Decrease in trade and other debtors	17	269	231
Increase / (Decrease) in trade creditors	19	37	(137)
Cash from operations		**7,938**	**7,761**
Pension deficit contribution		(313)	(301)
Taxation paid		(44)	-
Net cash generated from operating activities		**7,581**	**7,460**
Cash flows from investing activities			
Proceeds from sale of fixed assets – housing properties	11	327	-
Purchase of fixed assets – housing properties	15	(2,895)	(3,794)
Purchases of fixed assets - other	16	(310)	(1,095)
Receipt of grant	21	-	743
Interest received	12	3	12
Net cash used in investing activities		**(2,875)**	**(4,134)**
Cash flows from financing activities			
Interest paid		(2,205)	(2,973)
Repayment of loans - bank		(2,229)	(3,733)
New loans - other		-	3,000
Distribution of Reserves		(24)	-
Net cash used in financing activities		**(4,458)**	**(3,706)**
Net increase/(decrease) in cash and cash equivalents		**248**	**(380)**
Cash and cash equivalents at beginning of year		5,419	5,799
Cash and cash equivalents at end of year		5,667	5,419

The notes on pages 26 to 47 form part of these financial statements.

Statement of Changes in Reserves

Year ended 31 March 2018	Income and expenditure reserve £'000	Restricted reserve £'000	Total £'000
Balance at April 2017	50,507	29	50,536
Payment out of Restricted Reserves	-	(24)	(24)
Transfer out of Restricted Reserves	5	(5)	-
Surplus for the year	2,404	-	2,404
Balance as at 31 March 2018	**52,916**	**-**	**52,916**

Year ended 31 March 2017	Income and expenditure reserve £'000	Restricted reserve £'000	Total £'000
Balance at April 2016	47,968	29	47,997
Surplus for the year	2,539	-	2,539
Balance as at 31 March 2017	**50,507**	**29**	**50,536**

The notes on pages 26 to 47 form part of these financial statements.

Notes to the financial statements for the year ended 31 March 2018

1. Legal status

Habinteg Housing Association is registered with the Financial Conduct Authority under the Co-operative and Community Benefits Societies Act 2014 and is registered with the Homes England as a social housing provider. It is also a public benefit entity.

2. Accounting policies

The financial statements have been prepared in accordance with applicable law and UK accounting standards (United Kingdom Generally Accepted Accounting Practice), which for Habinteg Housing Association includes the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008, FRS 102 "the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland", the Statement of Recommended Practice (SORP) for Registered Social Housing Providers 2014, "Accounting by registered social housing providers" 2014 and 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 judgement in applying the association's accounting policies. The key judgements and areas of estimated uncertainty are set out in note 3.

Income

Income is measured at the fair value of the consideration received or receivable. The Association generates the following material income streams:

- Rental income receivable (after deducting lost rent from void properties available for letting),
- Service charges receivable,
- Revenue grants.
- Income generated from Solar PV Panels

Rental income is recognised from the point when properties under development reach practical completion and are formally let.

Income from power generated from solar panels is recognised when the income is received.

The Association adopts the fixed method for calculating and charging service charges to its tenants. Expenditure is recorded when a service is provided and charged to the relevant service charge account. Habinteg retains any surplus and also pays to cover the shortfall derived from these properties.

Supported housing scheme

The Association receives Supporting People grants from a number of London Boroughs and local authorities. The grants received in the period as well as costs incurred by the Association in the provision of support services have been included in the Income and Expenditure Account. Any excess of cost over the grant received is borne by the Association where it is not recoverable from tenants. Supported housing grants have not been accounted for as government grants as they represent consideration for the services Habinteg provides to London Boroughs and Local Authorities.

Housing properties managed by agencies

Income and expenditure incurred by the agencies that manage the Association's properties is not included within these financial statements as the Association does not carry any financial risk.

Current taxation

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the United Kingdom, where Habinteg Housing Association operate and generate taxable income.

Notes to the financial statements for the year ended 31 March 2018

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. Payable VAT arises from partially exempt activities and is accounted for in the Statement of Comprehensive Income.

Finance costs

Finance costs are charged to the Statement of Comprehensive Income over the term of the debt using the effective interest rate method so that the amount charged is at the agreed rate on the carrying amount. Loans issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

Tangible fixed assets - Housing Properties

Housing properties (including land) that are used for social housing purposes are stated at cost less depreciation and impairment (where applicable).

