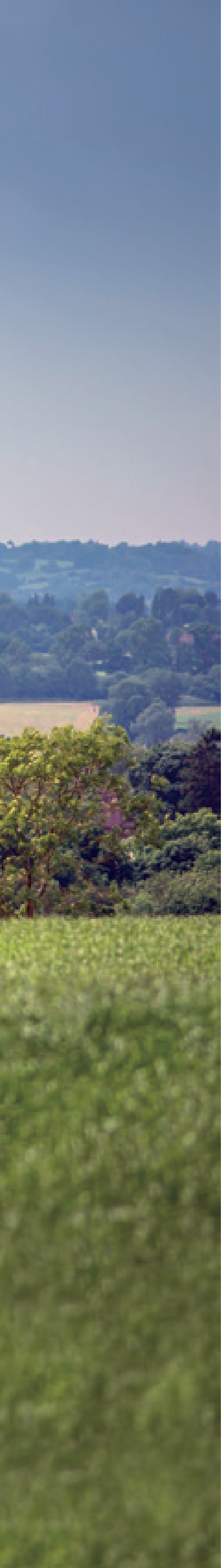
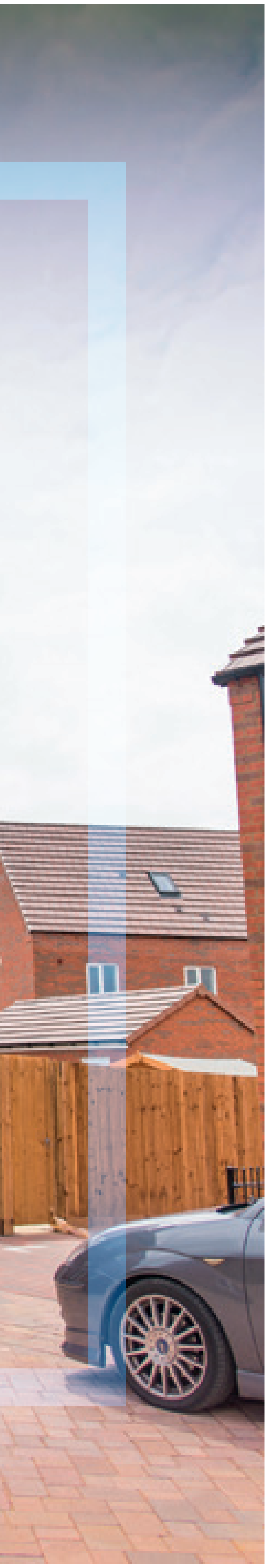
Grand Union Housing Group

Grand Union Housing Group

Annual report and financial statements for the year ended 31 March 2018



Contents



Chair

Mark Webster	Independent, Chair (until 31 March 2018)
Harry Walker	Independent, Chair (from 1 April 2018) Vice Chair (until 31 March 2018)

Board Members

Dawn Cummins	Rockingham Forest Housing nominee
James Macmillan	Independent
Kami Nuttall	Independent
Graham Smith	South Northants Homes nominee (until 30 September 2017)
Gillian Walton	Aragon Housing Association nominee, Vice Chair (from 1 April 2018)
Clive Williams	South Northants Homes nominee (until 30 September 2017)
John Edwards	Independent (from 1 October 2017)
Richard Broomfield	Independent (from 1 October 2017)
Vanessa Connolly	Independent (from 1 October 2017)

Company Secretary

Anna Simpson

Executive Officers

Alan Humphreys	Group Chief Executive (retired 30 June 2017)
Aileen Evans	Group Chief Executive (from 1 July 2017)
	Group Director of Operations until 30 June 2017)
Phil Hardy	Group Director of Operations
Anna Simpson	Group Director of Finance

Registered Office

Derwent House
Cranfield Technology Park
University Way
Cranfield
Bedfordshire
MK43 0AZ

Solicitors

EMW Law
Perrin Myddelton
Trowers & Hamlins
Wright Hassall

Funders

NatWest Bank plc
Santander plc
Newcastle Building Society

Bankers

NatWest Bank plc

Auditors

Mazars LLP (External)
RSM LLP (Internal)

Valuers

Savills plc
Berrys

Registered under the Co-operative and Community Benefit Societies Act 2014 No. 30388R
Registered with the Homes and Communities Agency No. L4518

Statement from the Chair

March 2018 marked the 10th Anniversary of the Grand Union Housing Group and the end of a very successful decade during which Grand Union has made significant progress in achieving its vision for 'more homes, stronger communities and better lives' in the Northamptonshire, Bedfordshire and Milton Keynes region.

Our operating environment

March also marked the end of a year which saw big changes in the operating environment for housing associations. Whilst Brexit has impacted on construction industry costs, there has been a series of positive announcements from the Government. These included restoring the certainty of inflation linked rent increases post-2020, the removal of the Local Housing Allowance Cap for all housing association rents, additional capital grant funding and a recognition of the need for more genuinely affordable 'social housing'. This very welcome news recognises the huge role that housing associations have to play in trying to resolve our housing crisis. The Government's challenge to the sector is to use the increased financial capacity that will result from these changes to build more new homes. In response we have reviewed our own Development Strategy to ensure that we can deliver additional affordable housing that is so much needed in our region. The consequences of the Grenfell Tower tragedy are still very much at the forefront in the housing sector. While the formal investigations continue, there has been a continuing focus on tenant safety. Following an overall positive external review of our Health and Safety governance, we have strengthened our team through the appointment of an additional qualified Health and Safety Advisor and increased the scrutiny role of Audit & Risk Committee.

A year of changes at Grand Union

Against this backdrop some significant changes have also been happening at Grand Union. Aileen Evans, the Group's Chief Executive, following the retirement of Alan Humphreys in June 2017, has launched a major new initiative, Customer 2020. This will transform the delivery of services to meet the changing needs of our customers and achieve considerable value for money gains that will enable us to invest more resources into both our communities and new homes. The Board has also approved another big step forward in the journey we have been taking over the last few years to make our governance and operational structures more effective and efficient.
On or after 1 October 2018, the four housing associations in the Group; Aragon Housing Association, South Northants Homes (SNH), Rockingham Forest Housing (RFH) and Grand Union will amalgamate into a single charitable entity: Grand Union Housing Group. This will unlock considerable extra development capacity for the future and ensure more streamlined decision making. Whilst the names of the individual associations will be no more, their history and achievements will not be forgotten. Their shared values and culture will continue to underpin everything that we do.

Alongside this consolidation of our governance we have agreed the refinance of our long term loans on a Group basis with our lenders and raised an additional £25 million of short term facilities from them, and are in the process of negotiating further funding in 2018, to support our new homes programme in the years ahead.

During the year we saw one of the main benefits of introducing a modest level of pay for Board members, to reflect the significant increase in the demands and responsibility placed on the role over the past few years. We successfully recruited several highly skilled and experienced new members who will strengthen the Board and Committees' scrutiny of the delivery of our strategic objectives.

Our performance headlines

This year we delivered 270 new affordable homes for rent or low cost home ownership, below initial forecasts due to delays on site, but above the previous year's completions. Strong shared ownership sales have contributed to a very strong operating margin of 34%, in light of the continued rent reductions that applied this year.

Looking ahead

This is my first Chair's report, having taken over from Mark Webster, whose term of office ended with the conclusion of the financial year. Mark made a significant contribution to Grand Union, firstly as a Board member, then over the past five years as Chair.

I would like to thank all of my Board colleagues for their support, and all of the management team and employees across the Group for their hard work during the year.

A lot has been achieved in 2017-18, but there remains plenty more to do. The initiatives included within our updated Corporate Plan - 2020 Vision are both exciting and ambitious. They will enable Grand Union to provide more affordable housing, enhance the delivery of its customer services and support people to lead better lives within our communities.

Harry Walker
Chair

Statement from the CEO

It is a universal truth that we are in the throes of the biggest housing crisis for a generation. We have a shortage of good quality housing and insecurity of tenure (especially in the private rented sector where evictions are now the single largest reason for homelessness), plus an affordability crisis which extends beyond the low-paid, locking many out of the housing market, leaving families vulnerable and damaging people's life chances.

What we do as housing organisations has never been more necessary. It really matters. At Grand Union we know that what we do matters and in the last year we have agreed a strategy which will see us further improve our services, save more money and build even more homes.

Our mission is to build more homes, stronger communities and to enable better lives.

Over the last 10 years, we've built 1,800 homes and we will build that same number in half that time – doubling our development programme. Consolidating the Group will enable the release of over £90m of funding capacity towards our future development programme. We are well placed, in the centre of the Oxford – Cambridge arc, to achieve this step-change in our development programme and provide the new homes desperately needed in our area. Achieving this means focusing on more land led delivery and the creation of new strategic partnerships so that we can share risk and bring forward sites quickly. Through Grand Union Homes Limited, we have started to build our first homes for sale – the profit generated from these will fund more rented homes to house those currently waiting on the Local Authority housing registers in our regions. Central to this is our commitment to providing more supported housing, in particular for older people and those with a learning disability. Despite the uncertainty around long term revenue funding for supported housing, we have maintained a healthy development programme of specialist supported housing and we are proud to have opened another domestic abuse service during this year.

Over 27,000 people call a Grand Union property a home – our performance in managing those homes is strong and we are determined to ensure that we fully embrace the opportunities provided by technology. This will ensure that we can reduce operating costs so that we can provide more new homes and extend services. We want it to be easy for our customers to do business with us and our Customer 2020 transformation programme will deliver this – making sure that we put residents at the heart of everything we do. They will help guide this process and their insight and feedback will help us plan our transformation journey effectively. We will not be digital by default and we will still be visiting our customers and dealing with their queries by phone if that is what is required.

Universal Credit is having an impact on claimants and we will continue to provide a range of support services to those who need them. Our Benefits and Money Advice service continues to secure additional income for our customers and our employment service is equally successful at helping people into work. Our other services help maintain stronger communities, for example, we have carried out a unique piece of mentoring work in a local secondary school which has allowed us to address a particularly difficult antisocial behaviour issue.

Ensuring that our residents' voices are heard has always been important to us and, in the wake of the awful events at Grenfell Tower, we have strengthened this still further and have created a single, group-wide stakeholder panel to guide and inform what we do and to ensure that we are accountable and transparent. We've also used social media so that our customers can 'talk' directly with our Executive Team and we'll continue to do this.

I can't let my first year as Grand Union's Chief Executive pass without thanking our talented and committed staff team. In the throes of major change they have responded brilliantly and have fully embraced the opportunities with tremendous enthusiasm.

I would like to thank Mark Webster, our Chair who stepped down in March 2018 for his support - on behalf of everyone at Grand Union we wish him all the very best for the future. Finally I'd like to thank our hardworking and dedicated team of Board members, led by Harry Walker, for their extremely hard and diligent work throughout the year.

Aileen Evans Chief Executive

The Year at a Glance

New Homes

In 2017-18 we built 270 new homes.

We built:

157
affordable rent homes

113
were for shared ownership

We received over **£10.9m** from shared ownership sales. We spent **£32.4m** on building new homes.

Housing Management

£3.65m
secured for tenants in 2017/18

£1.15m
Housing benefit

£323,320
Universal Credit

£72,880
DHP

Group rent arrears just **1.11%** (as of 31 March 2018 and reported to Housemark).

Existing Homes

38,306 repairs carried out. Our total repairs budget for the year was **£21.5m**.

This year we installed:

141
new kitchens

127
bathrooms / wet rooms

130
new central heating

Community Investment

385
people took part in our training programmes

including Project Mackenzie, Skills4U, mental health support training, youth support and community youth involvement.

Customer Services

110,826
Phone calls answered by our Customer Services Team

4188
tenants have now signed up to My Place Portal

People

We have

320
members of staff

43 have been here for more than **15** years.

Value for Money

We achieved VfM gains of over **£185,000** for 2017-18.

- Total assets worth **£645m**
- Turnover **£73.8m**

Governance

Due to the retirement of former Chief Executive, Alan Humphreys, in June 2017, Mark Webster, former Group Chair, remained in post an additional six months (September 2017 to March 2018) over his fixed term of office. This was the only non-compliance with the NHF 2015 Code of Governance. The Group remains compliant with the regulatory framework and Governance and Financial Viability Standard.

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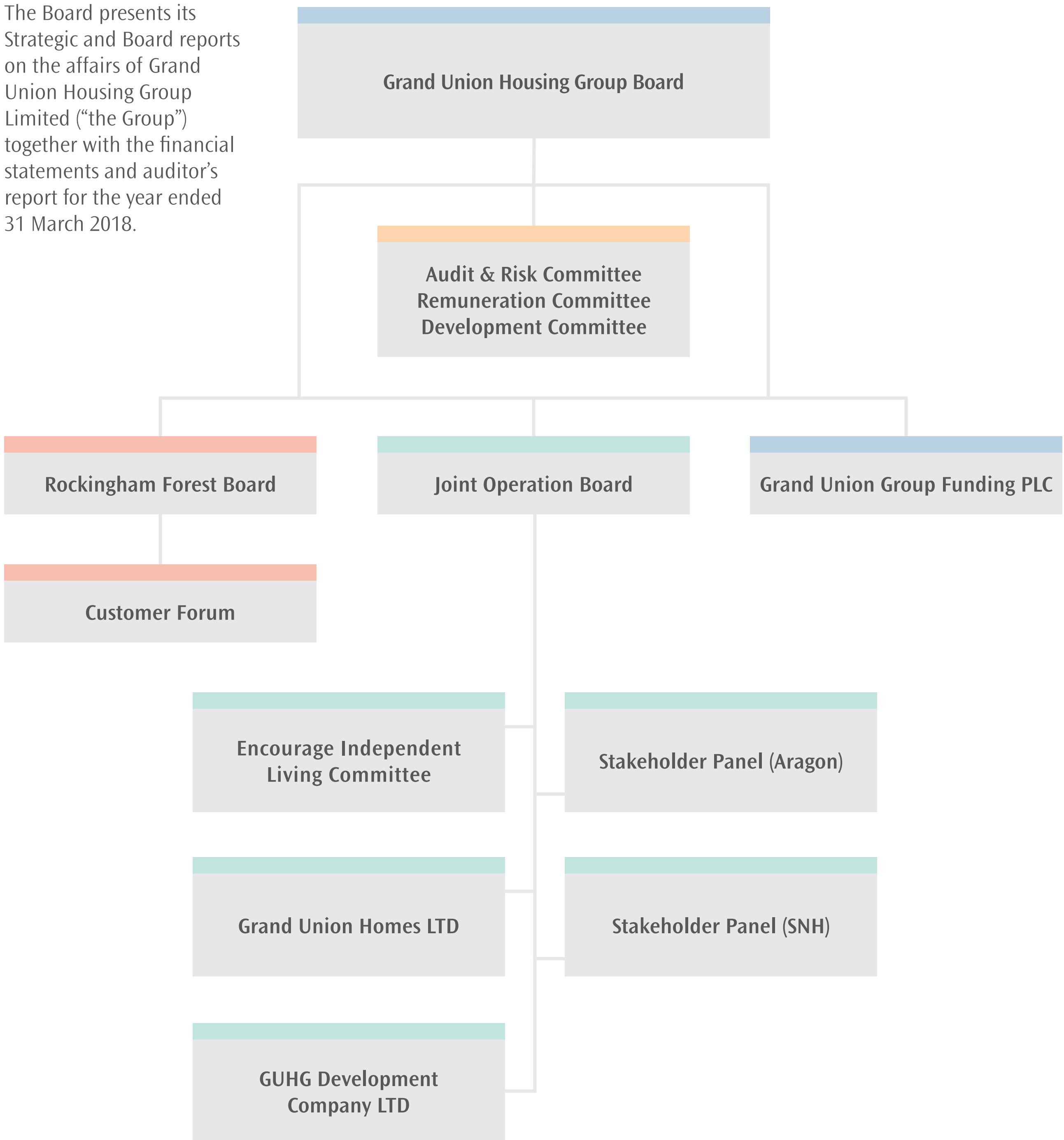
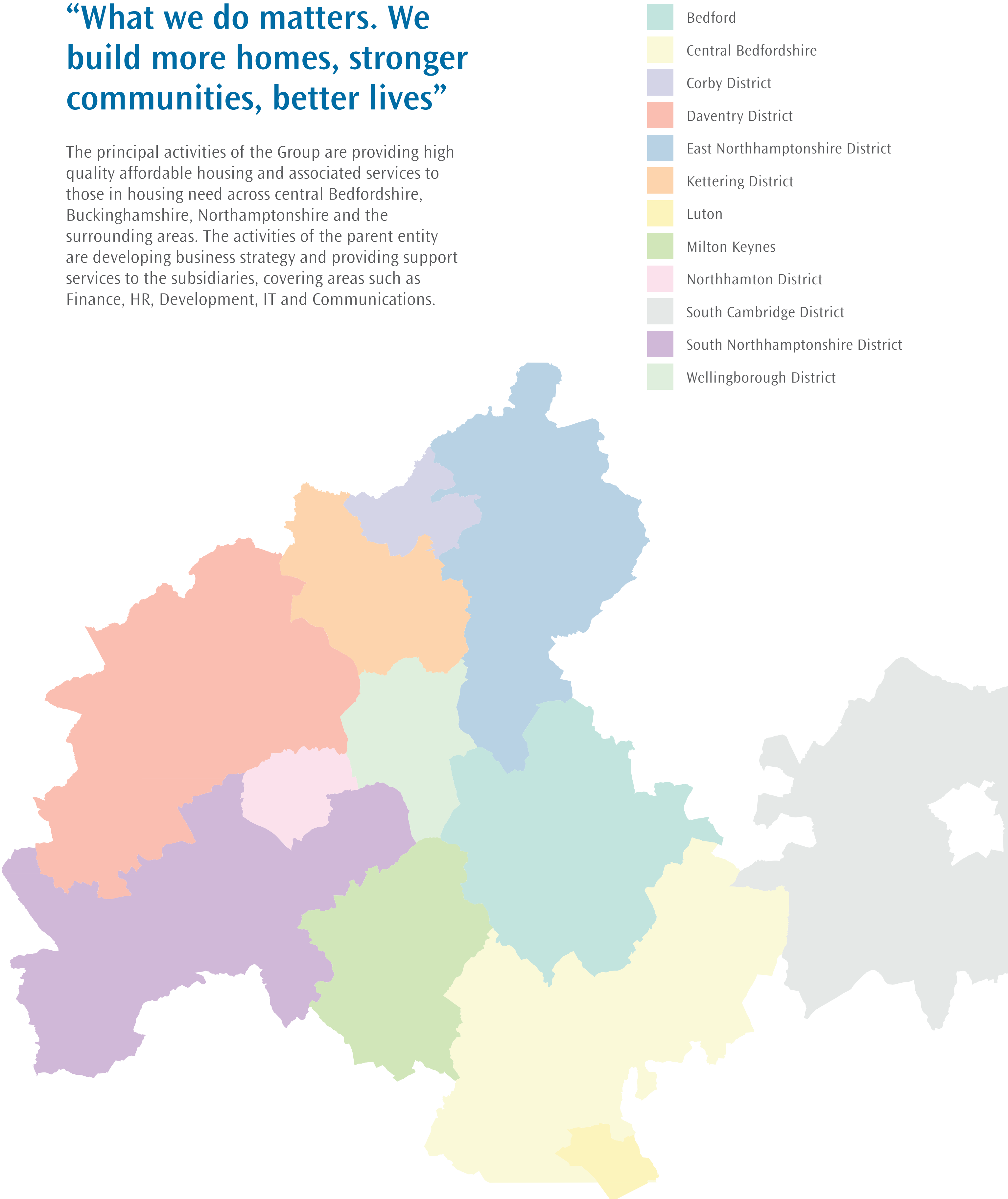
The Board presents its Strategic and Board reports on the affairs of Grand Union Housing Group Limited ("the Group") together with the financial statements and auditor's report for the year ended 31 March 2018.



Our purpose

"What we do matters. We build more homes, stronger communities, better lives"

The principal activities of the Group are providing high quality affordable housing and associated services to those in housing need across central Bedfordshire, Buckinghamshire, Northamptonshire and the surrounding areas. The activities of the parent entity are developing business strategy and providing support services to the subsidiaries, covering areas such as Finance, HR, Development, IT and Communications.



Our Vision

The Group's 2020 Vision is to deliver 'More Homes, Stronger Communities, Better Lives' by:

- Doubling the number of new homes that are built each year by 2020, enabling more people to rent or own a home that they can afford.
- Delivering an ambitious, expanded programme of high quality services that our customers want, in the way that they want to receive them, whilst improving the wellbeing of those who need extra support, particularly the elderly.
- Being a force for positive change by investing in our homes and local communities to reduce fuel poverty, support people into work and provide opportunities for young people.

Giving our employees rewarding careers by investing in them and enabling them to exceed the expectations of our customers.

Our Values

The Group's core values are:

Integrity

- We will deliver our promises and be clear about what we can and cannot do.

Respect

- We will listen to and respect our customers and everyone we work with.

Quality

- We will always aim to provide excellent services and products.

Innovation

- We will look for innovative solutions to resolve problems and deliver outcomes and achieve value for money.

Teamwork

- We believe we can achieve far more by working together.

Strategy, objectives and performance

The Group's key strategic aim is to transform the way we deliver our services to meet the evolving and changing needs of our current and future customers. The Group aims to modernise its business by reviewing all aspects of service delivery, introducing new ways of working and a revised and updated business model, which takes advantage of technological developments to provide an improved digital offer to our customers.

A simplification of the Group's governance will result in consistency in processes and an improved customer offer.

The 'tenant voice' remains at the heart of what we do and will enable us to build more homes and improve the lives and experience of all our existing tenants and future customers.

The five key strategic areas we will concentrate on are:

- New homes
- Existing homes
- Communities and Services
- People
- Governance

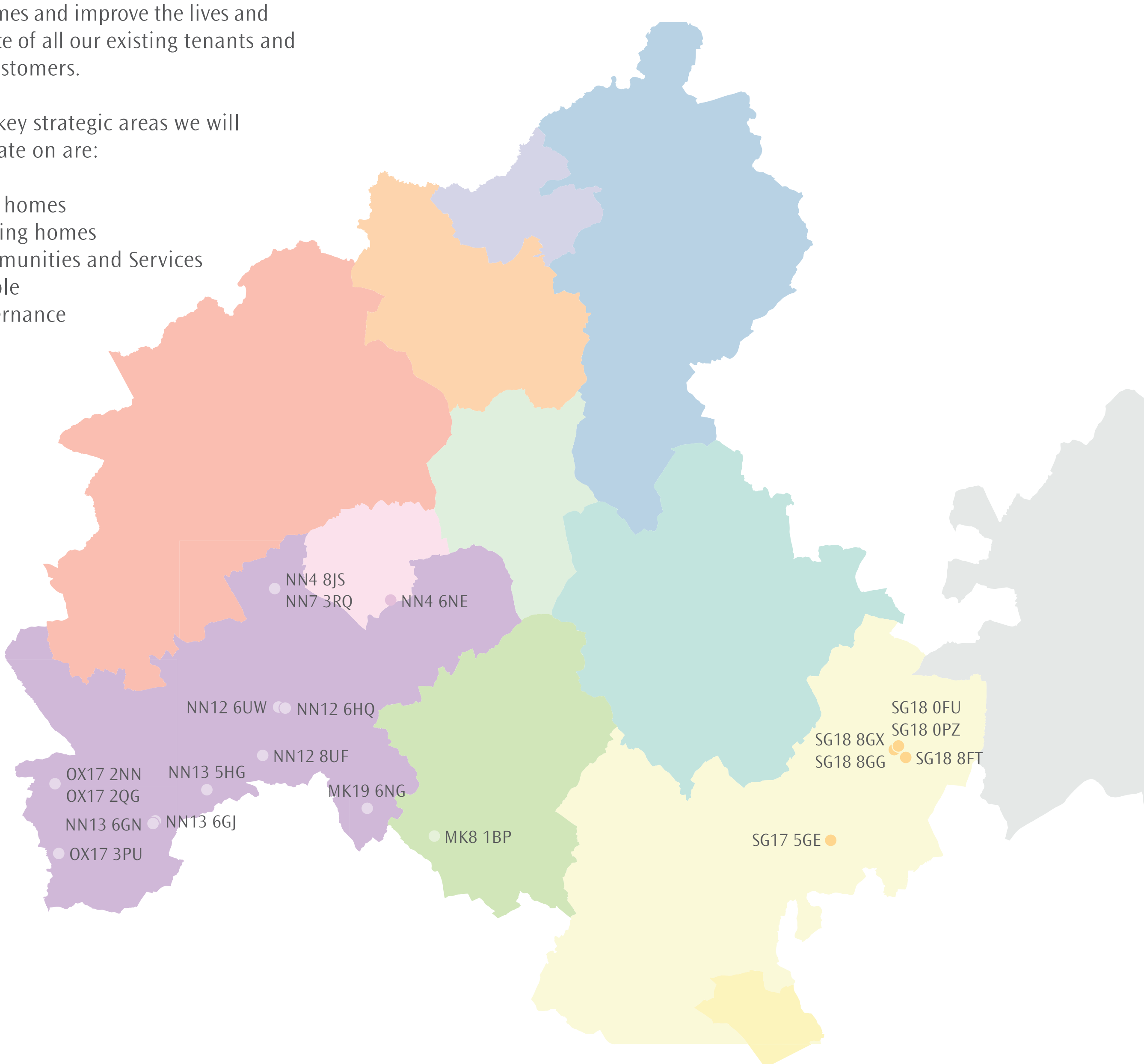
New homes

We are in a housing crisis. The Government's announcement in 2017, giving a rent settlement of CPI +1% from 2020, is welcomed and, together with the financial capacity released by unification, enables us to increase the numbers of homes we deliver.

The Group delivered 270 new homes in 2017/18 across our area of operation, including some in the East Northamptonshire area following the addition of RFH to the Group.

The Group continues to have access to Affordable Housing Grant, through the Homes and Communities Agency as head of a consortium of four other local housing associations which has enabled the significant development programme to continue.

During 2018/19 we are on course to deliver 270 more new homes across the Group with a strong pipeline to follow in subsequent years and our 'New Business Strategy' places greater emphasis on land led opportunities, relationships with local authorities and delivery by partnerships.



Existing Homes

The condition of the Group's homes is continually reviewed, with the results determining a long term repair and component replacement programme.

Component	£'000	Number
Windows & doors	2,989	882
Boilers	1,291	601
Kitchens	1,146	209
Heating systems	568	132
Heat pumps	494	65
Bathrooms	460	135
Roofs	194	55
External insulation	46	6
Wiring	30	17

We will continue to ensure our homes are insulated to a high standard to minimise the impact of fuel poverty for our customers and during 2018/19 will invest in a programme to install air-source heat pumps in our stock where there is no access to gas.

Tenant safety has always been paramount in our service delivery and we will continue to focus on this area ensuring we are accountable for our actions and be transparent in our dealings with customers.

Communities and services

Our Customer 2020 project will be the vehicle for achieving the strategic aim to modernise our business by reviewing all aspects of service delivery.

The Group provides a range of services to support its tenants through the complexities of welfare reform changes which have impacted them. These include direct support and advice and investment in our communities, which has contributed to the continued low level of tenant rent arrears within the Group.

The Customer 2020 project will focus on how these services are delivered, making the best use of technology to maximise the resources we have to enable us to deliver customer excellence at every stage.