The cost of housing properties includes the purchase price, constructions costs and any directly attributable costs of acquisition which may include an appropriate amount for staff costs and other costs of managing development whilst under construction.

Directly attributable costs of acquisition include capitalised interest, which is calculated using the weighted average of the finance costs on the whole loan portfolio. Finance costs are only capitalised when construction is on-going and has not been interrupted or terminated and ceases on practical completion of the property.

Expenditure on major refurbishment to properties is capitalised where the works increase the net rental stream over the life of the property. An increase in the net rental stream may arise through an increase in the net rental income, a reduction in future maintenance costs, or a subsequent extension in the life of the property. All other repair and replacement expenditure is charged to the Statement of Comprehensive Income.

Housing properties in the course of construction, are held at cost less any impairment and are transferred to completed properties when ready for letting.

Depreciation of housing property

Housing property costs are split between land, structure and other major components that are expected to require replacement over time.

Land is not depreciated on account of its indefinite useful economic life.

Assets in the course of construction are not depreciated until they are completed and ready for use to ensure that they are depreciated only in periods in which economic benefits are expected to be consumed.

The cost of all other housing property (net of accumulated depreciation to date and impairment, where applicable) and components is depreciated over the useful economic lives of the assets on the following basis:

Description	Economic useful life (years)
Land	Not depreciated
Structure	100
Roofs	70
Doors and windows	40
Kitchens	25
Bathrooms	30
Mechanical systems	30
Electrical systems	40
Gas Boilers	15
Solar panel installations	25

Leasehold properties are depreciated over the length of the lease except where the expected useful economic life of properties is shorter than the lease; when the lease and building elements are depreciated separately over their expected useful economic lives.

Notes to the financial statements for the year ended 31 March 2018

Tangible fixed assets – Other

Other tangible fixed assets are stated at historic cost less accumulated depreciation and any accumulated impairment losses. Historic cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation of other tangible fixed assets

Land is not depreciated. Depreciation on other assets is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method. The estimated useful lives range as follows:

Description	Economic useful life (years)
Freehold office buildings	50
Plant and machinery	25
Scheme fixtures and fittings	4
Office equipment	8
ICT	3
Leasehold land and buildings	Lease term

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other operating income' in the statement of comprehensive income.

Government grants

Habinteg Housing Association has elected on transition to FRS 102 to account for social housing assets at historic cost which therefore means government grants are accounted under the accrual model. Grant is carried as deferred income in the balance sheet and released to the income and expenditure account on a systematic basis over the useful economic lives of the asset for which it was received. In accordance with Housing SORP 2014 government grants are amortised using the useful economic life of the housing structure.

Where social housing grant (SHG) funded property is sold, the grant becomes recyclable and is transferred to a recycled capital grant fund until it is reinvested in a replacement property. If there is no requirement to recycle or repay the grant on disposal of the assets any unamortised grant remaining within creditors is released and recognised as income within the Statement of Comprehensive Income.

Grants relating to revenue are recognised in the Statement of Comprehensive Income over the same period as the expenditure to which they relate once performance related conditions have been met.

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

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".

Notes to the financial statements for the year ended 31 March 2018

Impairment of fixed assets and goodwill

The housing property portfolio for the Association is assessed for indicators of impairment at each balance sheet date such as changes in government policy which have an adverse impact, significant deterioration in demand or scheme specific issues such as contamination or change in use.

Where indicators are identified then a detailed assessment is undertaken to compare the carrying amount of assets or cash generating units for which impairment is indicated to their recoverable amounts. The recoverable amount is taken to be the higher of; the Existing Use Value - Social Housing (EUV-SH) or Value in use service potential (VIU-SP) of an asset or cash generating unit. The SORP recommends that depreciated replacement cost can be used as a proxy for VIU-SP and Habinteg has elected to apply the depreciated replacement cost as one of the recoverable amounts when assessing impairment.

The Association defines cash generating units as schemes except where its schemes are not sufficiently large enough in size or where it is geographically sensible to group schemes into larger cash generating units. Where the recoverable amount of an asset or cash generating unit is lower than its carrying value an impairment is recorded through a charge to income and expenditure.

The other fixed assets of the Association are also assessed for indicators of impairment at each balance sheet date. Where indicators are identified then a detailed assessment is undertaken to assess if the recoverable amount of an asset is less than its carrying amount.