We will continue to work to strengthen customer engagement, so we hear the voice of the customer more clearly and ensure that we continue to demonstrate transparency and accountability.

We have continued to provide support to our tenants on welfare benefit and debt advice as part of our commitment to make a difference.

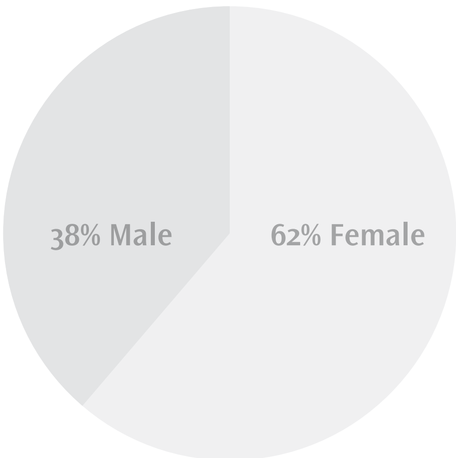
	2017/18	2016/17
Welfare Benefits – Opened Cases	971	1017
Money Advice – Opened Cases	210	204
Benefits Gains for Tenants	£3.647m	£2.721m

People

Our staff are proud to work for the Group and we want our customers to feel this passion. The Customer 2020 programme will involve staff further developing a culture which enables greater flexibility and ensures services are delivered to a consistently high standard.

We will work to ensure Grand Union is the employer of choice, which attracts the right staff who embrace our values and want to grow and achieve their full potential within the organisation.

The Group fully complies with its obligations on Gender Pay Gap reporting, which can be found on our website, and it is pleased to report above sector coverage results.



Governance

The Group Board governs the affairs of Grand Union, which is regulated by the Homes and Communities Agency (HCA). In 2017, the Group retained its highest level ratings from the HCA for both Financial Viability and Governance (G1, V1). The Group continues to be rated A3 stable by Moodys.

The Group Boards have agreed to further streamline the Group by amalgamating the four housing entities, by October 2018. To achieve this, the separate funding arrangements have been renegotiated to unlock considerable extra development capacity for the future. This will also ensure more streamlined decision making and from the customer perspective it will bring the benefits of simpler processes, consistent service delivery and a transparent operational model.

Financial and operational performance analysis

We are financially strong and all the money that we make is reinvested in what we do, delivering more homes and support services for our customers.

Assets	£'000
Housing Properties	555,745
Other Fixed Assets	2,729
Investment Properties	15,485
Intangible Assets	172
Current Assets	71,081
TOTAL	645,212

Financed By	£'000
Debt	305,231
Creditors	26,529
Reserves	282,947
Current Liabilities	13,873
Surplus for the year	16,632
TOTAL	645,212

Group Financial Highlights

Assets	2018 £'000	2017 £'000	2016 £'000
Total Turnover	73,832	70,116	63,908
Operating Costs	46,544	44,201	41,340
Operating Surplus (Deficit)	27,288	25,915	22,568
Comprehensive income for the year	16,632	54,239 *	13,330
Fixed Assets	574,131	551,248	468,780
Net Current Assets	57,208	66,062	81,284
Creditors - More than one year	316,946	319,540	309,656
Revenue Reserve	105,440	80,123	24,746

*Inc £38,292 gain from acquisition of RFH

Value for Money (VfM)

VfM is about achieving the best possible results with the available resources; finding the right balance between cost, quality and effectiveness.

The Regulator for Social Housing (RSH) has introduced a standard set of high level metrics about organisational VfM that enable comparisons to be made across the sector.

These are reported overleaf with further analysis underway on sector benchmarks as they become available for the new metrics. The year on year comparison of results is affected by the acquisition of RFH into the Group mid year in 2016/17.

Value for Money Metrics

Reinvestment remains strong at around 6% but was boosted in the prior year by the acquisition of RFH, where exceptionally high levels were reported. This includes both new supply and investment in existing stock. The provision of new supply of social stock was maintained at over 2% and this will grow to in excess of 3% as the increased development programme is delivered. There will also be future growth in the delivery of non social housing as new tenure streams are developed including market sale homes to complement the market rent portfolio already managed by the Group.

Both gearing and EBITDA MRI have improved over the year in line with the plan as existing resources are converted to assets. This reflects the Group's cautious risk appetite to remain financially strong and ensure sufficient levels of comfort in the business plan. However, the business plan predicts that these measures will not improve until after 2023 when the plan is delivered. Financial golden rules have been set in the revised Treasury Management Policy which require appropriate levels of comfort to be maintained across a variety of measures including gearing and interest cover.

Despite some one off costs as the Group works towards amalgamation of its four housing provider entities, the Headline Social Housing Cost per unit has improved marginally in the year as result of further cost control in key delivery areas. However, the operating margin has been negatively affected for both social housing lettings and overall as a result of the -1% rent cut. This dynamic is predicted to continue for the next two years, particularly as investment in the business transformation programme, Customer 2020, begins over 2018/19.
The board has undertaken a high level review of its VfM metrics against the limited benchmark peer group information currently available as part of a baseline assessment and will be reviewing this in detail as further information is released.

Value for Money Metric

Metric	2017/18	2016/17
Reinvestment %	6.05%	15.63%
New Supply Delivered – Social Housing %	2.34%	2.38%
New Supply Delivered – Non-Social Housing %	0.00%	4.59%
Gearing %	44.89%	46.13%
EBITDA MRI %	186.85%	177.67%
Headline social housing cost per unit £	£3,238	£3,239
Operating Margin – social housing lettings only %	32.56%	34.40%
Operating Margin – overall %	33.73%	35.33%
Return on capital employed (ROCE) %	4.70%	4.38%

Sector Scorecard

The Group is pleased to report consistent year on year performance on the additional Sector Scorecard metrics, although comparisons can no longer be drawn for the traditional customer satisfaction measures as we are in consultation with our customers on revised reporting arrangements. In particular, the Group continues to invest significantly in its communities to create added social value and a balanced approach to stock investment. At the same time, high occupancy levels and rent collection continue to be achieved as a result of the range of support activities on offer such as money advice, welfare benefit and visiting services.

Metric	2017/18	2016/17
Customer satisfaction	92.46%	92.46%
Investment in Communities	£901k	£934k
Occupancy	99.56%	99.67%
Ratio of responsive to planned maintenance spend	0.54	0.50
Rent collected	98.89%	99.56%
Overheads as a % of adjusted turnover	11.05%	10.98%

Customer Satisfaction based on Star Survey undertaken in 2016/17

Group Metrics

The Group has a number of key areas which are highlighted for close monitoring, as part of a comprehensive reporting suite of indicators which covers the whole business. The key areas of focus are outlined below and have received particular focus in 2018 to ensure that the Group remains financially strong and continues to perform and deliver the strategy.

Metric	2017/18	2018/19 Target
Net debt per unit owned	£21,955	£23,598
Maintain arrears below 1.3%	1.19%	1.30%
Improve void re-let times	24.77 days	20 days
Improve repairs completed within target	92.05%	95.00%
Increase customer portal users	2,918	3,750

The net debt per unit provides a measure of the potential additional capacity as the group grows and demonstrates the significant headroom still available in the business plan. Arrears performance remains high with respect to sector norms. However, the actions taken to improve the re-let and repairs turnaround times are still bedding in, although there are indications since the year end that some improvement is now in place. The digital transformation journey is now underway with a growing group of customer portal users now being measured.

Governance

The members of the Board are shown on page 3. Board members are drawn from a wide background, bringing together professional, commercial and local experience.

During the year we implemented Board pay to reflect the significant increase in the demands and responsibility placed on the role over the past few years.

Each Board met formally four times during the year, for regular business, and undertook two strategy workshops, including members from across the Group. In addition to the operating subsidiary Boards, the Group Board was supported during the year by the following committees:

Audit & Risk Committee

The Group's Board has delegated to the Group Audit & Risk Committee the monitoring of the risk management framework and internal controls. The Audit & Risk Committee met quarterly and reports to the Board on its activity throughout the year. The Committee is responsible for recommending the appointment of both internal and external auditors and considers the scope of their work each year. It also receives regular reports from both sets of auditors. The Committee reviews in detail the annual financial statements and recommends them to the Board.

Development & Asset Management Committee

The Group's Development & Asset Management Committee met quarterly to review the development and asset management strategies and new business opportunities and assumptions. The Committee plays an important role in monitoring risk, program delivery and sales on behalf of the Board.

Remuneration & Nominations Committee

The Group's Remuneration and Nominations Committee, which met regularly during the year, has responsibility for remuneration policies and reviews Chief Executive performance and pay. In addition, this committee has been given delegated authority to oversee the preparations for the Group amalgamation, planned for 1 October 2018.


42

Funding Committee

This ad-hoc committee has met during the year to oversee the transition of the funding arrangements to centralised group arrangements. This Committee has been finalised after the year as a key part of the governance structure.

Growth Working Group

During the year, the Group Board established a new committee, the Growth Working Group, to be convened on an ad hoc basis specifically to consider potential merger and acquisition opportunities as they arise. This is in line with the Group's commitment to the voluntary merger code. This group did not meet during the year, but this remit will be clearly identified as an important area of responsibility in the amalgamated Governance structure.

Homes and Communities Agency (HCA) Regulatory Framework

The Board has reviewed its compliance with the Regulatory Framework and confirms that it complies fully with its requirements, subject to the succession of the Chair outlined below.

National Housing Federation Code of Governance

The Board has adopted the National Housing Federation's "Code of governance: Promoting board excellence for housing associations (2015 edition)". The Board has reviewed the code and confirms it complies fully, subject to the succession of the Chair outlined below.

Chair Succession (Provision D2 of the Code)

The Group Chair, Mark Webster, completed nine years service as a Board member in September 2017. This exceptionally coincided with the retirement of the Group's long standing Chief Executive in June 2017. After seeking legal advice and considering alternatives, the Board decided to delay the succession of the existing Chair for a limited period to ensure that there was continuity and stability in the leadership of the Group during the period of transition to the incoming Chief Executive. The Chair's tenure therefore exceeded the maximum set out under Provision D2 of the code by six months.

The Board considered that the risks of both Chair and Chief Executive roles succeeding simultaneously were more onerous than the risks of delayed board renewal, in these exceptional circumstances. In the opinion of the Board, the principles of good governance have been upheld through this short period of non-compliance.

Following a comprehensive and competitive search exercise, the new Chief Executive, Aileen Evans, was appointed on 1 July 2017, promoted from her role as Group Director of Operations. This lead to a subsequent search exercise for a replacement Group Director of Operations from which Phil Hardy was appointed in August 2017.

A new chair has been appointed from April 2018; Harry Walker an experience property professional, who has previously served as Group Vice Chair and Chair of the Development Committee. The Group therefore returned to full compliance at that point.

At 31 March 2018 the Group had issued eleven £1 shares.

Executive Officers

The Executive Officers of the Group have no interest in the Group's share capital and, although they do not have the legal status of Directors, they act as an Executive within the authority delegated by the Board and are termed Director. The Board has delegated the day to day management and the implementation of its strategy and policies to the Group Chief Executive and other senior officers. The Management Team meets regularly and its members attend Boards, Committees and Stakeholder Panels.

Directors' and Officers' Liability Insurance

The Group has purchased Directors' and Officers' Liability Insurance for the Board, Executive Officers and staff of the Group.

Employees

The ability of the Group to meet its objectives and commitments to tenants in an efficient and effective manner depends on the contribution, commitment and quality of its employees. The Group provides training programmes focusing on quality and customer service requirements, while the Group's objectives and progress are discussed at regular management and departmental meetings. Managers throughout the Group attend training to improve their leadership and management skills.

The Group undertakes an annual internal staff survey to ensure the views of staff are shared and understood to promote a culture of high performance.

The Group is committed to equal opportunities for all its employees. Effective employment policies are in place and reviewed on a regular basis. All existing staff have been provided with diversity and inclusion training, whilst new members of staff are trained during the induction process.

The Board is aware of its responsibilities on all matters relating to health and safety. The Group has detailed health and safety policies and provides training to designated staff.

The Governance and Viability Standard

The HCA reconfirmed the status of the Group as G1 V1 in November 2017, indicating that the highest standards of governance and financial viability are being met. The Board and I confirm compliance with this standard subject to the Chair Succession outlined above.

Risk Management

The Board retains ownership of risk management with more detailed scrutiny and challenge being undertaken by the Audit and Risk Committee on its behalf. Risk management is approached with a responsible and long term perspective, actively identifying and managing both risks and opportunities which impact on the key strategic aims, to protect our tenants and assets.

The Board has identified the following strategic risks to the delivery of the Group's plans:

Strategic Area	Risk Area	Comment
New Homes	New Business Growth	The Group has ambitious plans to deliver new homes and the scarcity of land and the complexities of the planning system may affect the levels of development that can be achieved. Partnership working and risk sharing arrangements are being considered as mechanisms to ensure delivery can proceed.
	Market Sales	The Business Plan includes build for sale in controlled numbers which have been thoroughly tested, and within the clearly defined risk appetite for this activity.
	Shared Ownership	Shared ownership has been a highly successful tenure for the Group and remains integral to the delivery ambitions. The Plan has been tested to identify any necessary mitigation such as tenure conversion if market conditions deteriorate.
Existing Homes	Maintain Properties	The Group continues to invest in its stock to ensure the standard is maintained into the future. New materials, components and methods of construction are being reviewed to ensure that required investment levels can be maintained at reduced cost.
	Ensuring optimal use of assets	Formalise development plans for existing properties to create a forward development pipeline, using the strategic asset management tool.
Communities & Services	Transformation Programme and Capability to Change	Implementaion of major change project to delivery of services across the Group will require close project management to achieve the desired objectives and maintain operational performance.
	Goverment Policy	The Group continues to monitor the evolving political landscape and proactively considers the impact changes may have on the Group plans, including potential effects of Brexit.
	Strategic Partners	The Group delivers its strategy working with a large number of government and private partners and continues to build and develop strong and innovative ways of working with these key stakeholders to deliver growth.

Strategic Area	Risk Area	Comment
People	Health & Safety	Health & Safety Committee is now in place, which will report biannually to Audit & Risk Committee.

Strategic Area	Risk	Mitigation Strategy
People	HR Staff Resource	Extra resources are now in place in HR to improve recruitment speed and turnaround.
Governance	Effective Governance by Improving the Line of Sight	Unification of the Boards will simplify the Governance structure, this risk will be mitigated within our risk appetite later in the year.
	Unification	Unification requires significant resources to deliver the revised governance and legal frameworks for the unified Group.
	Business Plan Optimisation	The Group desire to increase the delivery programme of new homes requires modelling and stress testing within the Business Plan.
	Treasury Management	The Group has strengthened the resources to support the impact of unification on the loan portfolio and the annual credit rating assessment and set clear limits for its Treasury Management.

Disclosure of information to the auditor

The Board members at the date of approval of this report has confirmed that:

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

Going Concern

The Group's activities, together with the factors likely to affect its future development, its financial position, financial risk management objectives, details of its financial instruments and derivative activities, and its exposures to credit, liquidity and cash flow risk are described above and in the Board Report. The Group and the Association have considerable financial resources and, as a consequence, the Board believes that the Group is well placed to manage its business risks successfully, despite current uncertainties in the social housing sector.

After making enquiries, the Board expects that the Group and the Association have adequate resources to continue in operational existence for the foreseeable future. Accordingly, it continues to adopt the going concern basis in preparing the financial statements.

Approved by the Board and signed on its behalf by:

Harry Walker
Chair 18 September 2018

Board Report

Details of Grand Union Housing Group Limited principal activities, its financial performance, VfM and factors likely to affect its future are given in the Strategic Report, which preceded this report.

Statement of Board members' responsibilities

The Board has overall responsibility for establishing and maintaining the whole system of internal control and for reviewing its effectiveness within the Group.

The Board recognises that no system of internal control can provide absolute assurance or eliminate all risk. The system of internal control is designed to manage risk and to provide reasonable assurance that key business objectives and expected outcomes will be achieved. It can also give reasonable assurance about the preparation and reliability of financial and operational information and the safeguarding of the Group's assets and interests.

In meeting its responsibilities, the Board has adopted a risk-based approach to internal controls which is embedded within normal management and governance processes. This approach includes the regular evaluation of the nature and extent of risks to which the Group is exposed. The process adopted by the Board in reviewing the effectiveness of the system of internal control together with some of the key elements of the control framework includes:

- Identification and evaluation of key risks – Management responsibility has been clearly defined for the identification, evaluation and control of significant risks. There is a formal and ongoing process of management review in each area of the Group's activities. The Executive Management Team regularly considers reports on significant risks facing the Group and is responsible for reporting to the Board any significant changes affecting key risks.

- Monitoring and corrective action – A process of control self-assessment and regular management reporting on control issues provides hierarchical assurance to successive levels of management and to the Board. This includes a rigorous procedure for ensuring that corrective action is taken in relation to any significant control issues, particularly those with a material impact on the financial statements.

- Control environment and control procedures – The Board retains responsibility for a defined range of issues covering strategic, operational, financial and compliance issues including treasury strategy and new investment projects. The Board has adopted the NHF Code of Governance 2015. In addition the Group has policies with regard to the quality, integrity and ethics of its employees and these are supported by a framework of policies and procedures with which employees must comply.

  These cover issues such as delegated authority, segregation of duties, accounting, treasury management, health and safety, data and asset protection and fraud prevention and detection.

- Information and financial reporting systems – Financial reporting procedures include detailed budgets for the year ahead and forecasts for subsequent years. These are reviewed and approved by the Board. The Board also regularly reviews key performance indicators to assess progress towards the achievements of key business objectives, targets and outcomes.

- Fraud – The Group has in place policies in respect of preventing, detecting and investigating fraud and the Board is satisfied that these effectively manage the risk of fraud. The Group has a Confidential Reporting policy that covers Board members, employees and customers.

The internal control framework and the risk management process are subject to regular review by Internal Audit who is responsible for providing independent assurance to the Board via its Audit & Risk Committee.

During the year the Board has reviewed its risk appetite in detail and reset the parameters within a new Risk Appetite Framework. This more clearly articulates the Board's appetite for taking risks in line with the Group's restated strategy. This has reinforced common understanding and agreement of the nature and size of risks to be taken in the pursuit of corporate objectives across the whole organisation, and in the wide variety of fields and functions of operation.

The Risk Management approach has also been refreshed during the year to further enable more focussed identification of risks and ensure sufficient control mechanisms are in place to minimise potential impacts, where appropriate.

The Board has received the Chief Executive's annual report, has conducted its annual review of the effectiveness of the system of internal control and has taken account of any changes needed to maintain the effectiveness of the risk management and control process. No successful frauds were carried out against the Group in 2017/18 but a number of attempts were prevented by existing controls.

The Board confirms that there is an ongoing process for identifying, evaluating and managing significant risks faced by the Group. This process has been in place throughout the year under review, up to the date of the annual report, and is regularly reviewed by the Board.

Auditor

A resolution to re-appoint Mazars LLP as the Association's external auditor for a further 12 months will be proposed at the Annual General Meeting.

Statement of Compliance

The Board has followed the principles set out in the Statement of Recommended Practice (SORP) for Registered Social Providers 2014. The Group has fully complied with the Accounting Direction for Private Registered Providers of Social Housing 2015.

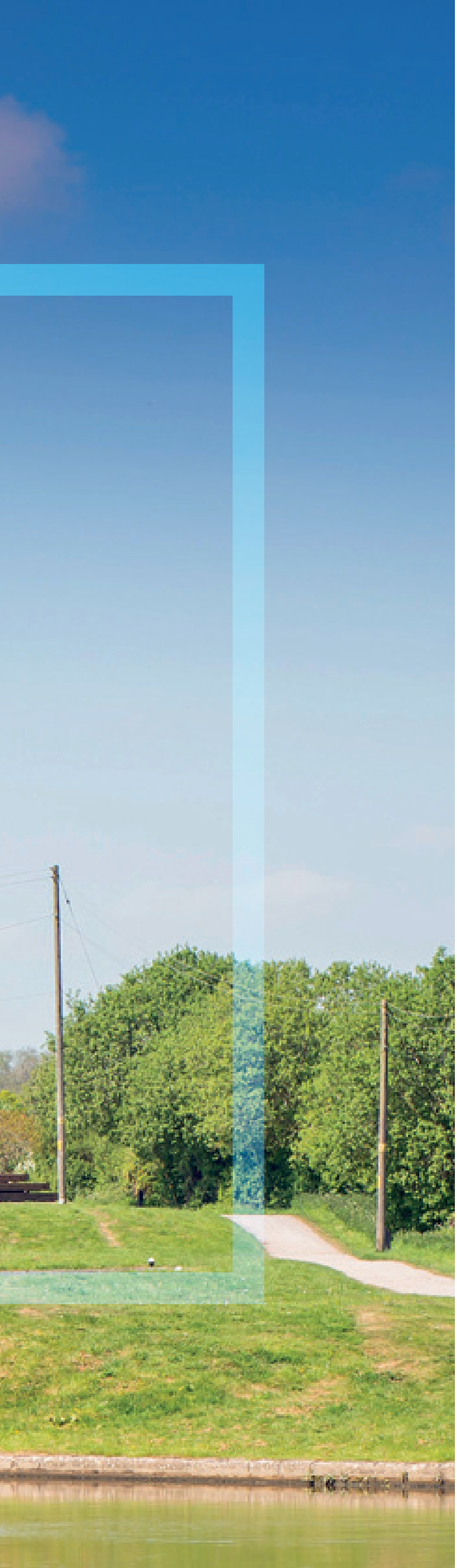
Approved by the Board and signed on its behalf by:

H Walker

Harry Walker 18 September 2018
Chair

Independent Auditor's Report

to the members of
Grand Union Housing Group Limited



We have audited the financial statements of Grand Union Housing Group Limited (the 'parent association') and its subsidiaries (the 'Group') for the year ended 31 March 2018 which comprise the Consolidated Statement of Comprehensive Income, the Association Statement of Comprehensive Income, Consolidated Statement of Financial Position, Association Statement of Financial Position, Consolidated Statement of Changes in Reserves, the Association Statement of Changes in Reserves, the Consolidated Statement of Cash Flows 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 FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- Give a true and fair view of the state of the Group's and of the parent association's affairs as at 31 March 2018 and of the Group's surplus and the parent association's deficit for the year then ended;

- Have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and

- Have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015.

Basis for opinion

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

Conclusions relating to going concern

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

- The Board's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or

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

Other information

The Board is responsible for the other information. The other information comprises the information included in the Board Report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Matters on which we are required to report by exception

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

- The parent association has not kept proper books of account; or

- A satisfactory system of control over transactions has not been maintained; or

- The financial statements are not in agreement with the books of account; or

- We have not received all the information and explanations we require for our audit.

Responsibilities of the Board

As explained more fully in the Statement of the Board's responsibilities set out on page 35, the Board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Use of the audit report

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

Mazars LLP

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

Financial State-ments

Consolidated Statement of Comprehensive Income

	Note	2018 £'000	2017 £'000
Turnover	3	**73,832**	**70,116**
Operating Expenditure	3	(46,554)	(44,201)
Operating Surplus	3	**27,278**	**25,915**
Surplus on disposal of property, plant and equipment	4	2,385	1,141
Finance income	5	465	838
Interest and financing costs	6	(14,113)	(14,000)
Gain from acquisition	27	-	38,292
Surplus on fair value of investment properties	13	-	4,891
Surplus before tax	7	**16,015**	**57,077**
Taxation	10	(10)	(19)
Surplus for the year		**16,005**	**57,058**
Other Comprehensive Income			
Actuarial (deficit)/surplus in respect of defined benefit pension schemes	19	627	(2,819)
Total Comprehensive Income for the year		**16,632**	**54,239**

All of the activity above relates to continuing activities.

Associated Statement of Comprehensive Income

	Note	2018 £'000	2017 £'000
Turnover	3	**5,226**	**4,512**
Operating Expenditure	3	(5,283)	(4,456)
Operating (deficit)/surplus	3	**(57)**	**56**
Finance income	5	-	-
Interest and financing costs	6	(117)	(70)
Deficit before tax	7	**(174)**	**(14)**
Taxation	10	(9)	(19)
Deficit for the year		**(183)**	**(33)**
Other Comprehensive Income			
Actuarial (deficit)/surplus in respect of defined benefit pension schemes	19	148	(1,959)
Total Comprehensive Income for the year		**(35)**	**(1,992)**

All of the activity above relates to continuing activities.
The notes on pages 52 to 97 form an integral part of these financial statements.

Consolidated Statement of Financial Position

	Note	2018 £'000	2017 £'000
Fixed Assets			
Housing Properties	11	555,745	533,083
Other Properties, plant and equipment	12a	2,729	3,080
Investment Properties	13	15,485	15,085
Intangible assets	12b	171	-
		574,130	551,248
Current Assets			
Inventory	15	4,806	3,605
Debtors	16	10,734	15,380
Cash & Cash Equivalents	21	55,542	59,706
		71,082	78,691
Creditors: Amounts falling due within one year	17	(13,873)	(12,629)
Net current assets		57,209	66,062
Total assets less current liabilities		631,339	617,310
Creditors: Amounts falling due after more than one year	18	(316,946)	(319,540)
Defined benefit pension liability	19	(14,814)	(14,823)
Net assets		299,579	282,947
Capital and Reserves			
Share Capital	20	-	-
Revenue Reserve		105,440	80,123
Revaluation Reserve		189,031	197,733
Restricted Reserve		5,108	5,091
Total Reserves		299,579	282,947

The financial statements of Grand Union Housing Group were approved by the Board and signed on its behalf by:

Anna Simpson
Company Secretary

Harry Walker
Chair

Gillian Walton
Vice Chair

Consolidated Statement of Financial Position

	Note	2018 £'000	2017 £'000
Fixed Assets			
Other property, plant and equipment	12a	66	105
Fixed asset investments	14	50	50
Intangible assets	12b	32	-
		148	155
Current Assets			
Debtors	16	1,847	1,893
Cash & Cash Equivalents		215	177
		2,062	2,070
Creditors: Amounts falling due within one year	17	(1,837)	(1,914)
Net current assets		225	156
Total assets less current liabilities		373	311
Defined benefit pension liability	19	(4,503)	(4,406)
Net assets		(4,130)	(4,095)
Capital and Reserves			
Share Capital	20	-	-
Revenue Reserve		(4,130)	(4,095)
Total Reserves		(4,130)	(4,095)

The financial statements of Grand Union Housing Group, registered number IP30388R, were approved by the Board and signed on its behalf by:

Anna Simpson
Company Secretary

Harry Walker
Chair

Gillian Walton
Vice Chair

Consolidated Statement of Changes in Reserves

	Revenue Reserve £'000	Revaluation Reserve £'000	Restricted Reserve £'000	Total Reserves £'000
At 1 April 2017	80,123	197,733	5,091	282,947
Surplus for the year	16,005	-	-	16,005
Other comprehensive income				
Actuarial deficit in respect of defined benefit pension schemes	627	-	-	627
Total comprehensive income	16,632	-	-	16,632
Transfers	8,685	(8,702)	17	-
At 31 March 2018	**105,440**	**189,031**	**5,108**	**299,579**

	Revenue Reserve £'000	Revaluation Reserve £'000	Restricted Reserve £'000	Total Reserves £'000
At 1 April 2016	24,746	197,733	6,229	228,708
Surplus for the year	57,058	-	-	57,058
Other comprehensive income				
Actuarial deficit in respect of defined benefit pension schemes	(2,819)	-	-	(2,819)
Total comprehensive income	54,239	-	-	54,239
Transfer from reserve in relation to capital, drainage and subsidence costs	1,138	-	(1,138)	-
At 31 March 2017	**80,123**	**197,733**	**5,091**	**282,947**

Reserves

Revenue Reserve
The revenue reserve represents cumulative surpluses and deficits of the Group.