Pension costs – Defined Benefit Obligation

Habinteg participates in the TPT Retirement Solutions - Social Housing Pension Scheme, a multi employer scheme, which provides benefits to some 500 non-associated employers.

Habinteg also participates in the TPT Retirement Solutions – The Growth Fund, a multi employer scheme, which provides benefits to some 1,300 non-associated employers. The schemes are both defined benefit schemes in the UK. It is not possible to obtain sufficient information to account for the schemes as defined benefit schemes. therefore Habinteg accounts for the schemes as defined contribution schemes.

The schemes are in deficit and we have agreed to a deficit funding arrangement and have recognised a liability for the amounts payable. The amount recognised is the net present value of the deficit reduction contributions payable. The present value is calculated using a discount rate determined by reference to market yields on high quality corporate bonds, as required by FRS102. The unwinding of the discount rate is recognised as a finance cost.

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 income statement in other operating expenses

Recoverable amount of rental and other trade receivables

The Association estimates the recoverable value of rental and other receivables and impairs the debtor by appropriate amounts. When assessing the amount to impair it reviews the age profile of the debt, historical collection rates and the class of debt.

Notes to the financial statements for the year ended 31 March 2018

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 (historical 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 on the balance sheet at historic cost. Loans and investments that are payable or receivable within one year are not discounted.

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 instrument's legal form.

Cash and cash equivalents

Cash and cash equivalents in the Association's 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.

Leased assets: Lessee

All leases are treated as operating leases as they do not give rights that are approximately similar to ownership. Their annual rentals are charged to the statement of comprehensive income loss on a straight-line basis over the term of the lease.

Provision for liabilities

Provisions are measured at the best estimate of the expenditure required to settle the obligation at the balance sheet date.

Where the effect of the time value of money is material the amount expected to be required to settle the obligation is recognised at the present value using a discount rate. The unwinding of the discount is recognised as a finance cost in income and expenditure in the period it arises.

Contingent liabilities

A contingent liability is recognised for a possible obligation, for which it is not yet confirmed that a present obligation exists that could lead to an outflow of resources; or for a present obligation that does not meet the definitions of a provision or a liability as it is not probable that an outflow of resources will be required to settle the obligation or when a sufficiently reliable estimate of the amount cannot be made.

A contingent liability exists on amortised government grants which materialize on the disposal of a related property.

Habinteg receives financial assistance as grant from Homes and Communities Agency and Local Authorities.

Habinteg amortises its grants over 100 years and these are recognised as income in the Statement of Comprehensive Income.

Reserves

Income received, and expenditure incurred, for restricted purposes is separately accounted for within restricted funds. Realised and unrealised gains and losses on assets held by these funds are also allocated to the fund.

3. Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements, the key judgements have been made in respect of the following:

- Whether there are indicators of impairment of the group's tangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit. The members have considered the measurement basis to determine the recoverable amount of assets where there are indicators of impairment based on EUV-SH or depreciated replacement cost. The members have also considered impairment based on their assumptions to define cash or asset generating units.
- The anticipated costs to complete on a development scheme based on anticipated construction cost, effective rate of interest on loans during the construction period, legal costs and other costs.
- The 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.
- Whether leases entered into by the group either as a lessor or a lessee are operating or lease or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.
- The categorisation of housing properties as investment properties or property, plant and equipment based on the use of the asset.
- What constitutes a cash generating unit when indicators of impairment require there to be an impairment review. We consider cash generating units at a regional level.
- The classification of loans as basic or other financial instruments. We consider all our loans are basic.

Other key sources of estimation uncertainty

- Tangible fixed assets (see note 15), 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
- Rental and other trade receivables (debtors, see note 17). 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.