Revaluation Reserve
The revaluation reserve relates to cumulative historic valuation uplifts arising before 1 April 2014.

Restricted Reserves
The restricted reserve relates to capital and drainage and subsidence costs set aside for future purposes.

Association Statement of Changes in Reserves

	Revenue Reserve £'000	Total Reserves £'000
At 1 April 2017	(4,095)	(4,095)
Deficit for the year		
Other comprehensive income	(183)	(183)
Actuarial deficit in respect of defined benefit pension schemes	148	148
At 31 March 2018	**(4,130)**	**(4,130)**

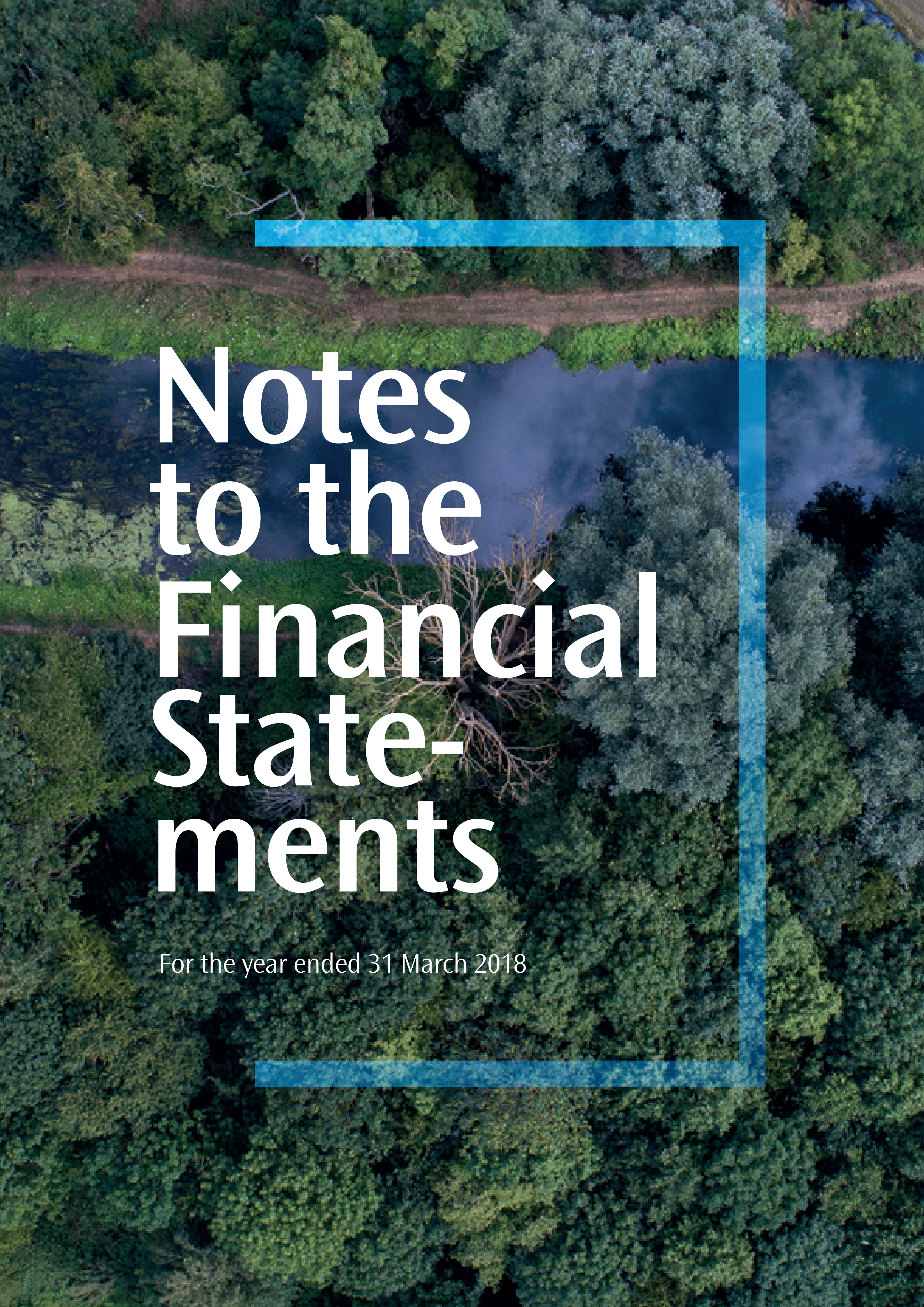
	Revenue Reserve £'000	Total Reserves £'000
At 1 April 2016	(2,103)	(2,103)
Deficit for the year	(33)	(33)
Other comprehensive income		
Actuarial deficit in respect of defined benefit pension schemes	(1,959)	(1,959)
At 31 March 2017	**(4,095)**	**(4,095)**

Revenue Reserves

The Revenue reserve represents cumulative surpluses and deficits of the Group.

Consolidated Statement of Cash Flow

	Note	2018 £'000	2017 £'000
Net Cash Generated from Operating Activities	21	38,677	33,682
Cash flows from financing activities			
Purchase of property, plant and equipment		(34,234)	(45,988)
Purchase of inventory		-	(1,560)
Purchase of investment property		-	(618)
Proceeds from sale of property, plant and equipment		4,441	3,676
Cash acquired from RFH		-	4,106
Grants received		911	356
Interest received		465	838
Net Cash Flows from Investing Activities		(28,417)	(39,190)
Cash flows from financing activities			
Interest paid		(13,782)	(13,570)
New loans/Repayment		(184)	5,301
Loan refinancing cost		(458)	-
Net cash flows from financing activities		(14,424)	(8,269)
Net decrease in cash and cash equivalents		(4,164)	(13,777)
Cash and cash equivalents at beginning of year		59,706	73,483
Cash and cash equivalents at end of year		55,542	59,706



Notes to the Financial Statements

For the year ended 31 March 2018

1. Accounting Policies

Grand Union Housing Group Limited (the 'Association') is a private limited company incorporated and domiciled in England. The address of the registered office is Derwent House, University Way, Cranfield, MK43 0AZ. The registered number is 30388R.

The main activities of the Association are the provision of affordable homes for people in housing need.

The principal accounting policies are summarised on this and the following pages. They have all been applied consistently throughout the year and to the preceding year.

General information and basis of accounting

The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value, in accordance with FRS 102 "The Financial Reporting Standard" applicable in the UK and Republic of Ireland (FRS 102) and comply with the Statement of Recommended Practice for Registered Social Housing Providers 2014 (SORP), the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015. The Group is a public benefit entity, as defined in FRS 102 and applies the relevant paragraphs prefixed 'PBE' in FRS 102.

Grand Union Housing Group meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements, which are presented alongside these consolidated financial statements. Exemptions have been taken in relation to the following:

- A Statement of Cash Flows has not been presented for the parent company FRS102 allows a qualifying entity certain disclosure exemptions, subject to certain conditions, which have been complied with. In preparing the Association's individual financial statements, the Association has taken advantage of the exemption not to provide certain disclosures as required by Section 11 "Basic Financial Instruments" and Section 12 "Other Financial Instrument Issues" and "Related Party Transactions", on the basis that equivalent disclosures are given in the consolidated financial statements.

Basis of consolidation

The Group financial statements consolidate the financial statements of the Association and its subsidiary undertakings drawn up to 31 March each year.

Acquisitions

Business combinations which are considered to be acquisitions are accounted for under the purchase method. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group. All intra-group transactions, balances, income and expenses are eliminated on consolidation. Adjustments are made to eliminate the profit or loss arising on transactions with associated entities to the extent of the Group's interest in the entity. RFH joined the Group on 7 November 2016 and has been accounted for as an acquisition.

Public benefit entity combinations

Combinations carried out at nil consideration are accounted for so that any excess of fair value of the assets received over the fair value of the liabilities assumed is recognised as income within the Statement of Comprehensive Income.

Mergers

A combination in which the controlling parties of the combining entities have come together in a partnership for the mutual sharing of risks and benefits and in which no party to the combination in substance obtained control over any other, or has been otherwise seen to be dominant, is accounted for as a merger. Aragon merged with MacIntyre Housing Association from 1 April 2016.

Property, plant and equipment - housing properties at cost

Housing properties are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes the cost of acquiring land and buildings, directly attributable development costs and borrowing costs directly attributable to the construction of new housing properties during the development calculated at the weighted average cost of capital during 2016/17. Capitalisation ceases when substantially all the activities that are necessary to prepare the asset for use are complete.

Where housing properties were measured at fair value at the date of transition to FRS102 and this valuation was used as deemed cost, taking advantage of the exemption available on transition to FRS 102 from previous UK GAAP, this was considered to be a valuation and a revaluation reserve established to account for the movement.

Depreciation is charged so as to write down the net book value of housing properties to their estimated residual value, on a straight line basis, over their useful economic lives. Freehold land is not depreciated.

Major components

Major components of housing properties, which have significantly different patterns of consumption of economic benefits, are treated as separate assets and depreciated over their expected useful economic lives at the following annual rates:

If the component is replaced before the end of its economic life, the resulting charge will be reflected in the overall depreciation charge rather than a loss on its replacement.

Item	Years
Structure - Standard	100
Structure - Properties built by pre-reinforced concrete method with certificate	50
Structure - Properties built by pre-reinforced concrete method without certificate	10
Roofs	50
Heating systems	40
Doors, windows, bathrooms, lifts, wiring, insulation and high level works	30
Solar panels	25
Kitchens, heat pumps	20
Heating boilers	15

Properties held on long leases are depreciated over their estimated useful economic lives or the lease duration if shorter.

Improvements

Where there are improvements to housing properties that are expected to provide incremental future benefits, these are capitalised and added to the carrying amount of the property. Any works to housing properties which do not replace a component or result in an incremental future benefit are charged as expenditure in surplus or deficit in the Statement of Comprehensive Income.

Sales of Housing Property

Sales of housing property are taken into account on completion of contracts. The surplus or deficit arising from the sale is shown net after deducting the carrying value of the property and any sale related expense.

Non-housing property, plant and equipment

Non-housing property, plant and equipment are stated at historic cost less accumulated depreciation and any provision for impairment. Depreciation is provided on all non-housing property, plant and equipment, other than investment properties and freehold land, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Item	Years
Freehold Offices	50
Office Improvements	25
Office Fixtures	10
Office Heating & Mechanical	5
Furniture & Fittings	5
Vechicles	4
Computer Equipment	3

Intangible assets

Intangible assets are stated at historic cost, less accumulated amortisation. Amortisation is provided on all intangible assets at rates calculated to write-off the cost of each asset on a straight-line basis over its expected useful life, as follows:

Item	Years
Computer software	3

Investment properties

The classification of properties as investment property or property, plant and equipment is based upon the intended use of the property. Properties held to earn commercial rentals or for capital appreciation or both are classified as investment properties. Properties that are used for administrative purposes or that are held for the provision of social housing are treated as property, plant and equipment. Mixed use property is separated between investment property and property, plant and equipment.

Land is accounted for based on its intended use. Where land is acquired speculatively with the intention of generating a capital gain and/or a commercial rental return it is accounted for as investment property. Where land is acquired for use in the provision of social housing or for a social benefit it is accounted for as property, plant and equipment.

Investment properties are measured at fair value annually with any change recognised in surplus or deficit in the Statement of Comprehensive Income.

Impairment of social housing properties

Properties held for their social benefit are not held solely for the cash inflows they generate and are held for their service potential.

The Group has identified a cash generating unit for impairment assessment purposes at a property scheme level.

An assessment is made at each reporting date as to whether an indicator of impairment exists. If such an indicator exists, an impairment assessment is carried out and an estimate of the recoverable amount of the asset is made. Where the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recognised in surplus or deficit in the Statement of Comprehensive Income. The recoverable amount of an asset is the higher of its value in use and fair value less costs to sell. Where assets are held for their service potential, value in use is determined by the present value of the asset's remaining service potential plus the net amount expected to be received from its disposal. Depreciated replacement cost is taken as a suitable measurement model.

An impairment loss is reversed if the reasons for the impairment loss have ceased to apply and is included in surplus or deficit in the Statement of Comprehensive Income.

Social housing grant and other government grants

Where grants are received from government agencies such as the Homes and Communities Agency, local authorities, devolved government agencies, health authorities and the European Commission which meet the definition of government grants, they are recognised when there is reasonable assurance that the conditions attached to them will be complied with and that the grant will be received. Government grants are recognised using the accrual model and are classified either as a grant relating to revenue or a grant relating to assets.

Grants relating to revenue are recognised in income on a systematic basis over the period in which related costs for which the grant is intended to compensate are recognised. Where a grant is receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support with no future related costs, it is recognised as revenue in the period in which it becomes receivable.

Notes to Financial Statements

Grants relating to assets are recognised in income on a systematic basis over the expected useful life of the asset. Grants received for housing properties are recognised in income over the expected useful life of the housing property structure. Where a grant is received specifically for components of a housing property, the grant is recognised in income over the expected useful life of the component.

Grants received from non-government sources are recognised as revenue using the performance model.

Recycling of grants

Where there is a requirement to either repay or recycle a grant received for an asset that has been disposed of, a provision is included in the Statement of Financial Position to recognise this obligation as a liability. When approval is received from the funding body to use the grant for a specific development, the amount previously recognised as a provision for the recycling of the grant is reclassified as a creditor in the Statement of Financial Position.