Notes to the financial statements for the year ended 31 March 2018

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

2018	Turnover 2018 £'000	Operating costs 2018 £'000	Operating surplus/ (deficit) 2018 £'000
Social housing lettings (Note 5)	21,360	(16,459)	4,901
Other Social housing activities			
Other	111	-	111
Activities other than Social housing activities			
Solar panel	982	(720)	262
NRAC	-	(16)	(16)
Centre for Accessible Environments (CAE)	316	(488)	(172)
	22,769	**(17,683)**	**5,086**

2017	Turnover 2017 £'000	Operating costs 2017 £'000	Operating surplus/ (deficit) 2017 £'000
Social housing lettings (Note 5)	21,542	(16,273)	5,269
Other Social housing activities			
Other	86	-	86
Activities other than Social housing activities			
Solar panel	1,070	(774)	296
NRAC	-	-	-
Centre for accessible environments (CAE)	379	(526)	(147)
	23,077	**(17,573)**	**5,504**

Notes to the financial statements for the year ended 31 March 2018

5. Particulars of income and expenditure from social housing lettings

	General Needs £'000	Supported Housing £'000	2018 Total £'000	2017 Total £'000
Income				
Rent receivable net of identifiable service charges	10,098	6,830	16,928	17,047
Service and other charges receivable	1,721	1,164	2,885	2,859
Net rental income	**11,819**	**7,994**	**19,813**	**19,906**
Amortised government grants	797	539	1,336	1,328
Supporting people charges	-	211	211	308
Turnover from social housing lettings	**12,616**	**8,744**	**21,360**	**21,542**
Expenditure				
Service Charge costs	(2,010)	(1,360)	(3,370)	(3,700)
Management	(2,420)	(1,549)	(3,969)	(3,713)
Routine Maintenance	(1,819)	(1,233)	(3,052)	(3,056)
Planned Maintenance	(1,051)	(714)	(1,765)	(1,655)
Major Repairs	(350)	(237)	(587)	(589)
Rent losses from bad debts	(109)	(74)	(183)	(82)
Stabilisation Project	-	-	-	(191)
Depreciation of housing properties				
Annual charge	(1,856)	(1,514)	(3,370)	(3,094)
Accelerated on disposal of components	(97)	(66)	(163)	(193)
Operating expenditure on social housing lettings	**(9,712)**	**(6,747)**	**(16,459)**	**(16,273)**
Operating surplus on social housing lettings	**2,904**	**1,997**	**4,901**	**5,269**
Rent losses from voids	**57**	**38**	**95**	**149**

Notes to the financial statements for the year ended 31 March 2018

6. Units of housing stock

	2018	2017
Social housing	**Units**	**Units**
General needs rented	1,728	1,975
Supported housing accommodation	1,520	1,303
Low cost home ownership	2	2
Total owned	**3,250**	**3,280**
General needs rented	-	1
Supported housing accommodation	74	44
Total owned and managed by others	**3,324**	**3,325**
Non-social housing	12	12
Total owned	**3,336**	**3,337**
Under construction	**14**	**-**

7. Operating surplus

This is arrived at after charging:	2018 £000	2017 £000
Depreciation of housing properties:		
Annual charge	3,370	3,094
Accelerated depreciation on replaced components	163	193
Depreciation of other tangible fixed assets	431	448
Impairment of housing properties	-	-
Operating leases charges:		
Land and buildings	19	9
Other	39	50
Auditor's remuneration (excluding VAT):		
Audit of the financial statements	34	37
In respect of other services	5	26

Notes to the financial statements for the year ended 31 March 2018

8. Employees

	2018 £000	2017 £000
Staff costs (including Executive Management Team) consist of:		
Wages and salaries	3,129	3,193
Social security costs	313	323
Pension costs	119	133
Total	**3,561**	**3,649**

Pension costs reflects the ordinary employer pension contributions relating to the relevant period. It excludes prior period deficit contributions for defined benefit schemes, which are disclosed separately in Note 24. Other pension costs for 2017 have been restated on a consistent basis (previously £215k).

The average number of employees (including Executive Management Team) expressed as full time equivalents (calculated based on a standard working week of 35 hours) during the year was as follows;

	2018 Number	2017 Number
Administration	29	28
Development	1	1
Housing, Support and Care	68	77
	98	**106**

9. Directors' and senior Executives' remuneration

The directors are defined as the members of the board of management, theChief Executive and the Executive Management Team (listed in Note 10)

	2018 £000	2017 £000
Executive directors' emoluments	176	202
Amounts paid to non-executive directors	51	55
Compensation for loss of office	30	97
Amounts paid to third parties in respect of directors' services	259	260
Total	**516**	**614**

The total amount payable to the highest paid director, the Chief Executive, in respect of emoluments was £111k (2017, £153k).

As a member of the Social Housing Pension Scheme, the pension entitlement of the highest paid director is calculated on the same basis as those of other members.