For shared ownership staircasing sales, when full staircasing has not taken place, the recycling of the grant may be deferred if the net sales proceeds are insufficient to meet the grant obligation relating to the disposal and is not recognised as a provision. On subsequent staircasing sales, the requirement to recycle the grant becomes an obligation if sufficient sales proceeds are generated to meet the obligation and a provision is recognised at this point.

On disposal of an asset for which government grant was received, if there is no obligation to repay the grant, any unamortised grant remaining within liabilities in the Statement of Financial Position related to this asset is derecognised as a liability and recognised as revenue in surplus or deficit in the Statement of Comprehensive Income.

Restricted reserves

Where reserves are subject to an external restriction they are separately recognised within reserves as a restricted reserve. Revenue and expenditure is included in surplus or deficit in the Statement of Comprehensive Income and a transfer is made from the general reserve to the restricted reserve.

Leased assets

At inception the Group assesses agreements that transfer the right to use assets. The assessment considers whether the arrangement is, or contains, a lease based on the substance of the arrangement.

Sales of housing property

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Payments under operating leases are charged to surplus or deficit in the Statement of Comprehensive Income on a straight-line basis over the period of the lease.

Interest payable

Borrowing costs are interest and other costs incurred in connection with the borrowing of funds. Borrowing costs are calculated using the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of a financial instrument and is determined on the basis of the carrying amount of the financial liability at initial recognition. Under the effective interest method, the amortised cost of a financial liability is the present value of future cash payments discounted at the effective interest rate, and the interest expense in a period equals the carrying amount of the financial liability at the beginning of a period multiplied by the effective interest rate for the period.

Taxation

The majority of the Group's activities are charitable and are conducted through the Registered Provider subsidiaries which have charitable status. No taxation is payable on such activities relating to charitable purposes. Any charge for taxation is based on the surplus/deficit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax on a full provision basis.

Value Added Tax (VAT)

The Group is registered for VAT but a large proportion of its income, including rents, is exempt for VAT purposes. The majority of the Group's expenditure is subject to VAT which cannot be reclaimed and expenditure is therefore shown inclusive of VAT where appropriate. Those areas where VAT is recoverable, a Group partial exemption formula has been agreed with HM Revenue and Customs (HMRC) and has been applied for RFH from January 2017. The recoverable amount is credited against the relevant expenditure.

Pensions

Local Government Pension Scheme

The Group participates in a local government pension scheme which is a multi-employer scheme where it is possible for individual employers as admitted bodies to identify their share of the assets and liabilities of the pension scheme. For this scheme the amounts charged to operating surplus are the costs arising from employee services rendered during the period and the cost of plan introductions, benefit changes, settlements and curtailments. They are included as part of staff costs. The net interest cost on the net defined benefit liability is charged to revenue and included within finance costs. Re-measurement comprising actuarial gains and losses and the return on scheme assets (excluding amounts included in net interest on the net defined benefit liability) are recognised immediately in other comprehensive income.

Defined benefit schemes are funded, with the assets of the scheme held separately from those of the Group, in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit credit method. The actuarial valuations are obtained at least triennially and are updated at each reporting date. This scheme was closed to new members from 1 April 2013.

Multi-employer defined benefit pension scheme – Social Housing Pension Scheme

The newest subsidiary in the Group, RFH participates in an industry wide multi-employer defined benefit pension scheme where the scheme assets and liabilities cannot be separately identified for each employer. This is accounted for as a defined contribution scheme as there is insufficient information available to account for the scheme as defined benefit. For this multi-employer scheme, there is a contractual agreement between the scheme and the Group that determines how the deficit will be funded and a liability is recognised in the Statement of Financial Position and the resulting expense in surplus or deficit in the Statement of Comprehensive Income for the present value of the contributions payable that arise from the agreement to the extent that they relate to the deficit.

Defined contribution scheme

The Group participates in a defined contribution scheme where the amount charged to surplus or deficit in the Statement of Comprehensive Income in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the Statement of Financial Position.

Turnover

Turnover represents rent and service charges receivable (net of rent and service charge losses from voids), fees for housing management services, assistive technology and disposal proceeds of current assets such as shared ownership first tranche sales at completion. Service charge, housing management service and assistive technology services income is recognised when expenditure is incurred as this is considered to be the point at which the service has been performed and the revenue recognition criteria met.

For newly developed properties, rental income is recognised when properties become available for letting, net of any voids. Income from first tranche sales of shared ownership properties and sales of properties built for sale is recognised at legal completion of the sale.

Supported housing and other managing agents

Where the Group has ownership of a supported housing or other scheme but also has an agreement with a third party to manage the scheme (including Supporting People funded schemes or services), where there has been a substantial transfer of the risks and benefits attached to the scheme to the third party, any scheme revenue and expenditure is excluded from these financial statements.

Shared ownership property sales

Shared ownership properties, including those under construction, are split between non-current assets and current assets. The split is determined by the percentage of the property to be sold under the first tranche disposal which is shown on initial recognition as a current asset, with the remainder classified as a non-current asset within property plant and equipment. Where this would result in a surplus on the disposal of the current asset that would exceed the anticipated overall surplus, the surplus on disposal of the first tranche is limited to the overall surplus by adjusting the costs allocated to current or non-current assets.

Proceeds from first tranche disposals are accounted for as turnover in the Statement of Comprehensive Income of the period in which the disposal occurs and the cost of sale is transferred from current assets to operating costs. Proceeds from subsequent tranche sales are treated as disposals of fixed assets.

Inventories/WIP

Inventories and work in progress (WIP) relate to the percentage of shared ownership properties to be sold under the first tranche disposal which is shown on initial recognition as a current asset under Inventories/WIP. These properties held for sale are measured at the lower of cost and estimated selling price less costs to complete and sell. Cost includes materials, direct labour and an attributable proportion of overheads based on normal levels of activity.

Financial instruments

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

Financial assets carried at amortised cost

Financial assets carried at amortised cost comprise rent arrears, trade and other receivables and cash and cash equivalents. Financial assets are initially recognised at transaction value plus directly attributable transaction costs. After initial recognition, they are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial.

If there is objective evidence that there is an impairment loss, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced accordingly.

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

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

Financial liabilities carried at amortised cost

These financial liabilities include trade and other payables and interest bearing loans and borrowings.

A financial liability is initially recognised at transaction value adjusted for any directly attributable transaction cost and subsequently measured at amortised cost using the effective interest method, with interest-related charges recognised as an expense in finance costs in the Statement of Comprehensive Income. Discounting is omitted where the effect of discounting is immaterial.

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

Loan issue costs relating to the housing loans and bond issue are amortised to the Statement of Comprehensive Income over the repayment period of the loans. Interest payable on the loans and bond is charged to the Statement of Comprehensive Income in the year it is due.

On long-term lending, the interest rate to be charged is calculated by reference to the interest rates, margins and banking charges within the loan agreements, with the funders, on the day the loan is made.

Public benefit entity concessionary loans

Where loans are made or received between a public benefit entity within the Group or an entity within the public benefit entity group and other party at below the prevailing market rate of interest that are not repayable on demand and are for the purposes to further the objectives of the public benefit entity or public benefit entity parent, these loans are treated as concessionary loans and are recognised in the Statement of Financial Position at the amount paid or received and the carrying amount adjusted to reflect any accrued interest payable or receivable.

Cash and cash equivalents

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

2. Significant management judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Significant management judgements

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

Impairment of social housing properties

The Group has to make an assessment as to whether an indicator of impairment exists. In making the judgement, management considered the detailed criteria set out in the SORP.

From 1 April 2016, the Group reduced social housing rents by one per cent per annum and will continue to do so in each year until 2019/20 in accordance with the Welfare Reform and Work Act 2016. Despite cost efficiency savings and other changes to the Group's business, compliance with the new rent regime has resulted in a loss of net income for certain social housing property. This is a trigger for impairment.

In accordance with paragraphs 14.43 to 14.45 of the Housing SORP 2014, the Group is required to make the following disclosure:

a) Judgements made in defining the cash-generating unit

b) Estimation technique and judgement used in measuring recoverable amount

c) When Value in Use-SP is used to estimate the recoverable amount, the key assumptions used and details of the method used.

The Group estimated the recoverable amount of its housing properties as follows:

(a) Determined the level at which the recoverable amount is to be assessed (ie the individual asset level or at cash-generating unit (CGU) level). The CGU was determined to be an individual scheme

(b) Estimated the recoverable amount of the CGU

(c) Calculated the carrying amount of the CGU and

(d) Compared the carrying amount to the recoverable amount to determine if an impairment loss had occurred.

Based on this assessment, the Group calculated the Depreciated Replacement Cost (DRC) of each social housing property scheme, using appropriate construction costs and land prices. Comparing this to the carrying amount of each scheme, there was no impairment of social housing properties.

Categorisation of investment properties

Property assets are classified as investment property or property, plant and equipment depending on the intended use of the property. In determining the intended use of each property, management considers various factors in making this judgement such as whether the asset is held for social benefit at below a market rent for the wider benefit of the community and whether the properties are subsidised and operated at a loss in order to continue providing a service. The accounting treatment will be different depending upon the categorisation.

Classification of financial instruments between basic and other

Financial instruments are classified as either basic or other, with differing accounting treatments depending on the classification. Section 11 of FRS 102, ‘Basic Financial Instruments’, sets out the requirements for the recognition, measurement and derecognition of basic financial instruments and the conditions that must be satisfied in order to classify a financial instrument as basic and therefore account for it in accordance with Section 11.

Modification of financial liabilities

Where the Group has modified a loan agreement, an assessment is carried out as to whether the modification results in substantially different terms. If it does, the loan is de-recognised and a new financial liability recognised. If the new terms are not considered substantially different, there is a re-measurement of the financial liability using the original effective interest rate. In making this assessment, judgement is applied in considering a combination of quantitative and qualitative factors.

Capitalisation of property development costs

The Group capitalises development expenditure in accordance with the accounting policy on housing properties. Judgement is exercised over the likelihood that projects will continue.

Mixed tenure developments

Where the Group develops mixed tenure development schemes including more than one element, the costs incurred in acquiring and developing the land are attributed to each element of the scheme depending on the intended usage to reflect the different tenure types.

Estimation uncertainty

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Fair value measurement

Management uses valuation techniques to determine the fair value of assets. This involves developing estimates and assumptions consistent with how market participants would price the instrument. Management base the assumptions on observable data as far as possible but this is not always available. In that case, management uses the best information available. Estimated fair values may vary from the actual process that would be achievable in an arm's length transaction at the reporting date.

Provisions

Provisions are only recognised where the Group has an obligation to incur future expenditure as a result of a past event. The provision is recognised as a liability in the Statement of Financial Position. These would include Service Charge Sinking Funds and provision for subsidence cover.

Valuation of investment properties

The Group carries its investment property at fair value and engages independent valuers to determine fair value using a valuation technique based on a discounted cash flow model. The calculated fair value of the investment property therefore uses assumptions, of which the most sensitive relate to the estimated yield and the long term vacancy rate.

Defined benefit pension scheme

The Group has obligations to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors, including life expectancy, salary increases and the discount rate on corporate bonds. Management estimates these factors in determining the net pension obligation in the balance sheet. The assumptions reflect historical experience and current trends. Variations in these assumptions could significantly impact the liability.

Inventory

Inventory includes properties for sale under market sale and shared ownership programmes. In addition the Group holds work in progress on schemes where properties are being developed for sale. The value of each asset is assessed for impairment by review against its selling price less costs to complete and sell and each scheme in progress against expected proceeds less costs to be incurred.

Components of housing properties and useful lives

Major components of housing properties have significantly different patterns of consumption of economic benefits and estimates are made to allocate the initial cost of the property to its major components and to depreciate each component separately over its useful economic life.

The Group considers whether there are any indications that the useful lives require revision at each reporting date to ensure that they remain appropriate.

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

2018	Turnover £'000	Operating Costs £'000	Operating Surplus £'000
Social Housing Lettings (Note 3B)	58,998	(37,413)	21,585
Other Social Housing			
1st Tranche Property Sales	10,901	(7,285)	3,616
Leasehold Properties	88	(275)	(187)
Development	-	(116)	(116)
Community Services	-	(901)	(901)
Other Assistive Technology	510	(222)	288
Activities other than social housing			
Garages	1,216	(48)	1,168
Market Rent Accommodation	854	(130)	724
Solar Panel Feed in Tariff	455	(24)	431
Other	644	-	644
Management Services	166	(140)	26
Total	73,832	46,554	27,278

2017	Turnover £'000	Operating Costs £'000	Operating Surplus £'000
Social Housing Lettings (Note 3B)	56,289	(35,784)	20,505
Other Social Housing			
1st Tranche Property Sales	10,277	(6,691)	3,586
Leasehold Properties	69	(275)	(206)
Development	-	(50)	(50)
Community Services	-	(934)	(934)
Other Assistive Technology	482	(216)	266
Activities other than social housing			
Garages	1,231	(62)	1,169
Market Rent Accommodation	540	(96)	444
Solar Panel Feed in Tariff	425	(22)	403
Other	724	-	724
Management Services	79	(71)	8
Total	**70,116**	**(44,201)**	**25,915**

Association 2018	Turnover £'000	Operating Costs £'000	Operating Surplus £'000
Management Services	5,226	(5,154)	72
Pension costs	-	(129)	(129)
Total	**5,226**	**(5,283)**	**(57)**

Association 2017	Turnover £'000	Operating Costs £'000	Operating Surplus £'000
Management Services	4,512	(4,444)	68
Pension costs	-	(12)	(12)
Total	**4,512**	**(4,456)**	**56**

3B. Particulars of Income and Expenditure from social housing lettings - Group

	2018 Total £'000	2017 Total £'000
Income		
Rents receivable	56,869	54,266
Supporting People	107	244
Service charge income	1,944	1,722
Amortised government grant	78	57
Turnover from Social Housing Lettings	**58,998**	**56,289**
Expenditure		
Management	6,565	5,697
Service charge costs	4,191	3,346
Routine maintenance	8,642	8,550
Planned maintenance	3,454	3,521
Major repairs expenditure	4,621	5,490
Bad debts	207	243
Write out components	461	684
Depreciation of housing properties	8,739	7,880
Depreciation - Other	413	-
Amortised intangible assets	31	-
Pension	89	(90)
Operating costs	**37,413**	**35,784**
Operating surplus social housing lettings	**21,585**	**20,505**
Void losses	**309**	**432**

4. Surplus on disposal of property, plant and equipment – Group

	2018 £'000	2017 £'000
Sale of property	4,363	3,159
Sales proceeds from the sale of land	78	89
Costs of sale	(2,056)	2,107
Surplus on disposal	**2,385**	**2,107**

5. Finance Income

	Group 2018 £'000	Group 2017 £'000	Association 2018 £'000	Association 2018 £'000
Bank Interest Receivable	465	838	-	-
Total	**465**	**838**	**-**	**-**

6. Interest and Financing Costs

	Group 2018 £'000	Group 2017 £'000	Association 2018 £'000	Association 2018 £'000
Interest Payable on Loans and Overdrafts	(15,361)	(15,112)	-	-
Interest Payable to Group Member	-	-	(1)	(3)
Net interest on defined benefit liability (see note 19)	(388)	(370)	(116)	(67)
Borrowing Cost Capitalised	1,636	1,482		-
Total	**(14,113)**	**(14,000)**	**(117)**	**(70)**

Borrowing costs on properties during construction have been capitalised based on a capitalisation rate of 5.2% (2017: 5.2%).