Notes to the financial statements for the year ended 31 March 2018

9. Directors' and senior Executives' remuneration (continued)

The remuneration paid to staff (including Executive Management Team) earning over £60,000 upwards:

Salary band	2018 £000	2017 £000
£60,000 - £69,999	2	2
£70,000 - £79,999	1	1
£80,000 - £89,999	1	1
£110,000 - £119,999	1	-
£150,000 - £159,999	-	1
	5	**5**

10. Board members

Board member	BF Member of: Audit and Risk Committee	BF Member of: Board	Left	Joined	CF Member of: Audit and Risk Committee	CF Member of: Board	Remuneration £'000s
M Lewis		/				/	11.0
A Gibson		/				/	6.5
S Hyde	/	/			/	/	5.5
M Groves	/	/			/	/	5.5
A Mack	/	/			/	/	5.5
E Luddington		/				/	4.5
M Ng		/				/	4.5
P Copson				Jan-18	/	/	0.9
G Cope				Jan-18	/	/	0.9
J Ramm	/	/	Jun-17				1.1
A Fearing	/	/	Oct-17				2.3
J Watt		/	Sep-17				2.8
S White				Mar-18		/	0
	5	**10**			**5**	**10**	**51.0**

11. Surplus on disposal of fixed assets

Housing properties:	2018 £000	2017 £000
Disposal proceeds	330	-
Cost of disposals	(256)	-
Selling costs	(3)	-
Surplus on disposal of fixed assets	71	-

Notes to the financial statements for the year ended 31 March 2018

12. Interest receivable and similar income

	2018 £000	2017 £000
Bank interest	3	12
	3	**12**

13. Interest payable and similar charges

	2018 £000	2017 £000
Interest on housing loans	2,697	2,858
Other bank charges	45	55
Unwinding of discount on SHPS liability (note 24)	29	49
Less interest capitalised	(49)	(29)
	2,722	**2,933**

14. Taxation on surplus on ordinary activities

	2018 £000	2017 £000
UK corporation tax		
Current tax on surplus/(deficit) for the year	33	44
Adjustment in respect of previous periods	1	-
Total current tax	34	44
Deferred tax	-	-
Origination and reversal of timing differences	-	-
Changes to tax rates	-	-
Taxation on surplus on ordinary activities	**34**	**44**

	2018 £000	2017 £000
Surplus on ordinary activities before tax	2,438	2,539
Surplus/(deficit) on ordinary activities at the standard rate of corporation tax in the UK of 19% (2016 20%)	463	508
Effects of:		
Income not taxable for tax purposes	(430)	(464)
Expenses not deductible for tax purposes	-	-
Depreciation in excess of capital allowances	-	-
Utilisation of tax losses	-	-
Adjustment to tax charge in respect of previous periods	1	-
Total tax charge for period	**34**	**44**

The aggregate current and deferred tax relating to items recognised in other comprehensive income is a charge of £34k (2016 £44k).

Notes to the financial statements for the year ended 31 March 2018

15. Tangible fixed assets – housing properties

	General needs completed £000	Supported completed £000	Under construction £000	Total £000
Cost				
At 1 April 2017	119,802	124,596	488	244,886
Additions:				
Improvements	8	-	-	8
Construction costs	-	-	1,742	1,742
Replaced components	758	436	-	1,194
Completed schemes				
Reclassification to completed schemes	83	-	(83)	-
Disposals:				
Disposal of land	-	-	(256)	(256)
Replaced components	(210)	(135)	-	(345)
Fully depreciated fixed assets write off	-	(95)	-	(95)
At 31 March 2018	**120,441**	**124,802**	**1,891**	**247,134**
Depreciation and Impairment				
At 1 April 2017	26,718	19,927	-	46,645
Charge for the year	1,856	1,514	-	3,370
Disposals:				
Replaced components	(171)	(94)	-	(265)
Fully depreciated fixed assets write off	-	(13)	-	(13)
At 31 March 2018	**28,403**	**21,334**	**-**	**49,737**
Net Book Value				
At 31 March 2018	**92,038**	**103,468**	**1,891**	**197,397**
At 31 March 2017	**93,084**	**104,669**	**488**	**198,241**