7. Surplus on oridinary activities before taxation

Surplus on ordinary activities before taxation is stated after charging:

	Group 2018 £'000	Group 2017 £'000	Association 2018 £'000	Association 2017 £'000
Depreciation of housing properties	9,200	8,564	-	-
Depreciation of other property, plant and equipment	414	463	56	58
Amortised government grants	(78)	(66)	-	-
Amortised intangible assets	31	-	6	-
Auditor fees – Statutory	58	51	16	24
Auditor fees – Other	56	14	1	5
Operating lease rentals - hire of motor vehicles	27	10	-	5
(Surplus) on disposal of fixed assets	(2,385)	(1,141)	-	-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8. Staff Costs

	Group 2018 £'000	Group 2017 £'000	Association 2018 £'000	Association 2017 £'000
Wages and salaries	9,155	8,618	2,568	2,243
Social security costs	977	936	267	246
Other pension costs (see note 19)	1,914	1,506	580	409
Total	**12,046**	**11,060**	**3,415**	**2,898**

The full time equivalent number of staff who received emoluments, excluding pension contribution, in excess of £60,000 are as shown below.

Salary Band	Group 2018	Group 2017	Association 2018	Association 2017
60,000 - 69,999	4	2	2	2
70,000 - 79,999	7	5	2	2
100,000 - 109,000	-	1	1	1
110,000 - 119,999	1	2	1	-
120,000 - 130,999	1	-	-	-
160,000 - 169,999	-	1	-	1

The average full time equivalent number of employees was:

	Group 2018	Group 2017	Association 2018	Association 2017
Total	287	279	63	56

The basis of the calculation of the full time equivalents was the total number of working hours per week from all employees at the reporting date, divided by a standard working week.

9. Board and Executive Directors’ remuneration

Directors are defined as Board Members and the Executive Management Team, who are key management personnel. Board member remuneration was introduced during 2017/18 (plus travel expenses of £6.4k) with allowance levels set by the Board for different roles.

The Executive Management Team are ordinary members of either the defined benefits or defined contribution pension schemes and have no enhancements or special terms. No further contributions are made to an individual pension arrangement for the Directors.

Non-Executive Board Member	£'000	GUHG	JOB	RFHA	Development & Assets	Remuneration & Nomination	Audit & Risk	GUHG Funding	GU Homes Ltd	GUHG Dev Co	Encourage ILC
Mark Webster	12.0	•			•	•		•	•	•	
Harry Walker	8.0	•			•	•			•	•	
Gillian Walton	8.0	•	•			•					•
Kami Nuttall	7.0	•					•				
Dawn Cummins	6.5	•		•		•					
James MacMillan	5.5	•				•	•				
Richard Broomfield	5.2	•	•		•				•	•	
Steven Hird	5.0								•		
Peter Fielder	4.3		•	•							
Nicola Ewen	4.0			•			•				
John Edwards	3.8	•					•				
Timothy Knights	3.5		•								•
Brent O’Halloran	3.1		•	•							
Clive Williams	3.0	•	•				•	•			
James Jamieson	2.8		•								
Vanessa Connolly	2.5	•									•
Thomas Mudd	2.5			•	•		•				
Graham Smith	2.2	•									
Thomas Mason	2.0			•							
Ursula Morris	2.0			•							
Colet Kiss	2.0										•
Jean Bartlett	2.0										•
David Willis	1.8		•		•						
Harpreet Chander	1.8		•								
David Aaronson	1.0										•
Emma Killick	1.0										•

Total Directors' Remuneration	Group 2018 £'000	Group 2017 £'000	Association 2018 £'000	Association 2017 £'000
Wages and salaries	391	532	272	269
Social security costs	55	72	35	35
Pension Payments	49	50	35	12
Compensation for loss of office	-	87	-	-
Total	**495**	**741**	**342**	**316**

Remuneration of the highest paid director (excluding pension contributions)	Group 2018 £'000	Group 2017 £'000	Association 2018 £'000	Association 2017 £'000
Group Chief Executive	151	160	151	160

Included in the 2017 remuneration paid to the Group Chief Executive was an amount of £16,000 in lieu of pension.

10. Tax on Surplus on Ordinary activities

The Group has charitable status for tax purposes and no liability to Corporation Tax arises on its charitable activities. In 2017/18 financial year, the group paid tax of £10k (2017: £19k) that related to its non charitable activities. In the opinion of the directors, the tax payable by the Group is not material and therefore full disclosures have not been provided for.

11. Tangible fixed assets – housing properties - Group

	Housing Properties £'000	Land & Housing Properties Under Construction £'000	Leasehold Properties £'000	Shared Ownership £'000	Shared Ownership Under Construction £'000	Total £'000
Cost						
At 1 April 2017	523,525	22,710	61	36,804	6,980	590,080
Additions	-	17,520	-	-	8,679	26,199
Invest Property	-	(400)	-	-	(400)	-
Schemes completed	27,805	(27,805)	-	12,725	(12,725)	-
Improvements	7,758	-	-	93	-	7,851
Disposals	(2,368)	-	-	(471)	-	(2,839)
At 31 March 2018	**556,720**	**12,025**	**61**	**49,151**	**2,934**	**620,891**
Depreciation						
At 1 April 2017	(55,696)	-	(13)	(1,288)	-	(56,997)
Charge for the year	(8,682)	-	(2)	(55)	-	(8,739)
Disposals	546	-	-	44	-	590
At 31 March 2018	**(63,832)**	**-**	**(15)**	**(1,299)**	**-**	**(65,146)**
Net Book Value						
At 31 March 2018	492,888	12,025	46	47,852	2,934	555,745
At 31 March 2017	467,829	22,710	48	35,516	6,980	533,083

Freehold land and buildings with an Existing Use Value-Social Housing of £483.9 million (2017: £456.1 million) have been pledged to secure borrowings of the Group, which is excess to the covenant requirement. The Group is not allowed to pledge these assets as security for other borrowings or to sell them to another entity.

Analysis of works to existing properties	2018 £'000	2017 £'000
Capitalised: replacement of components	7,240	7,298
Capitalised: improvements	611	918
Charged to Statement of Comprehensive Income	2,397	3,333

12a. Property, Plant & Equipment - other - Group

	Freehold Offices £'000	Fixtures & Fittings £'000	Vehicles £'000	Computer Equipment £'000	Total £'000
Cost					
At 1 April 2017	3,141	452	918	2,458	6,969
Additions	-	-	11	68	78
Disposals	-	-	(121)	(25)	(146)
At 31 March 2018	**3,141**	**452**	**808**	**2,501**	**6,901**
Depreciation					
At 1 April 2017	(801)	(451)	(710)	(1,927)	(3,889)
Charge for the year	(63)	(1)	(71)	(279)	(414)
Disposals	-	-	105	25	130
At 31 March 2018	**(864)**	**(452)**	**(676)**	**(2,181)**	**(3,605)**
Net Book Value					
At 31 March 2018	2,277	-	132	320	2,729
At 31 March 2017	2,340	1	208	531	3,080

Property, Plant & Equipment - other - Association

	Computer Equipment £'000	Total £'000
Cost		
At 1 April 2017	300	300
Additions	17	17
Disposals	(2)	(2)
At 31 March 2018	**315**	**315**
Depreciation		
At 1 April 2017	(195)	(195)
Charge for the year	(56)	(56)
Disposals	2	2
At 31 March 2018	**249**	**249**
Net Book Value		
At 31 March 2018	66	66
At 31 March 2017	105	105

12b. Intangible Assets - Group

	IT Software £'000
Cost	
At 1 April 2017	-
Additions	201
At 31 March 2018	**201**
Amortisation	
At 1 April 2017	-
Charge for the year	(30)
At 31 March 2018	**(30)**
Net book value	
At 31 March 2018	171
At 31 March 2017	-

Intangible Assets - Association

	IT Software £'000
Cost	
At 1 April 2017	-
Additions	38
At 31 March 2018	**38**
Amortisation	
At 1 April 2017	-
Charge for the year	(6)
At 31 March 2018	**(6)**
Net book value	
At 31 March 2018	32
At 31 March 2017	-

13. Investment Properties - Group

Valuation	2018 £'000	2017 £'000
At 1 April	15,085	5,187
Transfer from RFH	-	4,186
Transfer from Housing Properties	400	203
Additions	-	618
Fair value surplus	-	4,891
Carrying value at 31 March	**15,485**	**15,085**

Investment properties were valued by Berrys to fair value at 31 March 2017, but have not revalued them for 31 March 2018 as there has not been a significant change in property values over the last 12 months. These are independent valuers with recent experience in the location and class of the investment property being valued. The method of determining fair value was in accordance with the RICS Valuation – Professional Standards (January 2014 Edition) (the "RedBook") and significant assumptions were as follows:

a) That the properties are in a good condition and well managed and maintained to institutionally acceptable standards; and
b) That the properties comply with legal or statutory consents. There are no restrictions on the realisability of investment property.

14. Fixed Asset Investments - Association

Valuation	2018 £'000	2017 £'000
At 1 April	50	50
At 31 March	**50**	**50**

Principal Group investments

The parent association and the Group have investments in the following subsidiary undertakings which principally affected the surpluses or net assets of the Group

Subsidiary Undertakings	Principal activity	Holding %
Grand Union Group Funding Plc	Access funding	100
Aragon Housing Association Limited	Registered Provider of Housing	100
South Northants Homes Limited	Registered Provider of Housing	100
Rockingham Forest Housing Association Limited	Registered Provider of Housing	100
*Grand Union Homes Limited	Market sales of properties	100
*GUHG Development Limited	Design and build activities	100

* held directly by Aragon Housing Association Limited

15. Inventories - Group

	2018 £'000	2017 £'000
Work in progress/Inventories	4,806	3,605
	4,806	**3,605**

An amount of interest of £1,067k (2017: £1,108k) is included in work in progress and the amount of inventories recognised as an expense in the year was £7,285k (2017: £6,691k).

16. Debtors

	Group 2018 £'000	Group 2017 £'000	Association 2018 £'000	Association 2017 £'000
Amounts falling due within one year:				
Rent arrears	1,906	1,763	-	-
Provision for bad debts	(1,085)	(965)	-	-
Housing Benefit	11	1,061	-	-
Cash due from collecting agencies	187	392	-	-
	1,019	**2,251**	**-**	**-**
Other debtors	571	997	48	30
Amounts owed by Group undertakings	-	-	1,488	1,660
Prepayments and accrued income	781	627	311	203
	2,371	**3,875**	**1,847**	**1,893**
Amounts falling due after more than one year:				
South Northants Council	3,849	6,900	-	-
Bedford Citizens Housing Association	4,514	4,605	-	-
	8,363	**11,505**	**-**	**-**
Total Debtors	**10,734**	**15,380**	**1,847**	**1,893**

No disclosure has been made of the net present value of rental arrears subject to repayment plans as the amount is considered to be insignificant.

As part of the South Northants stock transfer agreement, South Northants Homes entered into an agreement with the Council for the refurbishment of the transferring housing stock. The contract for this refurbishment was originally valued at £59.5m. The respective debtor and creditor balances in relation to this contract are shown above in note 16 and below in note 18.

The Group has a long term loan owing from Bedford Citizens Housing Association for the provision of an older persons scheme to support the delivery of housing for vulnerable residents in the Bedford area.

17. Creditors – amounts falling due within one year

	Group 2018 £'000	Group 2017 £'000	Association 2018 £'000	Association 2017 £'000
Rents received in advance	1,801	1,379	-	-
Housing Loans	220	355	-	-
Amounts owed to Group members	-	-	737	38
Other Creditors	1,620	2,687	1,011	1,742
Goverment Grants - Received in advance	78	66	-	-
Accruals and deferred income	10,154	8,142	89	134
Total	**13,873**	**12,629**	**1,837**	**1,914**

The amounts owed to Group members are unsecured, interest free, have no fixed date of repayments and are repayable on demand.

18. Creditors – amounts falling due after more than one year - Group

	2018 £'000	2017 £'000
Housing Loans	192,121	192,218
Bond	113,110	113,063
Government Grants	7,508	6,463
Disposal Proceeds fund	613	680
Development Agreement (SNC)	3,849	6,900
SHSP Pension Deficit Liability	200	240
Loan Issue Costs	(455)	(24)
Total	**316,946**	**319,540**

Housing Loans

At 31 March 2018, £192.4 million (of the total facility of £217.4 million) had been drawn down, of which £158.1 million was fixed at interest rates between 2.84% and 7.38%. £34.3 million was at variable rates. These Housing Loans are secured by a fixed charge on a proportion of the assets of the Group.