Notes to the financial statements for the year ended 31 March 2018

15. Tangible fixed assets – housing properties (continued)

	2018 £000	2017 £000
The net book value of housing properties may be further analysed as:		
Freeholds	159,212	159,564
Long leaseholds	38,185	38,677
	197,397	**198,241**
Interest capitalisation		
Interest capitalised in the year	49	29
Cumulative interest capitalised	276	227
Rate used for capitalisation	5.6%	2%
Works to properties		
Improvements to existing properties capitalised	1,194	2,466
Major repairs expenditure to income and expenditure account	586	589
	1,780	3,055
Total Social Housing Grant received or receivable:		
Deferred capital grant	106,435	107,771
Cumulative amortised Social Housing Grant in reserves	27,649	26,313
Recycled Capital Grant Fund	103	103
	134,187	**134,187**

Properties with a net book value of £110m are pledged as security against our loans.

Notes to the financial statements for the year ended 31 March 2018

16. Other Fixed Assets

	Freehold Properties £000	Office Equipment £000	Property, Plant & Equipment £000	Computer Equipment £000	Total £000
Cost					
At 1 April 2017	4,896	-	3,374	2,162	10,432
Additions	154	259	(386)	283	310
At 31 March 2018	**5,050**	**259**	**2,988**	**2,445**	**10,742**
Depreciation					
At 1 April 2017	823	-	789	1,738	3,350
Charge for the year	103	217	(141)	252	431
At 31 March 2018	**926**	**217**	**648**	**1,990**	**3,781**
Net Book Value					
At 31 March 2018	**4,124**	**42**	**2,340**	**455**	**6,961**
At 31 March 2017	**4,073**	**-**	**2,585**	**424**	**7,082**

17. Debtors

	2018 £000	2017 £000
Due within one year		
Rent and service charge arrears	1,101	1,253
Less: provision for bad and doubtful debts	(330)	(329)
	771	**924**
Loans to employees	27	55
Prepayments and accrued Income	126	174
Other debtors	264	304
	1,188	**1,457**

18. Cash and cash equivalents

	2018 £000	2017 £000
Unrestricted cash	5,667	5,419
	5,667	**5,419**

Bank and cash represents short term deposits, bank overdrafts and petty cash balances. None of this balance is charged as security to lenders.

Notes to the financial statements for the year ended 31 March 2018

19. Creditors: amounts falling due within one year

	2018 £000	2017 £000
Loans and borrowings (note 23)	2,394	2,317
Trade Payables	300	418
Taxation and social security	85	11
Corporation tax	393	403
Accrued interest	806	238
Accruals and deferred income	1,371	1,477
Rent and service charges received in advance	905	755
Deferred capital grant (note 21)	1,822	1,822
Recycled capital grant (note 22)	26	26
Pension deficit contribution (note 24)	325	313
Sinking fund	17	17
Other payables	163	166
	8,607	**7,963**

20. Creditors: amounts falling due after one year

	2018 £000	2017 £000
Loans and borrowings (note 23)	43,479	45,873
Loan Costs	(201)	(246)
Deferred capital grant (note 21)	104,613	105,949
Recycled capital grant (note 22)	78	78
Pension deficit contribution (note 24)	1,721	2,046
	149,690	**153,700**

20a. SHPS and Growth Plan Pension deficit contributions

	2018 £000	2017 £000
At 1 April 2017	2,360	2,544
Remeasurement	(29)	67
Unwinding of discount	29	49
Deficit Contribution paid	(314)	(300)
At 31 March	**2,046**	**2,360**

The discount rate used in calculating the SHPS pension deficit contribution provision changed from 1.33% at 31 March 2017 to 1.72% at 31 March 2018. As a result the creditor has decreased. The contribution falling due within one year is £325k (note 19). The contribution falling due after one year is £1,721k (note 20).

Notes to the financial statements for the year ended 31 March 2018

21. Deferred capital grant

	2018 £000	2017 £000
At 1 April	107,771	108,357
Grants received during the year	-	742
Grants recycled from the recycled capital grant fund	-	-
Released to income during the year	(1,336)	(1,328)
At 31 March	**106,435**	**107,771**
Amount due within one year	1,822	1,822
Amounts due within more than one year	104,613	105,949
	106,435	**107,771**

22. Recycled capital grant fund

	HE 2018 £000	HE 2017 £000
At 1 April	103	103
Movement in year	-	-
At 31 March	**103**	**103**
Amounts 3 years or older where repayment may be required	**26**	**26**