Housing Loans are repayable as follows:	2018 £'000	2017 £'000
Bank Loans		
Between one and two years	3,500	1,576
Between two and five years	13,876	17,747
After five years	174,745	172,895
On demand or within one year	220	355
Total	**192,341**	**192,573**

Bonds

On 4 December 2013, Grand Union Group Funding Plc successfully issued a £115m bond at a coupon of 4.625% with repayment after 30 years in 2043. The bond was issued at a discount of 0.578% so that funds of £114.3m were received.

The bond discount and costs of issue are amortised over the term of the bond, 30 years, with Grand Union Housing Group Limited being liable to Grand Union Group Funding Plc for both.

The cost of issuing the bond was £1.4m leaving a net balance of £112.9m. This was on-lend to Grand Union Housing Group Limited to enable Aragon to repay some of its existing loans and to fund future development. The effective interest rate, and actual interest rate, associated with the listed bond and on-lent funds is 4.7948% and 4.625% respectively. The underlying assets of the issuance belong to Grand Union Housing Group Limited through a security trust arrangement with the Prudential Trustee Company Ltd.

Government Grants - Deferred Income	2018 £'000	2017 £'000
Original Capital Grant Value		
At 1 April	6,529	5,345
Grants receivable	1,143	1,250
Amortisation to Statement of Comprehensive Income	(78)	(66)
To Recycled Capital Grant	(8)	-
At 31 March	**7,586**	**6,529**
Due within 1 year (note 17)	78	66
Due after 1 year (note 18)	7,508	6,463
Total	**7,586**	**6,529**

Capital grants received are recorded as deferred income and amortised to turnover within the Statement of Comprehensive Income. The period of amortisation is the remaining years of useful economic life for the building structure from its date of construction, or at the time of its acquisition, if this is later.

Recycled Capital Grant and Disposal proceeds fund	2018 £'000	2017 £'000
Opening Balance	680	481
Grant Recycled	154	363
Interest Accrued	-	-
New Build (Grant Utilised)	(233)	(164)
Carried Forward	**601**	**680**
Grants to be recycled less than 1 year (note 17)	-	-
At End of the Year	**601**	**680**

19. Retirement Benefit Schemes

Since April 2013, Grand Union Housing Group has offered to all new employees a defined contribution pension scheme, the Grand Union Aviva Pension Plan. During 2017/18 the Association paid £63,514 (2017: £63,377) on behalf of employees who have joined the scheme, whilst throughout the Group £257,973 (2017: £215,952) has been paid. There were no outstanding payments due at 31 March 2018.

For Group, Aragon and SNH employees who had joined a pension scheme prior to 31 March 2013

The Group participates in two pension schemes as an "Admitted Body", the local authority pension schemes run by Bedfordshire (BCC) and Northamptonshire (NCC) County Councils. These schemes provide benefits based on final pensionable pay for employees of all participating organisations. Both pension schemes are multi-employer defined benefit schemes and are funded and contracted out of the state scheme. Contributions are determined by a qualified actuary (Hymans Robertson) on the basis of triennial valuations using the "projected unit credit" method.

The latest available valuations were as at 31 March 2017 and these showed the overall actuarial value of the scheme's assets at that date of £37,647k (market value). The actuarial value was sufficient to cover 75% of the benefits that had accrued to members and past members of the pension schemes.

Key assumptions used:	Northamptonshire Scheme 2018 £'000	Northamptonshire Scheme 2017 £'000	Bedfordshire Scheme 2018 £'000	Bedfordshire Scheme 2017 £'000
Discount Rate	2.70	2.60	2.70	2.60
Future Pension Increases	2.40	2.40	2.40	2.40

Mortality Assumptions

Investigations have been carried out within the past three years into the mortality experience of the Group's defined benefit schemes. These investigations concluded that the current mortality assumptions include sufficient allowance for future improvements in mortality rates. The assumed life expectations on retirement at age 65 are:

	Northamptonshire Scheme Valuation at 2018 £'000	Northamptonshire Scheme Valuation at 2017 £'000	Bedfordshire Scheme Valuation at 2018 £'000	Bedfordshire Scheme Valuation at 2017 £'000
Retiring Today:				
Males	22.1	22.1	22.4	22.4
Females	24.2	24.2	24.5	24.5
Retiring in 20 Years:				
Males	23.9	23.9	24.0	24.0
Females	26.1	26.1	26.2	26.2

Amounts recognised in the Statement of Comprehensive Income in respect of these defined benefit schemes are as follows:

	Group 2018 £'000	Group 2017 £'000	Association 2018 £'000	Association 2017 £'000
Current Service Cost	1,827	1,229	498	302
Net Interest Cost	388	370	116	67
Recognised in other comprehensive income	(627)	2,819	(148)	1,959
Total cost relating to defined benefit scheme	**1,588**	**4,418**	**466**	**2,328**

The amount included in the Statement of Financial Position arising from the Group's obligations in respect of its defined benefit retirement benefit schemes is as follows:

	2018 £'000	2017 £'000
Present value of defined benefit obligations	59,792	58,374
Fair value of scheme assets	(44,978)	(43,551)
Net liability recognised in the Statement of Financial Position	14,814	14,823
The Association liability is £4,503k (£4,406k in 2017)		

Movements in the present value of defined benefit obligations were as follows:

	2018 £'000	2017 £'000
At 1 April	58,374	49,347
Service Cost	1,824	1,229
Interest Cost	1,531	1,696
Actuarial gains and losses	(1,208)	6,825
Contributions from scheme participants	337	361
Benefits paid	(1,053)	(1,071)
Unfunded benefits paid	(13)	(13)
At 31 March	**59,792**	**58,374**

Movements in the fair value of scheme assets were as follows:

	2018 £'000	2017 £'000
At 1 April	43,551	37,647
Actuarial gains and losses	(584)	4,006
Return on plan assets (excluding amounts included in net interest cost)	1,143	1,326
Contributions from the employer	1,597	1,282
Contributions from scheme participants	337	361
Benefits paid	(1,066)	(1,071)
At 31 March	**44,978**	**43,551**

The analysis of the scheme assets at the Statement of Financial Position date was as follows:

	Fair value of assets 2018 £'000	Fair value of assets 2017 £'000
Equity instruments	27,862	27,948
Debt instruments	6,920	6,601
Property	4,151	3,584
Cash	6,045	5,418
Total	**44,978**	**43,551**

The Pension Schemes have not invested in any of the Group's own financial instruments or assets.

For employees of RFH

The Group participates in the Social Housing Pension Scheme (SHPS), administered by The Pensions Trust, a multi-employer scheme which provides benefits to some 500 non-associated employers. The scheme is a defined benefit scheme in the UK.

It is not possible for the company to obtain sufficient information to enable it to account for the scheme as a defined benefit scheme. Therefore it accounts for the scheme as a defined contribution scheme.

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

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

A full actuarial valuation for the scheme was carried out at 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 to the scheme.

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 1 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 1 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 1 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 1 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.

The Association has a contractual obligation under an agreement to pay additional deficit payments to SHPS of up to £42k per annum.

In calculating the net present value of the liability included within provisions the Association has used a discount rate based on a market rate AA corporate bond for the same period as the contractual obligations. The rates applicable for the current and previous financial year are overleaf.

	2018 per annum	2017 per annum
Rate of Discount	1.72%	1.33%

Reconciliation of opening and closing balances	2018 £'000	2017 £'000
At 1 April	271	293
Unwinding of the discount factor (interest expense)	4	6
Deficit contribution paid	(39)	(37)
Remeasurements – impact of change in discount rate	(4)	9
At 31 March	**232**	**271**

The analysis of the scheme assets at the Statement of Financial Position date was as follows:

Income and expenditure impact	2018 £'000	2017 £'000
Interest expense	(4)	(6)
Remeasurements – impact of change in discount rate	4	(9)
At 31 March	**-**	**(15)**

The following schedule details the deficit contributions agreed between the company and the scheme at each year end period:

Deficit contributions Schedule

Year ending	31st March 2018 (£000s)	31st March 2017 (£000s)	31st March 2016 (£000s)
Year 1	40	39	37
Year 2	42	40	39
Year 3	35	42	40
Year 4	28	35	42
Year 5	29	28	35
Year 6	23	29	28
Year 7	17	23	29
Year 8	17	17	23
Year 9	9	17	17
Year 10		9	17
Year 11			9

The company must recognise 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 account i.e. the unwinding of the discount rate as a finance cost in the period in which it arises. It is these contributions that have been used to derive the company's balance sheet liability.

20. Share capital - Association

	2018 £'000	2017 £'000
At beginning of year	8	6
Issued during the year	3	2
At end of year	**11**	**8**

The share capital of the Association consists of shares with a nominal value of £1 each, which carry no rights to dividends or other income. Shares in issue are not capable of being repaid or transferred. When the shareholder ceases to be a member that person's share is cancelled and the amount paid up thereon becomes the property of the Association. No shareholders have any rights in the residual interest in the assets of the Association after deducting all liabilities.

21. Statement of Cash Flows - Group

	2018 £'000	2017 £'000
Cash flow from operating activities		
Surplus for the year	16,015	57,077
Adjustment for non-cash items:		
Depreciation of property, plant and equipment	9,144	8,343
Components replaced	500	718
Decrease / (increase) in debtors	7,914	(3,721)
Decrease / (increase) in inventories	(1,201)	(79)
Increase / (decrease) in creditors	(5,043)	(19)
Pension costs less contributions payable	502	237
Carrying amount on disposal of property, plant & equipment	2,056	2,107
(Increase) / decrease in fair value of investment property	-	(4,891)
Net asset value from acquisition of RFH	-	(38,292)
Development Admin – RTB Sale	(73)	-
Movements in working capital	**8,863**	**12,202**
Cash generated by operations	**38,677**	**33,682**
Cash and cash equivalents		
Cash at bank and in hand	55,542	59,706
Cash and cash equivalents	55,542	59,706

22. Financial Commitments

Capital Commitments are as follows

	Group 2018 £'000	Group 2017 £'000	Association 2018 £'000	Association 2018 £'000
Contracted for but not provided for	32,127	27,751	-	-
Approved by the directors but not contracted for	28,815	19,562	-	-
Total	**60,942**	**47,313**	-	-

The total amount contracted for at 31 March 2018 in respect of new dwellings relates to approved schemes for which grant approval has been received and is covered by cash balances.

Total future minimum lease payments under non-cancellable operating leases are as follows:

Payments due:	Group 2018 £'000	Group 2017 £'000	Association 2018 £'000	Association 2018 £'000
Within one year	164	27	-	-
Between one and five years	769	94	-	-
In five years or more	84	108	-	-
Total	**1,017**	**229**	-	-

23. Housing Properties - Group

Owned	2018 Units	2017 Units
Housing accommodation below affordable rent	7,430	9,555
Housing accommodation at affordable rent	591	448
Housing accommodation at intermediate rent	73	73
Housing accommodation for particular client groups	2,493	392
Shared ownership accommodation	677	573
Housing accommodation at market rent	109	109
Housing accommodation owned at the end of the year	**11,373**	**11,150**

Managed	2018 Units	2017 Units
Housing accommodation below affordable rent	46	-
Housing accommodation at affordable rent	-	-
Housing accommodation at intermediate rent	54	-
Housing accommodation for particular client groups	131	-
Shared ownership accommodation	45	-
Housing accommodation at market rent	9	-
	11,658	**11,150**

24. Related party transactions

There were no Tenant or Leaseholder Members of the Group Board as at 31 March 2018.

There were no Board members nominated by local authorities.

Grand Union Housing Group Limited has taken advantage of the exemption permitted by Section 33 Related Party Disclosures to not disclose transactions with entities which are wholly owned members of the Group.

25. Ultimate Controlling Party

The ultimate controlling party of the Grand Union Housing Group Limited is the Board of Grand Union Housing Group Limited. The Annual Financial Statements of the Group and Association are publicly available and copies are available upon request from the registered office and website.

Grand Union Housing Group is the ultimate controlling party of:

Aragon Housing Association Limited, a charitable housing association regulated by the Homes and Communities Agency.

Grand Union Homes Limited, a non regulated private company, limited by shares registered in England and Wales, set up to sell homes on the open market. Its immediate parent company is Aragon Housing Association Limited.

GUHG Development Company Limited, a non regulated private company, limited by shares registered in England and Wales, set up to provide design and build services on behalf of the Group. Its immediate parent is Aragon Housing Association Limited.

South Northants Homes Limited, a charitable housing association regulated by the Homes and Communities Agency.

Grand Union Group Funding Plc, a non regulated public limited company, registered in England and Wales, formed to on-lend all proceeds of a bond issue to Aragon Housing Association Limited.

Rockingham Forest Housing Association Limited, a charitable housing association regulated by the Homes and Communities Agency.

26. Financial instruments

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

	2018 £'000	2017 £'000
Financial Assets		
Debt instruments measured at amortised cost	7,189	8,818
Financial Liabilities		
Instruments measured at amortised cost	319,026	317,844

27. Acquisition of Rockingham Forest Housing Association Limited (RFH)

On 7 November 2016 the Group acquired RFH. RFH retained its board and now operates as an entity within the group.

On the date of acquisition RFH had net assets with a fair value of £38.292m

28. Post balance sheet event

On 17 July 2018 the boards of Grand Union Housing Group, Aragon Housing Association, South Northants Homes and Rockingham Forest Housing Association agreed to an amalgamation to take place in October 2018.


Alford Place

Grand Union
Housing Group

Email: help@guhg.co.uk
Web: www.guhg.co.uk

Tel: 0300 123 55 44

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