23. Housing Loans

	Bank loans Bullet 2018 £'000	Bank loans amortising 2018 £'000	Total 2018 £'000
Maturity of debt :			
In one year or less, or on demand	-	2,394	2,394
In more than one year, but not more than two years	-	2,478	2,478
In more than two years, but not more than five years	3,000	11,035	14,035
More than five years		26,966	26,966
Total	**3,000**	**42,873**	**45,873**

	2017 £'000	2017 £'000	2017 £'000
Maturity of debt :			
In one year or less or on demand	-	2,317	2,317
In more than one year, but not more than two years	-	2,394	2,394
In more than two years, but not more than five years	3,000	7,725	10,725
More than five years	-	32,753	32,753
Total	**3,000**	**45,189**	**48,189**

Security

The loans are secured by a floating charge over the assets of the association and by fixed charges on individual properties.

Terms of repayment and interest rates

In line with Treasury Policy the loan portfolio as at 31 March 2018 was 6% variable and 94% fixed. The interest rate for bullet loans is 8.75% and for amortising loans ranges from 2.54% to 10.72%.

Notes to the financial statements for the year ended 31 March 2018

24. Pensions

The company participates in the TPT Retirement Solutions – Social Housing Pension Scheme, a multi-employer scheme which provides benefits to some 500 non-associated employers. The company also participates in the TPT Retirement Solutions – The Growth Plan, a multi-employer scheme which provides benefits to some 1,300 non-associated employers. The schemes are both defined benefit schemes in the UK. It is not possible for the company to obtain sufficient information to enable it to account for the schemes as defined benefit schemes. Therefore, it accounts for the schemes as defined contribution schemes.

The schemes are 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 schemes are 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.

TPT Retirement Solutions – Social Housing Pension Scheme

A full actuarial 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. 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 2016 to 30 September 2020:	£40.6m per annum (payable monthly and increasing by 4.7% each year on 1st April)
Tier 2 From 1 April 2016 to 30 September 2023:	£28.6m per annum (payable monthly and increasing by 4.7% each year on 1st April)
Tier 3 From 1 April 2016 to 30 September 2026:	£32.7m per annum (payable monthly and increasing by 3.0% each year on 1st April)
Tier 4 From 1 April 2016 to 30 September 2026:	£31.7m per annum (payable monthly and increasing by 3.0% each year on 1st April)

Note that 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 consisted of the Tier 1, 2 & 3 deficit contributions.

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.

Notes to the financial statements for the year ended 31 March 2018

PRESENT VALUES OF PROVISION	31 March 2018 (£000s)	31 March 2017 (£000s)	31 March 2016 (£000s)
Present value of provision	2,038	2,350	2,534

RECONCILIATION OF OPENING AND CLOSING PROVISIONS	Period Ending 31 March 2018 (£000s)	Period Ending 31 March 2017 (£000s)
Provision at start of period	2,350	2,534
Unwinding of the discount factor (interest expense)	29	49
Deficit contribution paid	(312)	(300)
Remeasurements - impact of any change in assumptions	(29)	67
Remeasurements - amendments to the contribution schedule	-	-
Provision at end of period	2,038	2,350

INCOME AND EXPENDITURE IMPACT	Period Ending 31 March 2018 (£000s)	Period Ending 31 March 2017 (£000s)
Interest expense	29	49
Remeasurements – impact of any change in assumptions	(29)	67
Remeasurements – amendments to the contribution schedule	-	-
Contributions paid in respect of future service*	-	-
Costs recognised in income and expenditure account	-	-

*includes defined contribution schemes and future service contributions (i.e. excluding any deficit reduction payments) to defined benefit schemes which are treated as defined contribution schemes. To be completed by the company.

ASSUMPTIONS	31 March 2018 % per annum	31 March 2017 % per annum	31 March 2016 % per annum
Rate of discount	1.72	1.33	2.06

The discount rates shown above are the equivalent single discount rates which, when used to discount the future recovery plan contributions due, would give the same results as using a full AA corporate bond yield curve to discount the same recovery plan contributions.

The company recognises a liability measured as the present value of the contributions payable that arise from the deficit recovery agreement and the resulting expense in the income and expenditure.

Notes to the financial statements for the year ended 31 March 2018

TPT Retirement Solutions – The Growth Plan

A full actuarial valuation for the scheme was carried out at 30 September 2011. This valuation showed assets of £780m, liabilities of £928m and a deficit of £148m.

A full actuarial valuation for the scheme was carried out at 30 September 2014. This valuation showed assets of £793m, liabilities of £970m and a deficit of £177m. To eliminate this funding shortfall, the Trustee has asked the participating employers to pay additional contributions to the scheme as follows:

Deficit contributions		
From 1 April 2016 to 30 September 2025:	£12,945,440 per annum	(payable monthly and increasing by 3% each on 1st April)
From 1 April 2016 to 30 September 2028:	£54,560 per annum	(payable monthly and increasing by 3% each on 1st April)

Unless a concession has been agreed with the Trustee the term to 30 September 2025 applies.

The recovery plan contributions are allocated to each participating employer in line with their estimated share of the Series 1 and Series 2 scheme liabilities.

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.

RECONCILIATION OF OPENING AND CLOSING PROVISIONS	Period Ending 31 March 2018 (£s)	Period Ending 31 March 2017 (£s)
Provision at start of period	£9,322	£9,846
Unwinding of the discount factor (interest expense)	£116	£192
Deficit contribution paid	(£1,036)	(£1,006)
Remeasurements - impact of any change in assumptions	(£121)	£290
Remeasurements - amendments to the contribution schedule	-	-
Provision at end of period	**£8,281**	**£9,322**

INCOME AND EXPENDITURE IMPACT	Period Ending 31 March 2018 (£s)	Period Ending 31 March 2017 (£s)
Interest expense	£116	£192
Remeasurements – impact of any change in assumptions	(£121)	£290
Remeasurements – amendments to the contribution schedule	-	-
Contributions paid in respect of future service*	-	-
Costs recognised in income and expenditure account	-	-

*includes defined contribution schemes and future service contributions (i.e. excluding any deficit reduction payments) to defined benefit schemes which are treated as defined contribution schemes. To be completed by the company.

Notes to the financial statements for the year ended 31 March 2018

PRESENT VALUES OF PROVISION	31 March 2018 (£s)	31 March 2017 (£s)	31 March 2016 (£s)
Present value of provision	£8,281	£9,322	£9,846
ASSUMPTIONS	**31 March 2018 % per annum**	**31 March 2017 % per annum**	**31 March 2016 % per annum**
Rate of discount	1.71	1.32	2.07

The discount rates shown above are the equivalent single discount rates which, when used to discount the future recovery plan contributions due, would give the same results as using a full AA corporate bond yield curve to discount the same recovery plan contributions.

25. Share Capital

	2018 £	2017 £
At 1 April	9	11
Shares issued in the year	3	1
Shares cancelled in the year	(2)	(3)
	10	**9**

26. Contingent liabilities

The group receives grant from Homes England, the Greater London Authority and Local Authorities, which is used to fund the acquisition and development of housing properties and their components. The Group has a future obligation to recycle such grant on disposal of the relevant properties. At 31 March 2018, the value of grant received in respect of these properties that had not been disposed of was £106,435 (31 March 2017 £107,771k). In the year ended 31 March 2018 £1,336k was amortised to income (31 March 2017 £1,328k).

27. Operating leases

The association had lease payables under non-cancellable operating leases as set out below:

Amounts payable as Lessee:	2018 £	2017 £
Not later than one year	29	15
Later than one year and not later than five years	52	20
Later than five years	-	-
Total	**81**	**35**

Notes to the financial statements for the year ended 31 March 2018

28. Capital commitments

	2018 £	2017 £
Commitments contracted but not provided for		
Maintenance	1,672	1,867
Construction	3,205	2,037
	4,877	**3,904**
Commitments approved by the Board but not contracted for		
Maintenance	2,680	1,908
Construction	-	901
Total	**7,557**	**6,713**

The above capital commitments will be financed primarily through borrowings (£6,317k), which are available for draw down under existing loan arrangements, with the balance (£1,240k) funded through local authority grant.

29. Related party disclosure

One Board member (Mr J Ramm) held a tenancy agreement with Habinteg on standard tenant terms. The rent charged for the year was £5.4k (2017 £5.1k) and the tenant had a balance of £229.90 as at 31 March 2018 (31 March 2017 £245.30). Mr Ramm left the Board in June 2017.

We provide and promote accessible homes and neighbourhoods that welcome and include everyone.

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